



COST IMPACTS AFFECTING EMPLOYMENT

OUTCOMES IN ALBERTA

Considerations regarding further provincial minimum wage increases.

On behalf of the Alberta Chambers of Commerce (ACC) federation, we respectfully submit recommendations to the Government of Alberta as it considers increases to the Provincial Minimum Wage in 2016. These recommendations reflect the priorities and concerns of the ACC and the 128 community chambers of our federation who represent over 24,000 businesses in the Province of Alberta.

The ACC is unique in Canada in that every community chamber in Alberta is a member of the provincial federation as well as the Canadian Chamber of Commerce.

Minimum Wage Increase Survey

Introduction

On October 1, 2015, the Alberta Government increased the provincial minimum wage from \$10.20 to \$11.20 per hour, \$9.20 to \$10.70 per hour for liquor servers, bringing Alberta's minimum wage from the second lowest to third highest across provinces and territories. This change reflected a 2015 election campaign commitment to increase the minimum wage to \$15 per hour by 2018.

In February, 2016, the Alberta Chambers of Commerce conducted its second survey of businesses regarding the impacts of minimum wage increases. The response was significant with nearly 800 qualified respondents.

Cost impacts and competitive pressures affecting Alberta's labour market outcomes

Businesses were asked about recent changes impacting them since October 1, 2015, and the extent to which those changes were caused by minimum wage increases. They were also surveyed on their expectations about the future given further increases. Highlights of the survey included:

- Since October 1, 2015, nearly 80% of respondents experienced negative changes to their business, with the top five factors affecting these changes identified as: slowing economic activity, minimum wage increases, decreases in oil prices, devaluation of the Canadian Dollar and tax increases.
- The top five changes were identified as: reduced profits, increased prices, reduced number of workers employed, higher pay for workers being paid above minimum wage and limited promotions and/or advancement of existing employees.
- On average, businesses indicated the October 1, 2015, increase in minimum wage had resulted in an additional cost of \$21,456.05 to their business with an average cost per employee of \$835.76 per year.
- For businesses of 50 or fewer employees, the cost per employee is significantly higher at \$1,224.91, and is expected to rise nearly 285% to \$3,490.24 per employee with a minimum wage of \$15 per hour.
- Of respondents who had laid off workers since October 1, 2015, two thirds had laid off only minimum wage earners and expected this trend to continue with further minimum wage increases.

Since October 2015, Alberta's economic environment has changed dramatically due to a substantial drop in the price of oil and other factors, including a higher corporate tax rate and a devaluation of the Canadian Dollar. These cumulative pressures have resulted in Alberta's highest unemployment rate since 1996, 7.4% as of January 2016, surpassing the national average for the first time since 1988.ⁱ Businesses are struggling to keep people employed while facing higher costs, lower access to capital and slowing consumer demand.

Respondent's outlook doesn't improve as they consider the welfare of their employees and business with a \$15 per hour minimum wage by 2018. A majority indicate they will have to lay more employees off and nearly half indicate they will have to further limit employee advancement and benefits. One in ten indicate their business could close entirely.

Unintended consequences for Albertans

Raising the minimum wage will also result in decreased access to federal tax benefits for minimum wage earners. A brief tax analysis (see Appendix A) shows increasing minimum wage from its current rate of \$11.20 to \$15 per hour results in nearly one third of the additional wages paid being transferred as taxes to the federal government with reduced tax benefits such as those available under the *Working Income Tax Benefit*, *GST* and *Canadian Child Tax Benefit*.

Policy options regarding further provincial minimum wage increases

Given commitments to support both minimum wage earners *and* job creators, there is a range of policy options available for improving the labour market outcomes of minimum wage earners:

1. **Continue to raise the minimum wage to \$15 and place further cost pressures on job creators** that make it harder for them to sustain their workforce and provide opportunity to employees. This approach also has the disadvantages of transferring Albertans earnings to the federal government in taxes and providing diminishing returns for minimum wage earners with lost federal tax benefits. As such, further legislated wage increases are inefficient in improving workforce outcomes and unduly benefit federal coffers.
2. **Maintain status quo as a leading Canadian jurisdiction in minimum wage standards** and index minimum wage increases with to the Consumer Price Index (CPI). This would minimize dollars going to the federal government and relieve job creators from another layer of costs with legislated wage increases. Minimum wage earners would be shielded from cost of living increases and benefit from improved labour market conditions. Up to 63.06% of survey respondents would support a minimum wage increase of 3% or less.
3. **Use an outcomes based approach to position Alberta as the national minimum wage leader** by enhancing the *Alberta Family Employment Benefit* and implementing a provincial version of the federal *Working Income Tax Benefit*. This approach would raise the effective minimum wage for adult earners and enable job creators to focus on addressing other pressures hurting Albertans' labour market outcomes.

Funding budgeted to create a Job Creation Incentive Program (JCIP) could cover the costs of provincial tax credits aimed at supporting adult minimum wage earners. With approximately 26 000 minimum wage earners 19 years or older in Albertaⁱⁱ, redirecting the \$178 Million budgeted for a JCIP to fund adult minimum wage earner's provincial tax benefits would bring the effective minimum wage for these earners up another \$1.71 per hour to \$12.91 per hour over the next two years.

An effective minimum wage of \$12.91 per hour would be the highest in Canada, followed by \$12.50 per hour in the NWT and a distant \$11.25 per hour in Ontario. This would also have the effect of not further affecting federal benefits such as the *Working Income Tax Benefit*, *GST* and *Canadian Child Tax Benefit*.

Summary

Job creators in the province are currently struggling to do just that – create jobs. For most, they are struggling just to keep the staff they have. Given the current and anticipated economic realities in Alberta, further cost increases to business as a result of raising the minimum wage hurts Albertans.

For the most vulnerable within Alberta's economy, minimum wage earners and small businesses, this survey's results indicate minimum wage increases negatively and disproportionately impact their employment outcomes and viability. Raising the minimum wage to \$15 per hour results in diminishing economic returns for Albertans due to lost federal benefits and negative impacts to other employee categories.

The Alberta Chambers of Commerce recommends that the Government of Alberta:

1. Consider the cumulative costs to businesses of various new policies as well as new economic realities in considering an optimal minimum wage for Alberta;
2. Delay any implementation of a minimum wage increase until all options for raising the effective minimum wage for adult minimum wage earners have been explored in consultation with business.

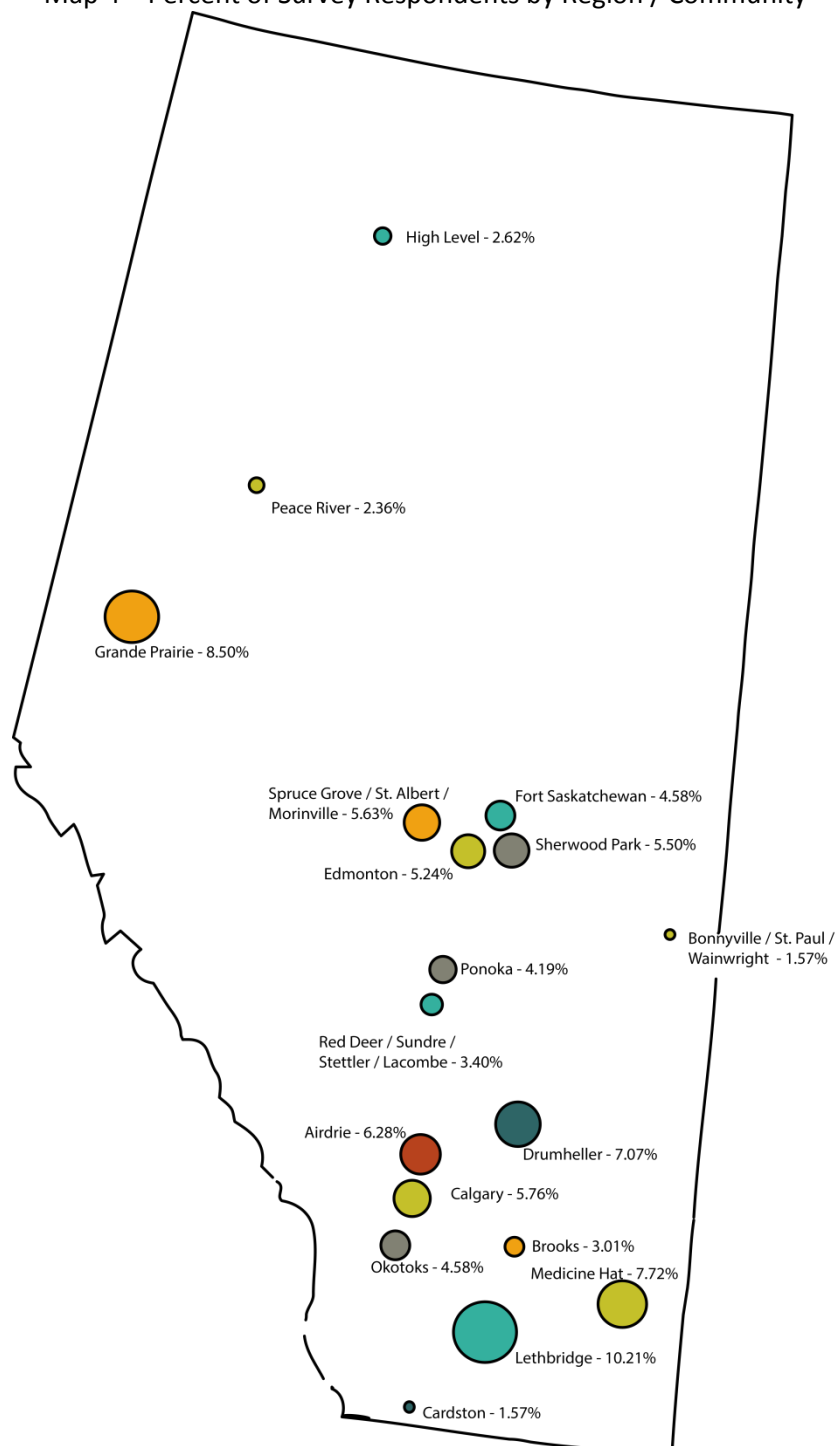
By focusing on outcomes, there are options for improving minimum wage earner's economic capacity while also honouring commitments to support job creators and the employment outcomes of all Albertans.

Respondents Profile

Location of Responding Businesses

Business were located throughout Alberta as seen on the map below. About 9.16% of respondents were from communities not indicated on the map.

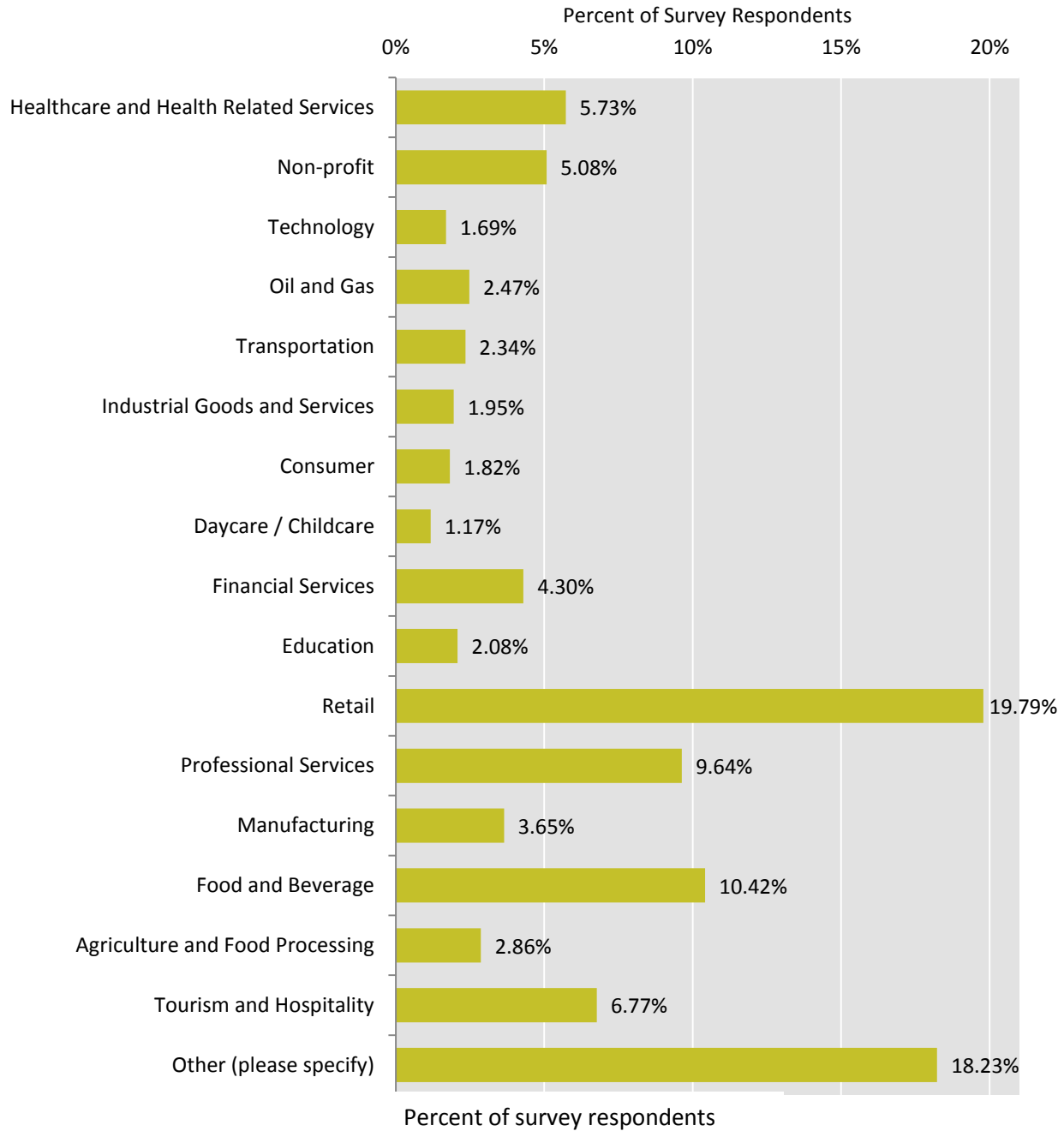
Map 4 – Percent of Survey Respondents by Region / Community



Business Sectors

Respondents came from a variety of sectors and had a variety of staff profiles.

Chart 1 – Survey Respondents by Sector (Percent of Survey Respondents)

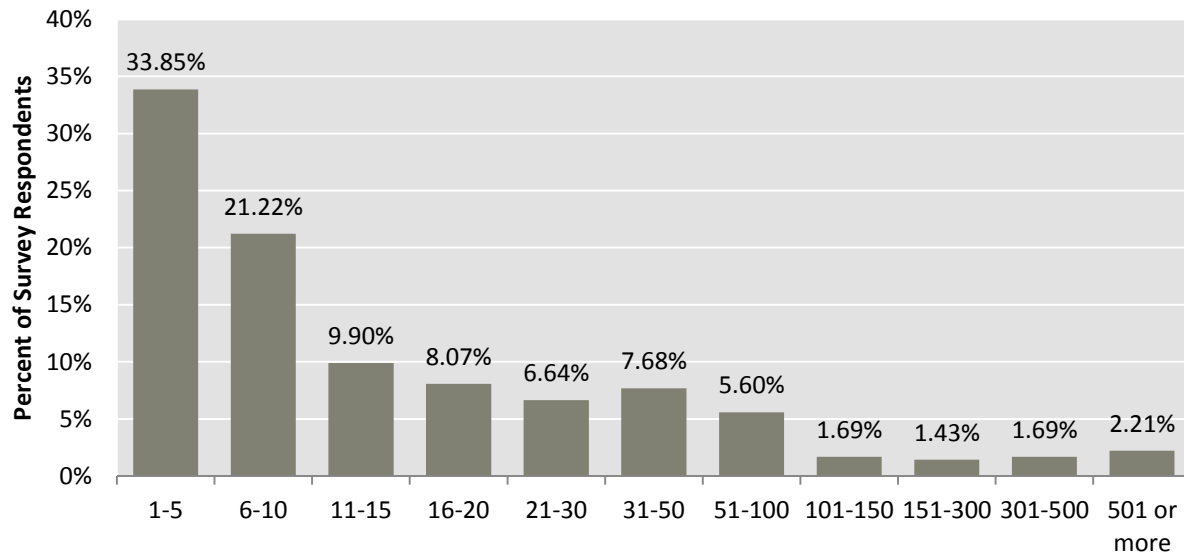


“Other” category sectors included construction, services, and additional sectors

Size of Responding Businesses

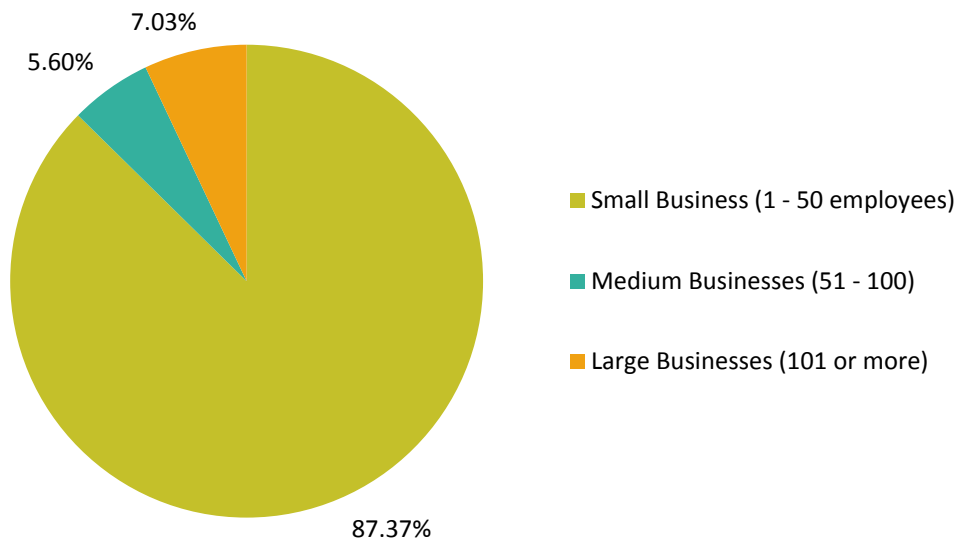
Business were of a variety of sizes, however, the majority of businesses were small businesses with ten or fewer employees.

Chart 5 – Percent of Survey Respondents by Number of Employees



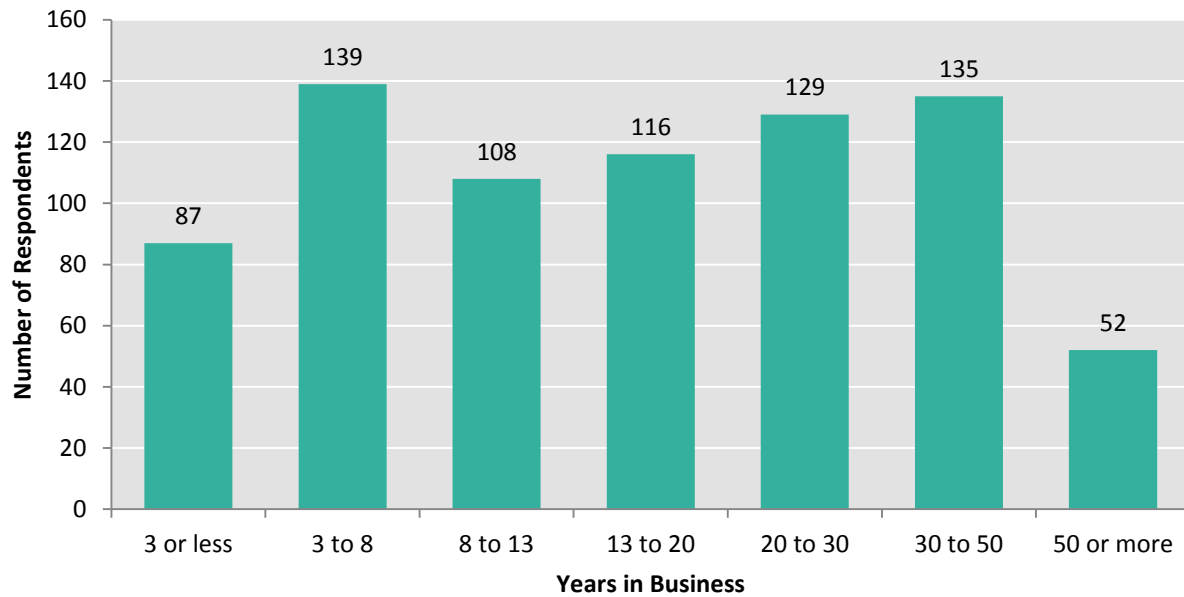
Percent of Employees in Each Business who are Paid Minimum Wage

Chart 6 – Percent of Survey Respondents by Business Size



Age of Responding Businesses

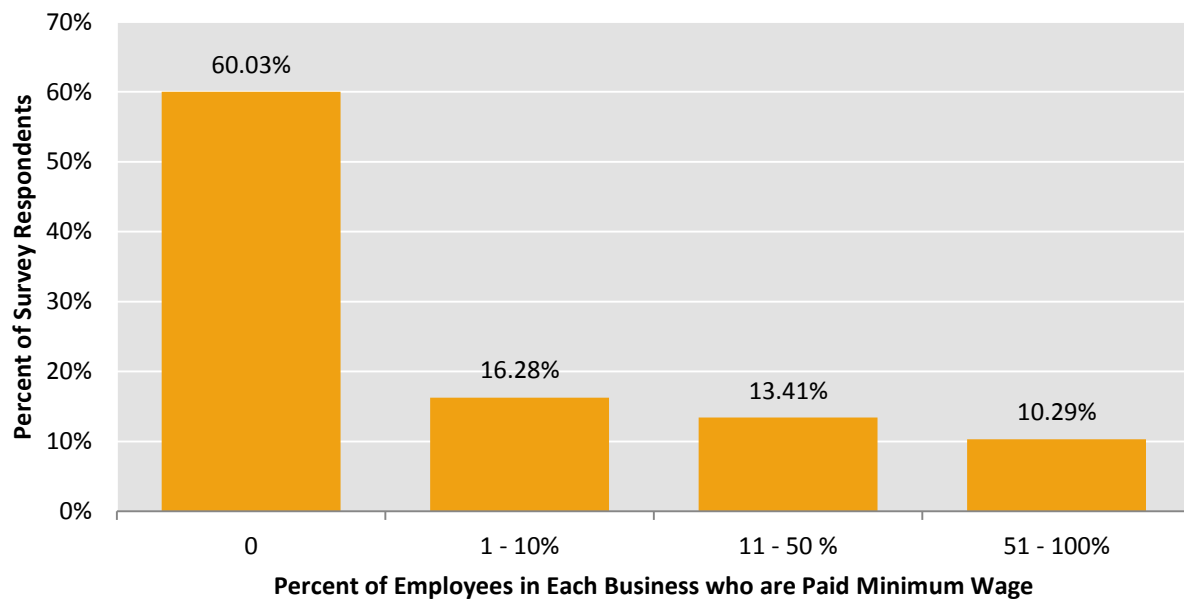
Chart 2 – Survey Respondents by Number of Years in Business (Percent of Survey Respondents)



Percentage of employees who are paid minimum wage

Respondents provided information on what proportion of their staff were paid minimum wage. The majority (60.03%) paid all of their employees more than the minimum wage.

Chart 3 – Percent of Survey Respondents by Percent of Workforce Being Paid Minimum Wage (Percent of Survey Respondents)

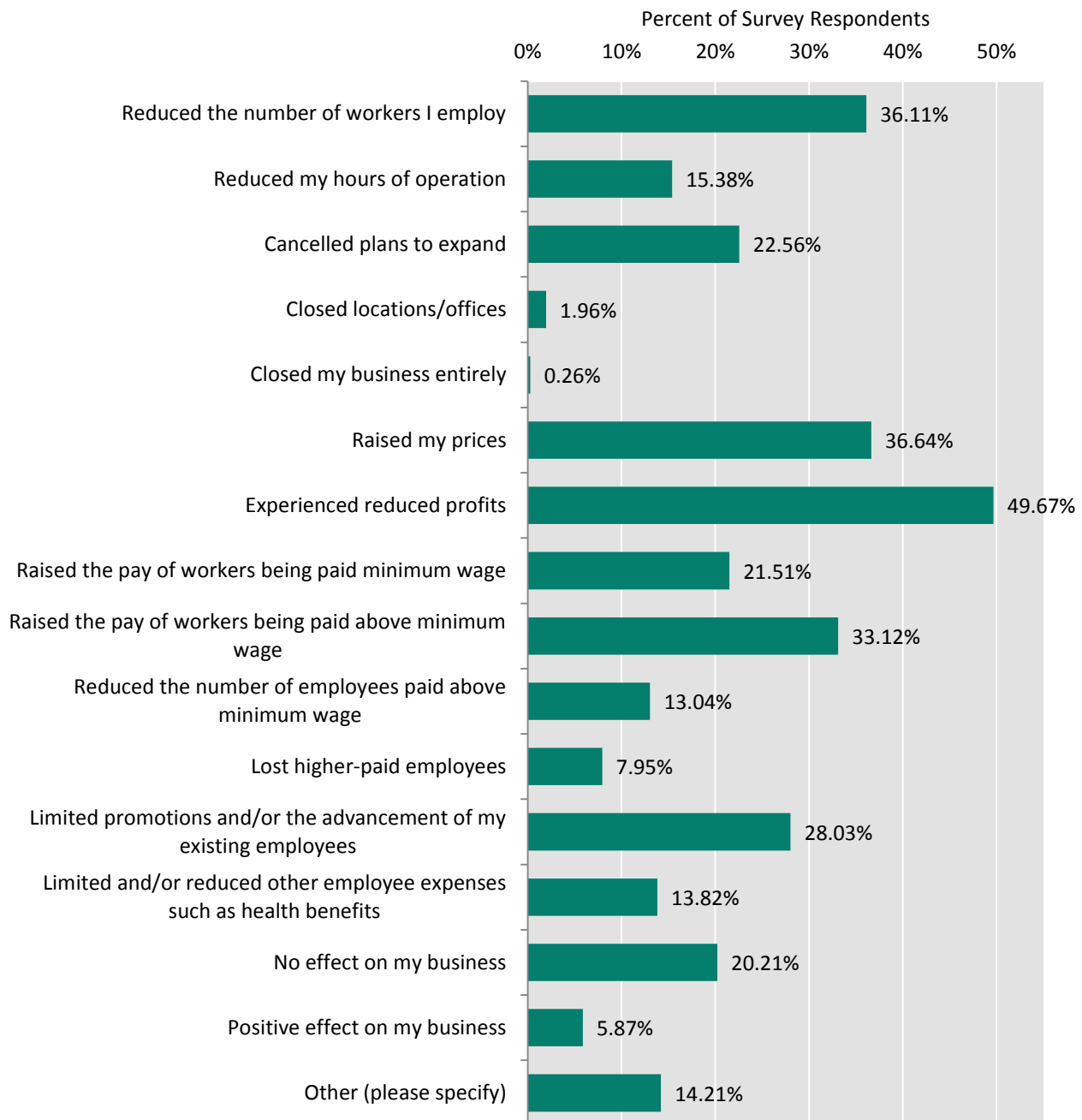


Survey Responses

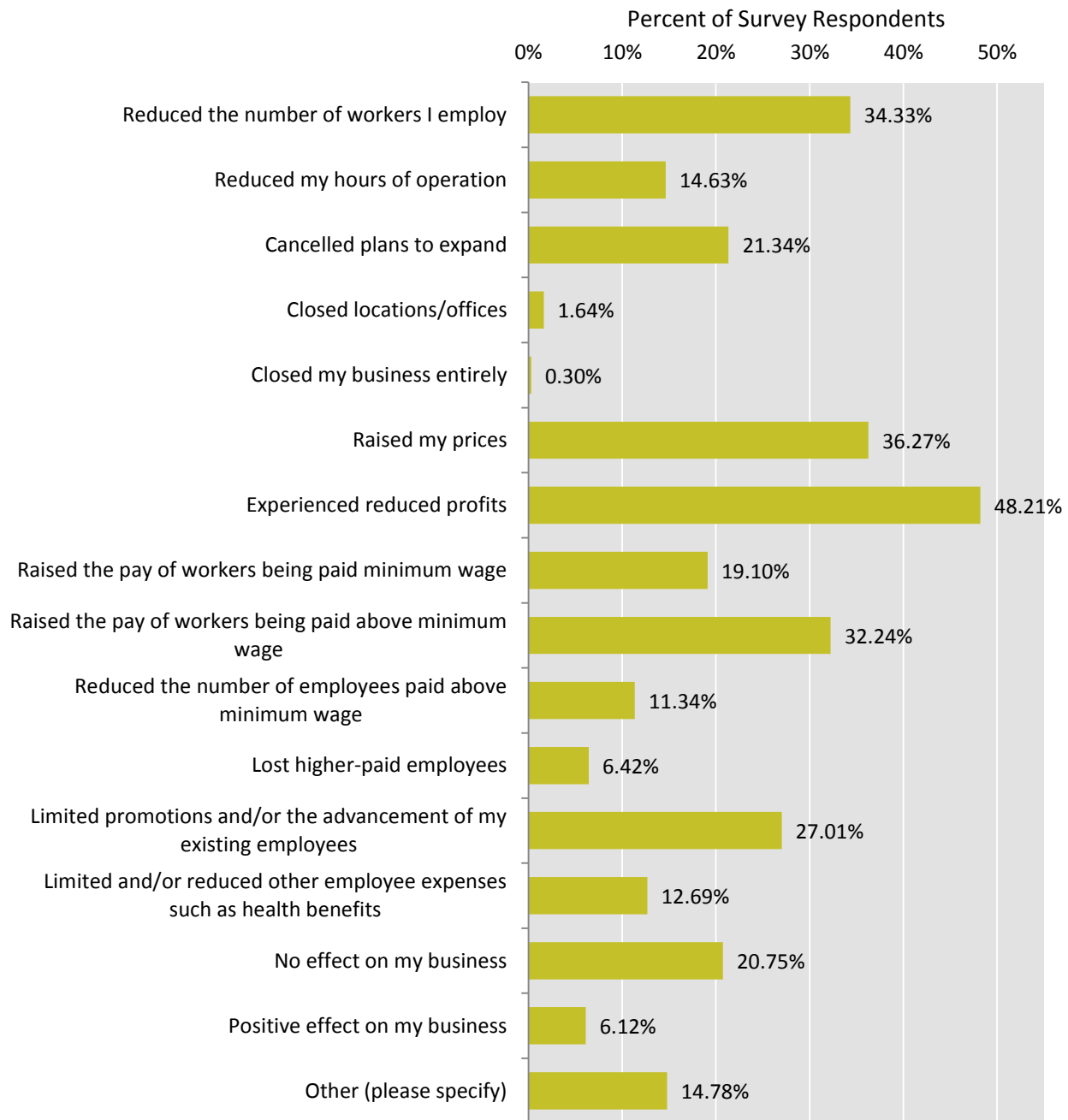
This section contains questions on changes that have occurred to businesses since October 1, 2015, and businesses perspectives on the impacts of minimum wage increases.

Since October 1, 2015, please indicate which, if any, of the following has occurred to your business (click all that apply).

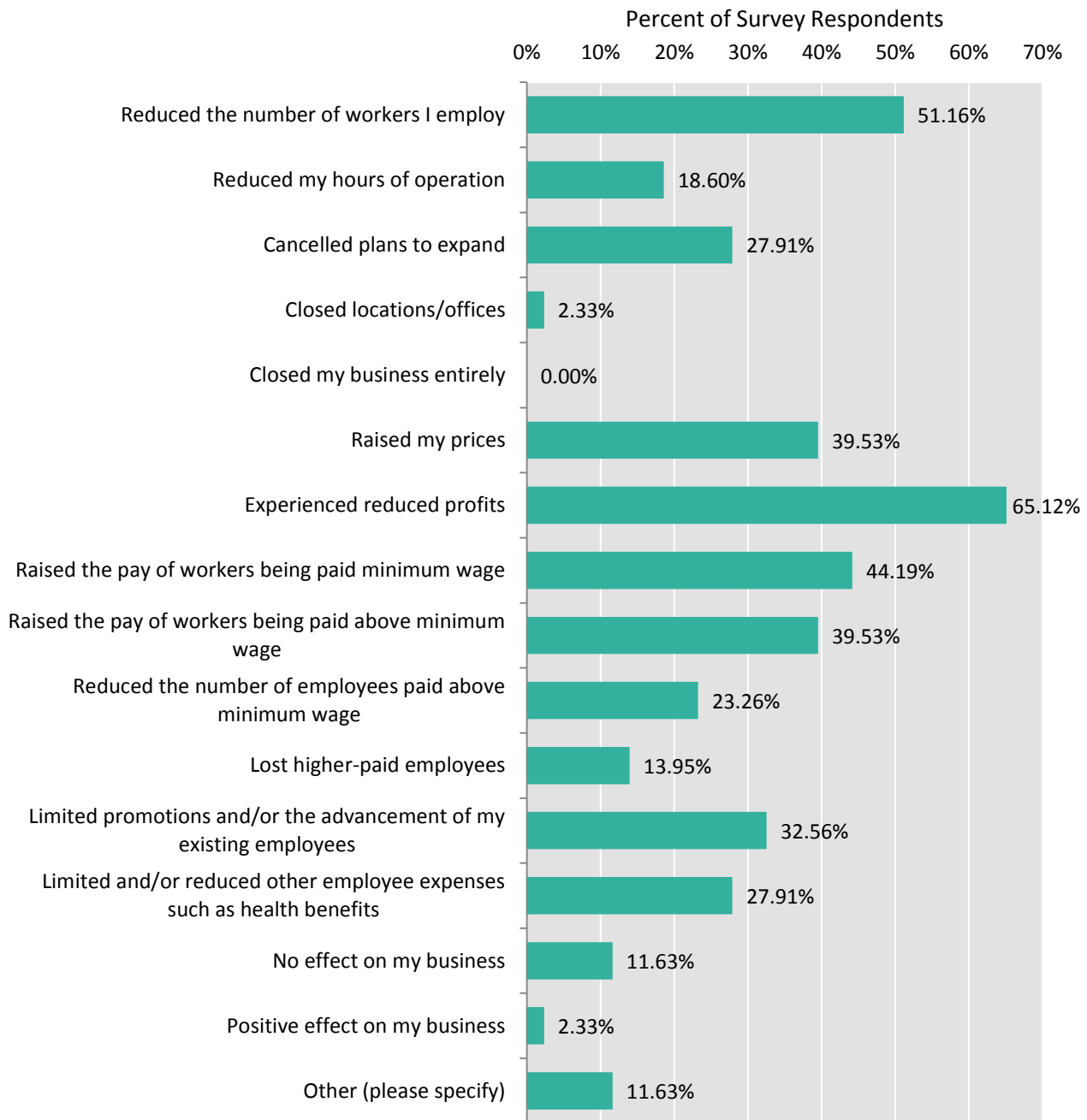
Chart 7.1 – Changes to All Responding Businesses since October 1, 2015 (Percent of Survey Respondents)



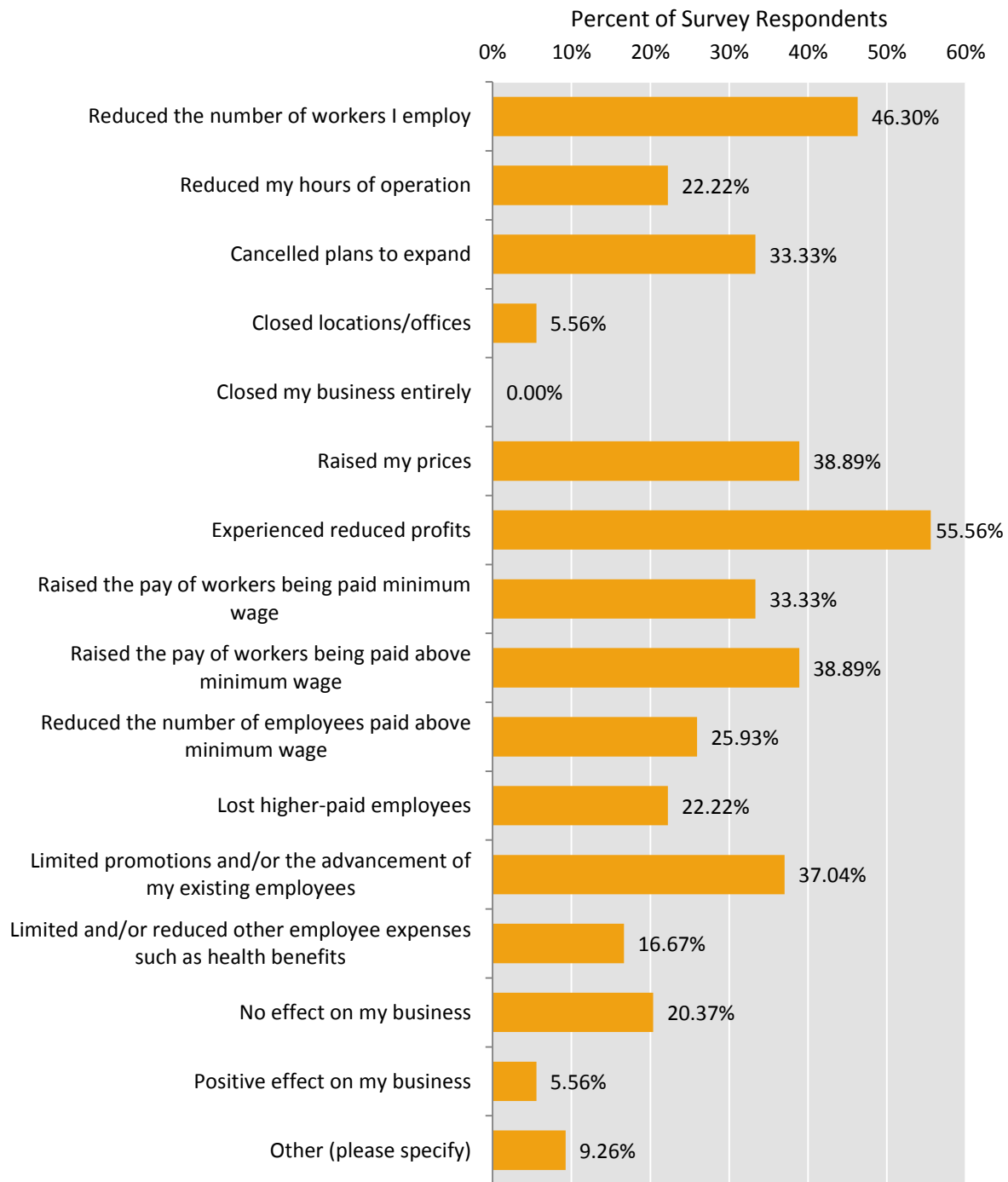
Chart/Table 7.3 – Changes to Small Businesses (50 or fewer employees) since October 1, 2015
(Percent of Survey Respondents)



Chart/Table 7.4 – Changes to Medium Businesses (50 – 100 employees) since October 1, 2015
(Percent of Survey Respondents)



Chart/Table 7.5 – Changes to Large Businesses (100 or more employees) since October 1, 2015
(Percent of Survey Respondents)



With the previous question (Question #7) in mind about changes to your business since October 1, 2015, which of the following, in your estimation, have caused these changes?

(Check all that apply)

Chart 8.1 – Causal Factors for Changes to Responding Businesses since October 1, 2015
(Percent of Survey Respondents)

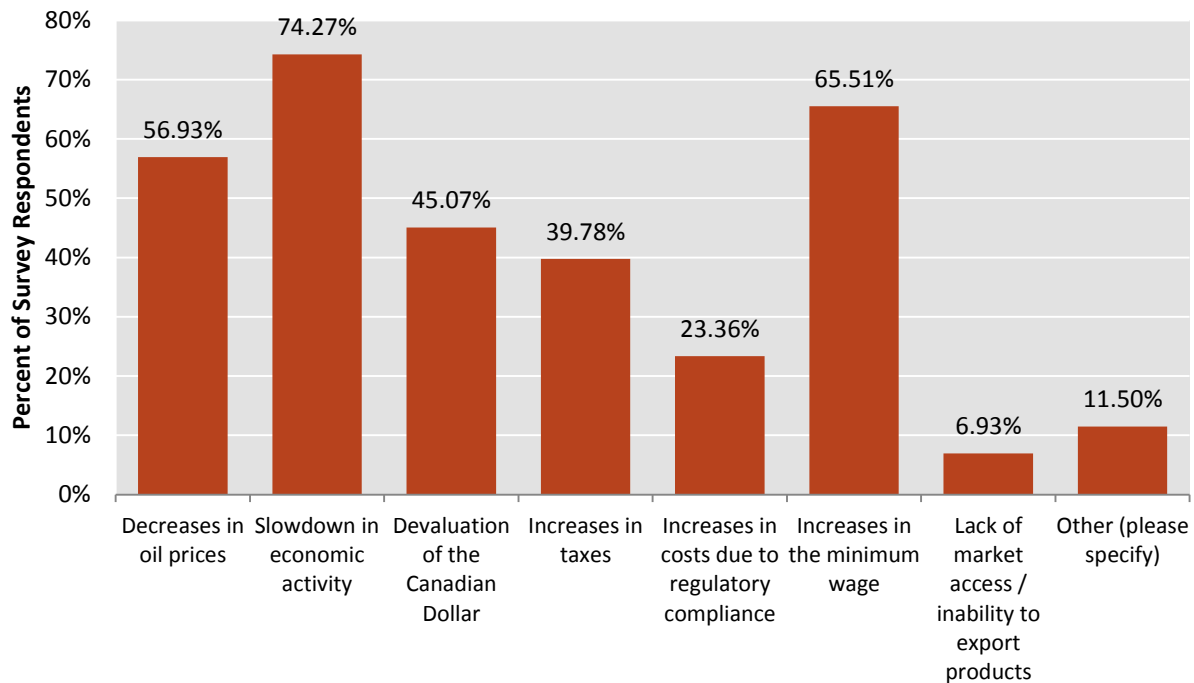
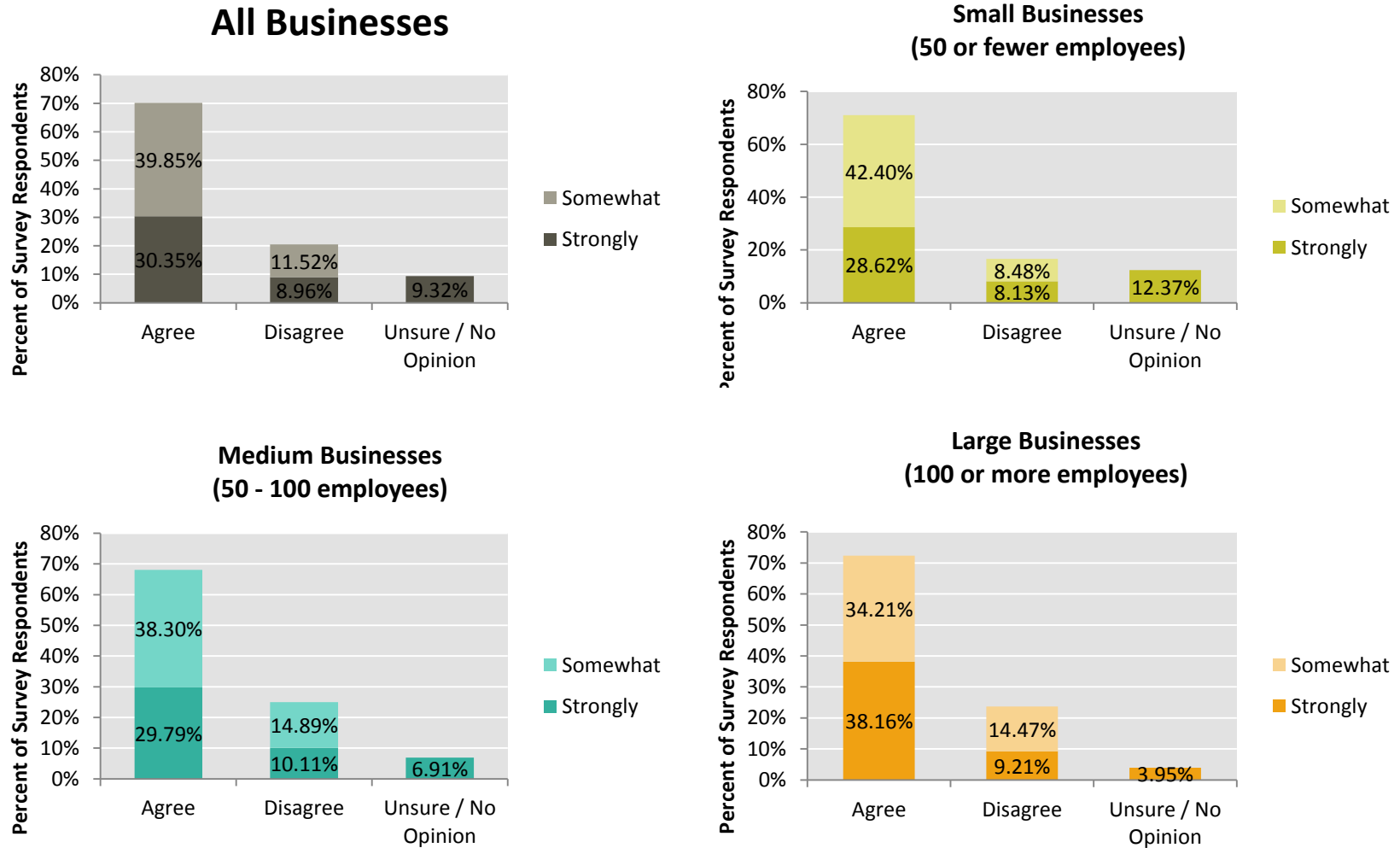


Table 8.2 – Causal Factors for Changes to Responding Businesses since October 1, 2015
(Percent of Survey Respondents)

Answer Choices	Percent	Responses
Decreases in oil prices	56.93%	312
Slowdown in economic activity	74.27%	407
Devaluation of the Canadian Dollar	45.07%	247
Increases in taxes	39.78%	218
Increases in costs due to regulatory compliance	23.36%	128
Increases in the minimum wage	65.51%	359
Lack of market access / inability to export products	6.93%	38
Other (please specify)	11.50%	63
Total Respondents: 767		

To what extent do you agree or disagree that the recent increase in minimum wage has been the cause of the previously mentioned changes to your business?

Chart 9 – Degree to which Respondents Agree or Disagree that Minimum Wage Increases Have Resulted in Changes to their Business
(Percent of Survey Respondents, by Business Size)



Given the October 1, 2015 increase of the minimum wage to \$11.20, what has been the estimated financial impact to your business? Please indicate your estimated monetary costs per year due to bringing minimum wage earners up to the new rate and across all wage categories? Please indicate your estimated monetary costs per year due to the minimum wage increases.

Chart 10.1 – Cost Increases to Businesses since October 1, 2015 Due to Minimum Wage Increases and Across All Wage Categories
(Percent of Survey Respondents)

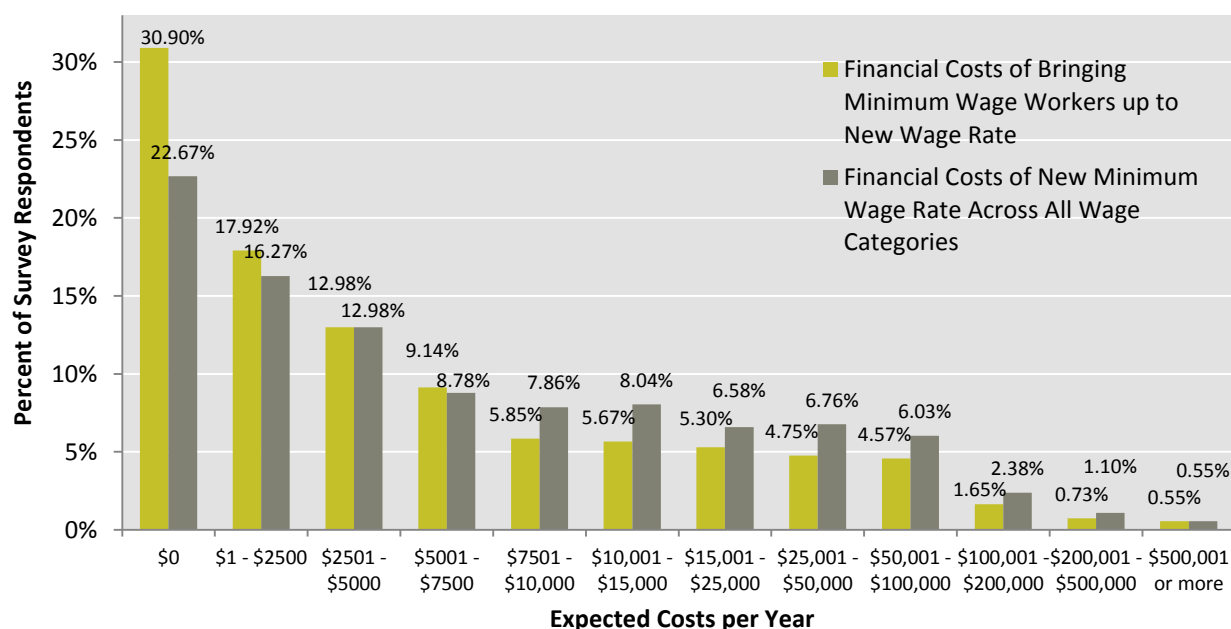


Table 10.2 – Average Financial Costs of Minimum Wage Increases per Business and Employee
(Separated by Business Size)

	Average Financial Costs of Bringing Minimum Wage Workers up to New Wage Rate Per Business	Average Financial Costs of Bringing Minimum Wage Workers up to New Wage Rate Per Employee	Average Financial Costs of New Minimum Wage Rate Across All Wage Categories Per Business	Average Financial Costs of New Minimum Wage Rate Across All Wage Categories Per Employee
Small Businesses (1 – 50 employees)	\$9,119.23	\$1,397.09	\$11,019.49	\$1,224.91
Medium Businesses (51 – 100 employees)	\$50,893.29	\$674.08	\$66,036.14	\$874.65
Large Businesses (100 or more employees)	\$72,500.37	\$245.83	\$103,293.04	\$407.72
All Businesses	\$16,542.85	\$772.33	\$21,456.05	\$835.76

If the Province increases the minimum wage to \$15 per hour by October 1, 2018, please indicate to what extent you expect the following will occur to your business.

Chart 11.1 – Expected Changes to Businesses with Proposed Minimum Wage Increases
(Percent of Survey Respondents)

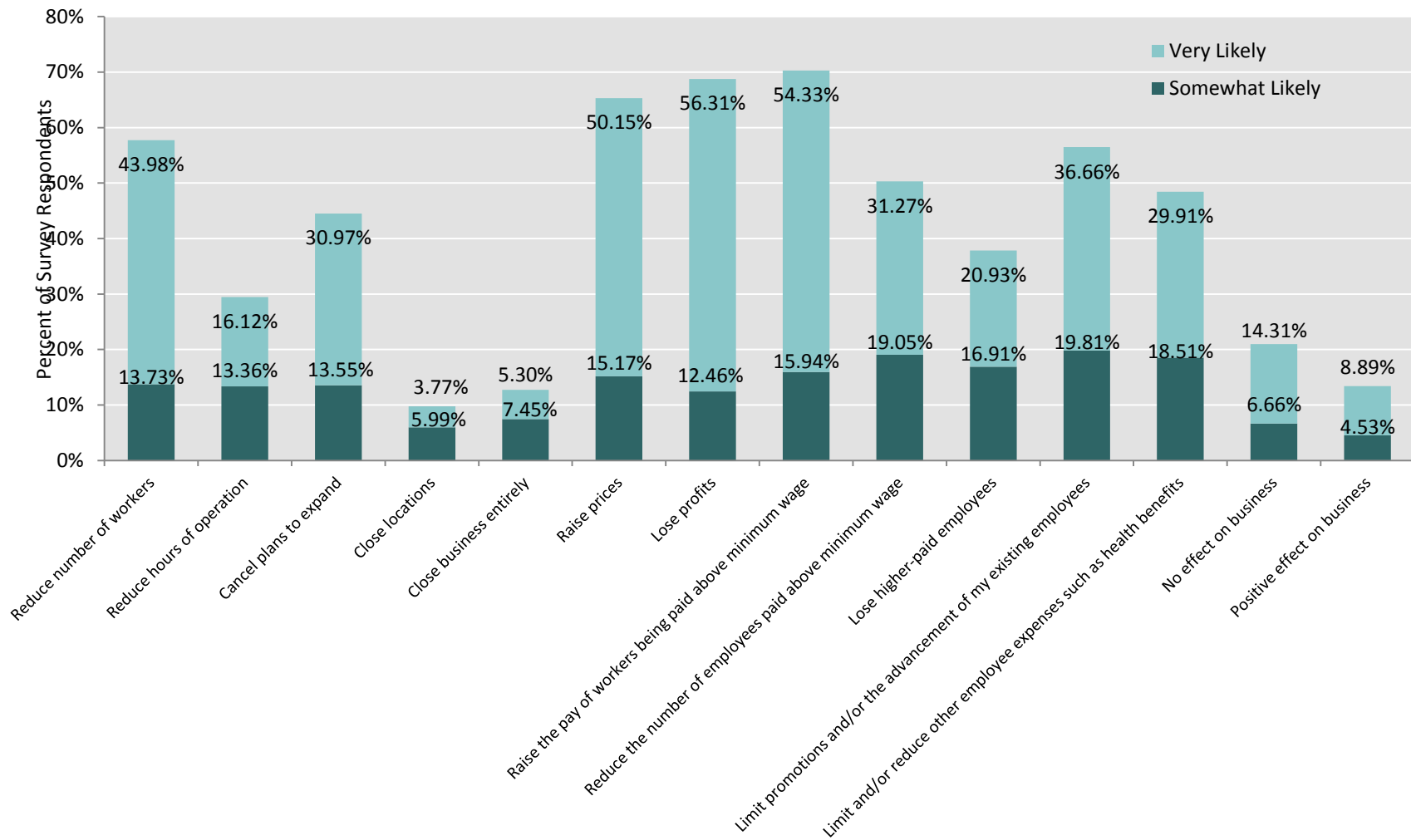


Table 11.2 - Changes to All Responding Businesses since October 1, 2015
(Percent, and Absolute Number of Survey Respondents)

Answer Choices	Unknown	Very Unlikely	Somewhat Unlikely	Somewhat Likely	Very Likely	Total Responses
Reduce number of workers	3.70%	27.93%	10.65%	13.73%	43.98%	648
Reduce hours of operation	8.31%	44.95%	17.26%	13.36%	16.12%	614
Cancel plans to expand	44.59%	62.14%	61.68%	13.55%	30.97%	620
Close locations	18.63%	72.34%	27.99%	5.99%	3.77%	584
Close business entirely	239.37%	85.90%	220.36%	7.45%	5.30%	604
Raise prices	7.12%	20.12%	7.43%	15.17%	50.15%	646
Lose profits	4.77%	20.31%	6.15%	12.46%	56.31%	650
Raise the pay of workers being paid above minimum wage	5.42%	18.27%	6.04%	15.94%	54.33%	646
Reduce the number of employees paid above minimum wage	7.62%	29.52%	12.54%	19.05%	31.27%	630
Lose higher-paid employees	12.24%	32.37%	17.55%	16.91%	20.93%	621
Limit promotions and/or the advancement of my existing employees	7.33%	23.40%	12.79%	19.81%	36.66%	641
Limit and/or reduce other employee expenses such as health benefits	10.76%	28.01%	12.82%	18.51%	29.91%	632
No effect on business	13.14%	56.57%	9.32%	6.66%	14.31%	601
Positive effect on business	13.26%	64.60%	8.72%	4.53%	8.89%	596
Other						55

If the Province increases the minimum wage to \$15 per hour by October 1, 2018, please indicate what will be the estimated financial impact to your business? Please indicate your estimated monetary costs per year due to bringing minimum wage earners up to the new rate and across all wage categories. Please indicate your estimated monetary costs per year due to the minimum wage increases.

Chart 12.1 – Estimated Cost Increases to Businesses at \$15 per hour Minimum Wage Due to Minimum Wage Increases and Across All Wage Categories
(Percent of Survey Respondents)

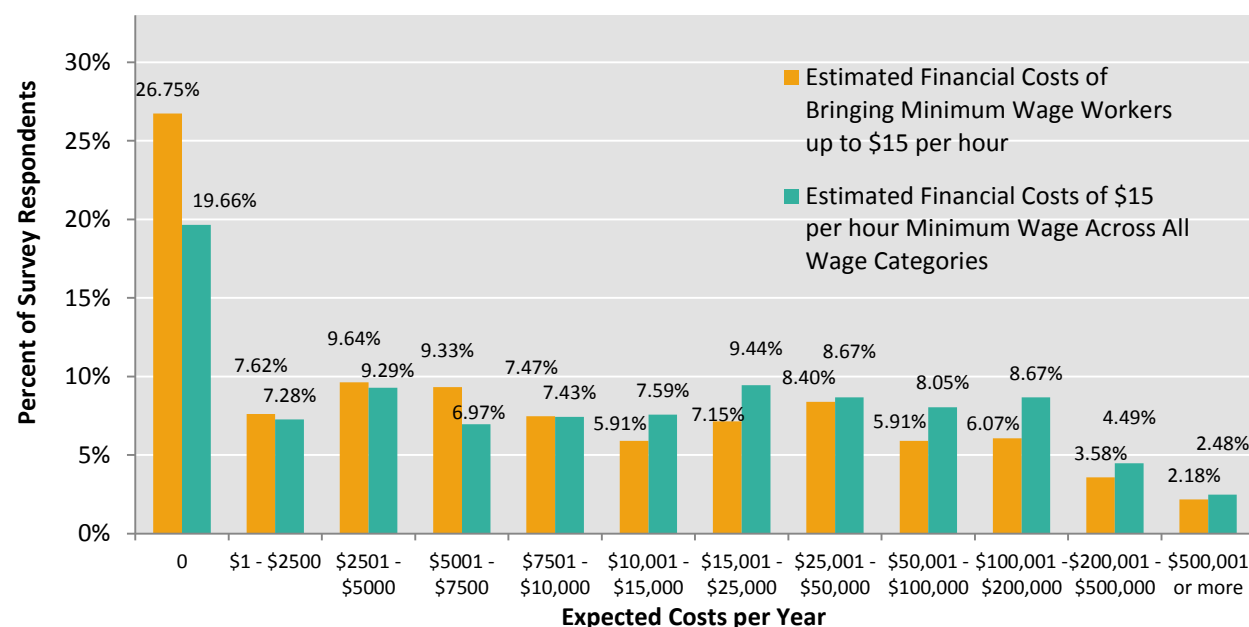


Table 12.2 – Average Financial Costs of \$15 Minimum Wage per Business and Employee
(Separated by Business Size)

	Average Financial Costs of Bringing Minimum Wage Workers up to \$15 Wage Rate Per Business	Average Financial Costs of Bringing Minimum Wage Workers up to \$15 Wage Rate Per Employee	Average Financial Costs of \$15 Minimum Wage Rate Across All Wage Categories Per Business	Average Financial Costs of \$15 Minimum Wage Rate Across All Wage Categories Per Employee
Small Businesses (1 – 50 employees)	\$26,167.77	\$2,600.14	\$35,644.27	\$3,490.24
Medium Businesses (51 – 100 employees)	\$123,191.22	\$1,656.50	\$129,441.24	\$1,759.99
Large Businesses (100 or more employees)	\$198,305.83	\$815.89	\$230,694.71	\$963.20
All Businesses	\$43,948.64	\$1,690.84	\$54,748.84	\$2,071.14

Going forward, which of the following challenges concern you the most? Please rank the following challenges in terms of most concerning to least concerning.

Chart 13.1 – Respondents’ Ranking of Challenges to Growth and Sustainability
(Weighted Average Score)

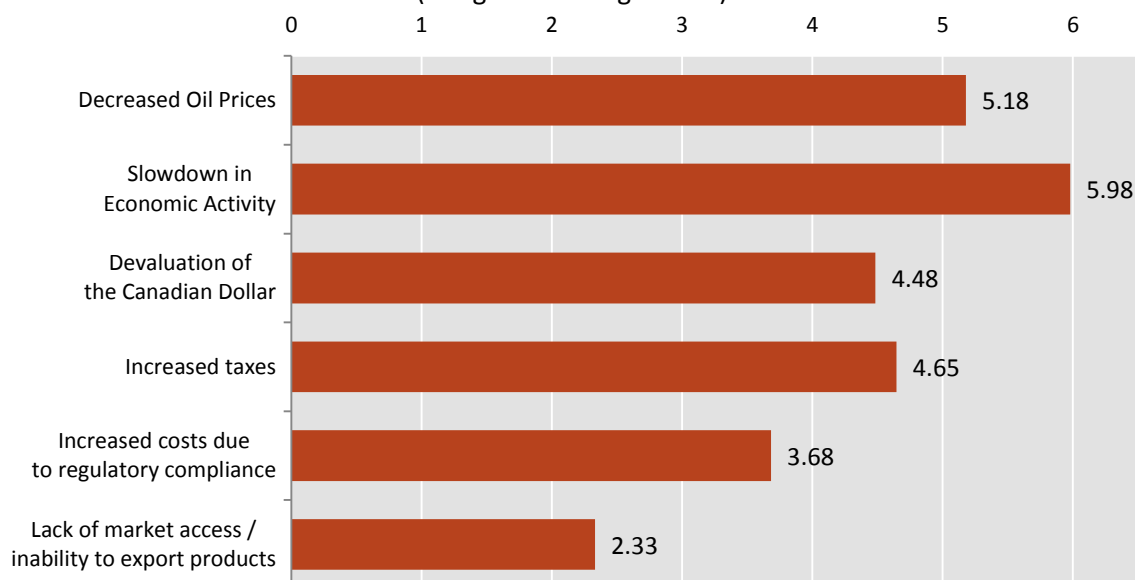


Table 13.2 – Respondents’ Ranking of Challenges to Growth and Sustainability
(By Percent of Respondents and Weighted Average Score)

	1 (Least Concerning)	2	3	4	5	6	7 (Most Concerning)	Total	Weighted Average
Decreased Oil Prices	2.4%	3.7%	9.5%	15.4%	18.7%	27.5%	22.8%	461	5.18
Slowdown in Economic Activity	0.4%	1.6%	3.3%	6.9%	15.2%	27.2%	45.3%	492	5.98
Devaluation of the Canadian Dollar	4.7%	8.5%	14.4%	17.6%	28.4%	13.6%	12.8%	493	4.48
Increased taxes	2.0%	7.1%	11.3%	28.0%	21.0%	16.7%	13.9%	496	4.65
Increased costs due to regulatory compliance	4.9%	22.7%	30.1%	13.3%	8.8%	11.3%	9.0%	512	3.68
Lack of market access / inability to export products	43.9%	26.8%	9.2%	6.1%	4.6%	5.0%	4.4%	544	2.33

What do you believe would be an acceptable and appropriate minimum wage for the Government of Alberta to implement in 2016?

Chart 14.1 – Acceptable and Appropriate Minimum Wage Rates for 2016
(Percent of Survey Respondents)

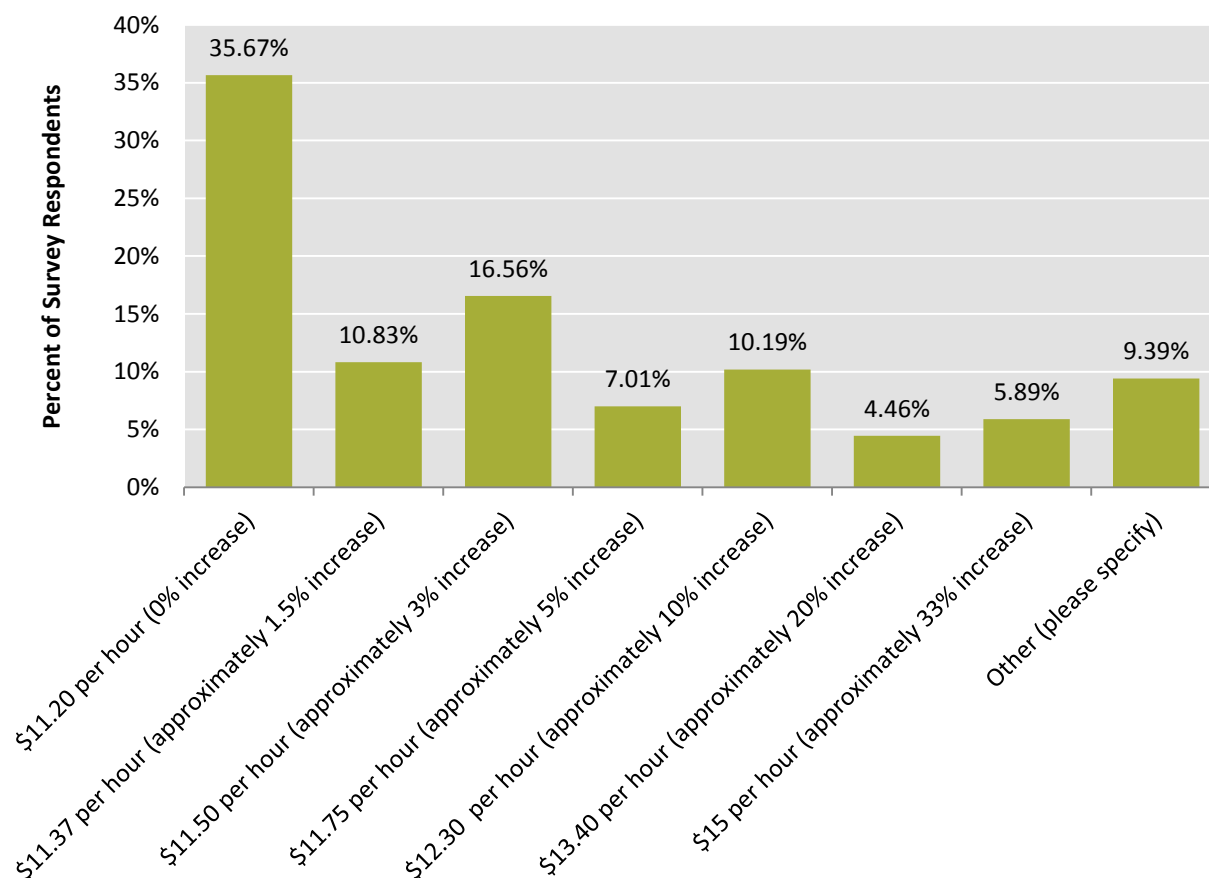


Chart 14.1 – Acceptable and Appropriate Minimum Wage Rates for 2016
(Percent and Absolute Number of Survey Respondents)

Answer Choices	Responses	Percent
\$11.20 per hour (0% increase)	35.67%	224
\$11.37 per hour (approximately 1.5% increase)	10.83%	68
\$11.50 per hour (approximately 3% increase)	16.56%	104
\$11.75 per hour (approximately 5% increase)	7.01%	44
\$12.30 per hour (approximately 10% increase)	10.19%	64
\$13.40 per hour (approximately 20% increase)	4.46%	28
\$15 per hour (approximately 33% increase)	5.89%	37
Other (please specify)	9.39%	59
Total Respondents: 628		

Appendix A - Analysis of Income after Tax and credits – at \$11.20 and \$15 per hour

	WAGES	FED TAX	PROV TAX	CPP& EI	NET PAY	GST	CCTB	WITB	AB WORK BEN	NET IN POCKET	DIFF CASH	LOST BEN & DEDUCT	BENEFIT TO FEDS
Single Income Earner, one child, no day care	22400	0	0	1357	21043	696	3624	773	754	26890			
	30000	649	0	1876	27475	696	3144	0	756	32071	5181	2419	2421
Single Income Earner, one child, w. day care	22400	0	0	1357	21043	696	3624	1313	754	27430			
	30000	109	0	1876	28015	696	3588	86	754	33139	5709	1891	1891
Single Income Earner, no children	22400	1286	283	1357	19474	421	0	0		19895			
	30000	2438	991	1876	24695	421	0	0		25116	5221	2379	1671
Two Income Earners, no children													
SPOUSE 1	22400	1286	283	1357	19474	0	0	0		19474			
SPOUSE 2	22400	1286	283	1357	19474	108	0	0		19582			
SPOUSE 1	30000	2347	991	1876	24786	0	0	0		24786	5312	2288	
SPOUSE 2	30000	2347	991	1876	24786	0	0	0		24786	5204	2288	3160
Two Income Earners, one child, no day care													
SPOUSE 1	22400	1286	283	1357	19474	252			433	19726			
SPOUSE 2	22400	1286	283	1357	19474		1356		0	20830			
SPOUSE 1	30000	2347	991	1876	24786				0	24786	5060	2540	
SPOUSE 2	30000	2347	991	1876	24786		1050		0	25836	5006	2594	3718
Two Income Earner, one child, w. day care													
SPOUSE 1	22400	86	0	1357	20957	696			754	21653			
SPOUSE 2	22400	1286	283	1357	19474		2516		0	21990			
SPOUSE 1	30000	1147	191	1876	26786				0	26786	5133	2467	
SPOUSE 2	30000	2347	991	1876	24786		1243		0	26029	4039	3561	5129

GST = Goods and Services/Harmonized Sales Tax (GST/HST) Credit

CCTB = Canadian Child Tax Benefit

WITB = Working Income Tax Benefit

AFEB = Alberta Family Employment Benefit

Appendix B - Analysis of Income after Tax and credits – at \$10.20

	WAGES	FED TAX	PROV TAX	CPP& EI	NET PAY	GST	CCTB	WITB	AB WORK BEN	NET IN POCKET
Single Income Earner, one child, no day care	20400	0	0	1220	19180	687	3750	1003	756	25376
Single Income Earner, one child, w. day care	20400	0	0	1220	19180	687	3750	1453	756	25826
Single Income Earner, no children	20400	1177	0	1220	18003	415	0	0	0	18418
Two Income Earners, no children										
SPOUSE 1	20400	1177	0	1220	18003	0	0	0	0	18003
SPOUSE 2	20400	1177	0	1220	18003	0	0	0	0	18003
Two Income Earners, one child, no day care										
SPOUSE 1	20400	1037	139	1220	18004	420	0	0	593	18424
SPOUSE 2	20400	879	259	1220	18042	0	1947	0	0	19989
Two Income Earner, one child, w. day care										
SPOUSE 1	20400	0	0	1220	19180	687	0	0	593	19867
SPOUSE 2	20400	866	0	1220	18314	0	2801	0	0	21115

GST = Goods and Services/Harmonized Sales Tax (GST/HST) Credit

CCTB = Canadian Child Tax Benefit

WITB = Working Income Tax Benefit

AFEB = Alberta Family Employment Benefit

ⁱ Statistics Canada: [National Labour Force Survey, January 2016](#). February 7, 2016.

ⁱⁱ CBC News: [Alberta's \\$15 minimum wage: How many will actually get a raise?](#) May 26, 2015.