

JOBS, TOURISM AND SKILLS TRAINING

BRING STABILITY AND CERTAINTY TO BC'S MINIMUM WAGE LEVELS (2015)

The recent changes announced by the Provincial Government to B.C.'s minimum wage are welcomed by the Chamber as providing predictability to the minimum wage for the foreseeable future. The change introduced by government will move B.C. to having the third highest minimum wage of all the Canadian provinces.

Our members have expressed concern that despite this change government will continue to face calls for significant increases, or even more worryingly, for the introduction of living wages.

The Chamber recognises that the genesis of minimum wages were as a mechanism to protect the most vulnerable workers from exploitation. However, it must be remembered that this was at a time where people had little to no recourse for unfair work practices and in fact many of the people who were looking to be protected were not even franchised in that the early minimum wages were introduced to protect women and children.

The fact that this reality is no longer present has led to a shift in the rhetoric around minimum wages rates. We now have a situation where proponents of significant increases to the minimum wage are now attempting to link increases in the minimum wage to reducing poverty and affordability. This is disingenuous and is based on trying to generate public sympathy while ignoring the very real impact increase to wage rates have on employers.

Who Earns the minimum wage?

B.C. continues to have a low rate of individuals earning the minimum wage. In B.C. 5.9% of the paid workforce earn the minimum wage, significantly below the national average of 7.2%

More importantly than the number of workers who earn the minimum wage it is important to look at the situation of those workers who earn the minimum wage. Of the people who earn the minimum wage in 2014 we see that

Part time workers	57%
Defined as head of the family	7%
Youth living at home:	52% (of these workers 47% were attending school)

For those workers who are heads of household or those whose primary income is at the minimum wage the chamber recognises that in B.C. this will lead to concerns about poverty and a challenge to access basic food and shelter. This places significant burden on individuals, families, communities and government services.

While the Chamber agrees that it is important to have a minimum wage to protect vulnerable and young workers it should be recognised that the minimum wage introduces a distortion into the wage market. In essence government sets a rate that forces employers to pay a minimum rate of pay irrespective of the type of work (with the exception of liquor servers) and with no relationship to the experience, training or skill level of the worker.

The other aspect of the distortive impact of minimum wages is that they fall primarily on small business. Counter to the rhetoric of some groups the minimum wage is not paid by employers who are exploiting their workers but are paid for positions that have little to no training and are primarily paid by employers who do not have the ability to pay higher wage rates. These small business are also heavily focused on the service sector with 91% of minimum wage earners are employed in the service sector.

B.C. has seen a significant shift in the minimum wage over a relatively short period of time. 2011 saw the

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government introduced a 3 stage increase that saw the wage go from \$8 to \$8.75 in May 2011, \$9.50 in November 2011, \$10.25 in May 2012. As businesses were finally adjusting to this new reality we will now see a further increase to \$10.45 in September 2015.

Moving forward

The Chamber is clear, small businesses cannot accommodate another large, unplanned increase to the minimum wage. The introduction of a link to CPI for increases going forward provides a level of predictability to businesses that allows them to plan and ensures that they will face no large increases in their labour costs.

We have seen increases to the minimum wage introduced to address political pressure. While we accept that the lack of any increase for the 2000's created significant pressure on the minimum wage level that led to a significant increase. While an increase in 2011 was justified the 30% increase caused significant concern to business who had to absorb a huge increase to their labour costs at a time where the economy was still recovering from the recession.

This was particularly concerning as the 30% increase was for no other reason than it moved B.C. up the ranking compared to other provinces. This is leading to an increased concern that provinces will continue to face pressures based on the relative position of other province, a case of 'keeping up with the Jones's.' This raises the very real prospect of a less business friendly province significantly increasing their minimum wage thereby placing irresistible pressure on B.C. to follow suit.

To address these issues the Chamber believes the provincial Government must take a leadership role in moving the discussion into a more fact based public dialogue. An ongoing concern for business is the fact that increases in the minimum wage are not tied to any measureable outcomes. Business are being asked to carry ever higher minimum wage levels with no understanding as to whether the increase will lead to any improvement in social outcomes.

Related to this there is a significant lack of understanding and information in the public domain to counter claims that the minimum wage is related to poverty and affordability. This information vacuum allows proponents of large increases to present a false picture to the public to gain public support based on a false premise. To address this government should commit to providing regular and accurate information through a Minimum Wage Fact Sheet. This should provide the public with a clear picture of who earns the minimum wage and allows the public to track the breakdown of minimum wage earners over time.

Further to this the Provincial Government should work with their provincial counterparts to institute a mechanism where there is consultation on any proposed changes to individual provinces minimum wage levels. While it is unrealistic to expect that there will be formal coordination, or harmonization, of minimum wage levels it should be recognised that decisions on minimum wage levels have inflationary pressures on other provinces wage levels. Even if this process is unsuccessful in mitigating an individual provinces decision to significantly increase their minimum wage it may allow for an agreement between other provinces that they will not be pressured into matching with significant increases of their own.

THE CHAMBER RECOMMENDS

That the Provincial Government;

1. introduce no increases to the minimum wage beyond increases that are approximate to CPI;

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2. commit to the publication of a Minimum Wage Fact Sheet to ensure the public are aware of who earns the minimum wage;
3. work with their provincial counterparts to develop a consultation mechanism on minimum wage increases;
4. during periods of recession (i.e., when CPI and/or economic growth are negative) the minimum wage remains frozen, not just until economic growth resumes but until the inflation index has caught up (or returned) to its pre-recession point; and
5. ensures that the minister retains the ability to overrule the regulation and freeze the minimum wage if economic circumstances warrant it.