

Submission to Minimum Wage Consultation

MARCH, 2005

The Alberta government recently announced an increase to the minimum wage to \$7.00 per hour, a substantial increase from the current rate of \$5.90. However, the government is now asking Albertans whether this increase should be implemented immediately, or staged over the next year or so.

The Alberta Federation of Labour, the largest union organization in Alberta, wishes to provide additional comments to the consultation, instead of simply completing the questionnaire. To assist, we will structure our comments to reflect the questionnaire.

1. A minimum wage increase over several stages will help employers adjust to the new rate.

The AFL **strongly disagrees** with staggering the implementation of the minimum wage. We believe it should occur immediately, with the entire increase occurring at once.

We take exception to the wording of the question. It is skewed to encourage agreement with the statement. It also only takes one interested party into consideration - employers. It does not ask how workers would be affected by staging the increase.

First, we believe that the impact on employers will be minimal. Most recent research on minimum wage shows that increases have negligible impact on jobs, prices or profit margins. Employers are found to be able to adjust prices slightly - at levels unnoticed by the consumer - and there is no impact on their profitability.

We need to remember that wages are only one portion of an employer's cost. Recent increases to insurance and utility rates have had a more significant impact than the minimum wage.

As for workers, a single increase allows them to benefit from the wage raise immediately. A staggered implementation slows the economic impact for the worker - who are in the most need of a pay increase in Alberta.

2. If the government decides to increase the minimum wage in stages, in how many stages should the new rate be introduced?

The AFL believes no stages are required for the increase. An immediate, single increase is the most beneficial for both workers and employers.

The advantage for workers has already been articulated. For business, it means less bookkeeping adjustments. Each time the minimum wage is increased, it requires accounting adjustments, including tax deduction calculations and so forth. By staggering the results, we add an administrative burden to small employers as they must adjust each time. A single

increase simplifies the transition and allows all parties to navigate the transition quickly and allow business to normalize as soon as possible.

The sooner the transition is completed, the more advantageous it is for all Albertans, including employers.

3. If the government decides to introduce the minimum wage rate in stages, what would be the appropriate time interval between increases?

The AFL believes no stages are required. The government announced the increase in February. The official date for the entire increase should be May 1, 2005. This would give employers 3 months notice to prepare for the increase, do their bookkeeping adjustments and adjust prices if necessary. Any other length of time is unnecessary and only serves one purpose - to delay a long-overdue wage increase for Alberta's lowest wage workers.

If we wait 12 months or more before fully implementing the increase, inflation will erode the value of the increase before the workers even get it. We need to keep in mind that this latest increase only recovers the lost ground due to inflation since the last increase. If we delay its implementation, even this regained ground will be lost again. A delay of 12 months erodes the value of the increase by as much as 4% - or as much as 30 cents. A delay of two years erases up to half of the value of the increase - even before the workers get it. This is a very unfair approach.

4. Other Comments

The Alberta government practice of sporadic, unpredictable increases to the minimum wage is bad public policy. It creates an unstable environment for employers, it allows the minimum wage to be constantly eroded by inflation, leaving low wage workers farther behind. No one is able to act with any level of certainty.

The government is engaged in a game of permanent catch-up. Big increases to the minimum wage - which spark the ire of some business lobbyists - at rare intervals only serve to make up ground lost to the increasing cost of living.

A more reasonable and sound approach to minimum wage is to tie it to the inflation rate. The wage would increase annually by the amount of the inflation rate. This will protect the earning power of the low wage workers affected, build in predictability for employers, and bring some much needed rationality to setting the wage.

We urge the government to implement an inflation indexation adjustment annually to ensure we do not find ourselves in the middle of this exact same debate five years from now.