

STABILIZING MINIMUM WAGE HIKES

Depending on the government of the day, minimum wages either stagnate in comparison to the cost of living, or are increased substantially, to the dismay of employers. Workers either fall behind economically; or business owners, particularly in service industries, suddenly find themselves facing larger than anticipated payrolls. Indexing minimum wage increases to the Consumer Price Index provides stability and certainty for both worker and owner.

Background

The BC Fair Wages Commission (FWC) Reportⁱ was released in January 2018. The 3-panel commission recommended that the basic minimum wage be increased to \$15 by 2021. They proposed the following:

Year	Increase (\$)	Minimum Wage	% Increase
June 2018	1.30	\$12.65	11.5
June 2019	1.20	\$13.85	9.5
June 2020	0.75	\$14.60	5.4
June 2021	0.60	\$15.20 ⁱⁱ	4.1

The rationale for “front-loading” the increase is to take advantage of the current, relatively good economic climate. The forecast of economists cannot with any accuracy predict what will occur towards the end of the propose transition period. According to the FWC, their research determined that “minimum wage increases have little or no effect on the over-all employment levels when economic conditions are good” (p.xiii).ⁱⁱⁱ

The commissioners, in addition to the increases, had three other recommendations, two of which were to establish a permanent commission and an advisory committee. The last recommendation is to establish “predictable indicators to guide future increases to the minimum wage, such as the CPI. . . .” (p.xvi), among other indicators such as poverty levels or average wage levels. The members of the BC Chamber of Commerce have in previous policies, called for stability of minimum wage increases by indexing to the Consumer Price Index (CPI).

The CPI is a Statistics Canada measurement that is an “indicator of the changes in consumer prices . . . of a fixed basket of commodities purchased by Canadian consumers in a particular year.”^{iv} The collective difference from one year to the next is the rate indicating an increase in the cost of living.

The CPI is used to adjust pensions, child support payments, and any number of social, welfare or other payment that over time will need to be adjusted to take into account the increase of the cost of living. As it is a statistical measurement, it is a neutral (non-political) tool to ensure increases are no more / no less than that required to cover the averaged increases experienced by Canadians from year to year. For 2017, the CPI for each Canadian Province is:^v

	Alta	BC	Man	NB	NFL	NS	Ont	PEI	Que	Sask	CAN
2017	1.6	2.1	1.6	2.3	2.4	1.1	1.7	1.8	1.0	1.7	1.6

By indexing the minimum wage to CPI, it protects the workers from increases in the cost of living and preventing erosion in real dollar value compared to inflation.^{vi} Freezing wages for any length of time, although politically expedient, is not only harmful to workers, who are able to afford less over time, but is harmful to business, particularly retail and food service industries. Such industries find themselves responding to ad hoc jumps in pay roll costs as governments respond to public pressure and jump wages forward in unrealistic and unsustainable amounts. The CPI as noted above, is different for each province,

reflecting the real cost impact of living within that province, therefore a very useful tool for determining raises.

Accordingly, several provinces have indexed their minimum wages to the CPI. According to Services Canada^{vii} and several other sources, the minimum wages across Canada are:

	Alta**	BC	Man	NB CPI+	NFL	NWT	NS CPI	Nun	Ont**	PEI	Que	Sask CPI+	Yuk CPI
2017	\$13.60	11.35	11.15	11.00	11.00	12.50*	10.85	13.00*		11.25	11.25	10.96	11.32
2018	\$15.00	12.65		11.25		13.46	11.00		14.00	11.55			
2019		13.85							15.00				
2020		14.60											
2021		15.20											

* Hourly wages from years prior to 2017.

** Ontario and Alberta had, until recently, indexed their increases to CPI. Ontario has indicated that it will index minimum wage to CPI after 2019.

CPI+: These provinces use CPI as one of two or more indicators that are consistently used to determine annual rates.

The FWC noted that the minimum wage recommended for 2020 would be below Ontario and Alberta, who have jumped their wages to \$15 with less transition time. This, they explain, is why indexing BC's wage to CPI post 2021, is not recommended as other factors may need to be considered (p.32-33).

However, their data reflect sporadic increases of 0% from 2002 to 2011, and increases ranging from as low as 1.95% in 2015, (p.8) to the recommended high of 11.5% this year. While the cost of living in BC is acknowledged to be a challenge for low-income earners, the instability created by “playing catch-up” is unfairly carried by mostly small business operators. Consistent raises based on a statistical index, such as the CPI, are required to develop stability for businesses and their employees.

The Surrey Board of Trade recommends that the Provincial Government index Minimum Wage increases to the Consumer Price Index for BC starting with 2022.

ⁱ Fair Wages Commission's (FWC) first report, “The Transition to a \$15 Minimum Wage and Subsequent Increases,” January 2018: <https://engage.gov.bc.ca/fairwagescommission/>

ⁱⁱ The additional \$0.20 is optional. The recommendation of the FWC is to consider the increase no less than 6 months in advance. If the economy is doing well, then add \$0.15 to \$0.20; if not, then keep to the \$15.00.

ⁱⁱⁱ Table 1 – Minimum wage increases and unemployment rates in BC: 2000-2017, p.8, also support the FWC's conclusion.

^{iv} Your Guide to the Consumer Price Index, Statistics Canada, 1996 (not updated since), p.1 www.statcan.gc.ca/pub/62-557-x/4194961-eng.pdf

^v CPI by province, <https://www.statcan.gc.ca/tables-tableaux/sum-som/101/cst01/econ09a-eng.htm>

^{vi} Battle, Ken. Canada Social Report: *Minimum Wage Rates in Canada: 1965-2015*, September 2015, www.canadasocialreport.ca/MinimumWages/2015.pdf

^{vii} Services Canada, Minimum Wage <http://srv116.services.gc.ca/dimt-wid/sm-mw/rpt1.aspx?lang=eng#ftb2-ref>, Wikipedia https://en.wikipedia.org/wiki/Minimum_wage_in_Canada