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TO TRULY TACKLE POVERTY, SUPPORT THE CREATION OF JOBS

In recent months there has been plenty of discussion about the increase of the minimum wage in New Brunswick and how this has been linked to the Government's Poverty Reduction Strategy. In our view the best way to tackle poverty in New Brunswick is to create prosperous employment opportunities, and recent dramatic increases in the Province's minimum wage have limited the ability of our small businesses to create jobs. Not only does this undermine any meaningful strategy to reduce poverty but it also hinders our Province's ability to flourish.

In the past two years our province has seen a 21% increase in the minimum wage, an amount that has risen much higher than the rate of inflation. This, coupled with the increases of doing business, has put financial strain on the small business sector at a time when the Province is still severely challenged by the global economic downturn.

The majority of employers in New Brunswick are small businesses. Indeed, 97 percent of businesses are considered to be small and medium sized. Increases in minimum wage only increase an employer's costs, and in fact, have a ripple effect throughout the entire economy. More often than not, these increases have unintended employment consequences. To underline this point, consider that New Brunswick is still the only province in Canada to have fewer jobs than it did before the 2008 economic crisis began.

It is our opinion that wage increases should be permitted to grow at a rate that is in tune with natural economic growth in the province. In Alberta, where starting wages vary widely, the legislated minimum wage, as of September 2011 is \$9.40 per hour, 10 cents below what we have in New Brunswick. The average hourly wage in Alberta is \$26.16 while in New Brunswick it is \$19.73. That makes the minimum wage in Alberta 35.9% of the average wage compared to 48.1% in New Brunswick. In Alberta the provincial economy is better positioned to absorb minimum wage increases than in New Brunswick.

Quebec economist Pierre Fortin has argued that if the minimum wage is greater than a certain percentage of the average hourly wage in a province, economic evidence suggests that further increases to the minimum wage can have a profoundly negative employment effect. Fortin has suggested that as long as minimum wage remains less than 45% of the average wage it will not impact employers. Above the 45% threshold, employers need to make difficult choices to reduce their costs. For a number of small businesses, that choice unfortunately is layoffs. With the next scheduled increase to \$10, N.B.'s minimum wage will jump to an estimated 50% of the average hourly wage in the province. This will only lead to further hard choices for business owners in the province.

In New Brunswick, approximately 23,000 households, rely on social assistance compared to the 15,000 individuals (mostly students) who make minimum wage. The focus should be more on improving policies like tax benefits and other targeted social initiatives rather than imposing increases on employers who work in a free market economy where the laws of supply and demand rule the day.

The poorest households of New Brunswick would be better served through changes to social programs and policies such as increasing the maximum income before tax, increasing the ceiling on income assistance (especially with respect to health cards), and other initiatives to encourage greater participation in the workforce.

A good job is the most meaningful way out of poverty, and our business members would welcome an opportunity to help create more jobs in New Brunswick. We believe an aggressive minimum wage increase undermines this approach.

In closing, the Saint John Board of Trade and Fredericton Chamber of Commerce agree that poverty is too high and the New Brunswick government needs to take concrete steps to reduce the cycle of poverty. However, we do not believe this should be on the shoulders of business. Virtually all economists agree that increasing the minimum wage as a means to tackle poverty is too blunt a policy instrument, and may have unintended employment consequences. Considering that 1 in 5 young New Brunswickers is already unemployed, our province can ill-afford further experimentation with wage rates.

With more than 900 members, the Fredericton Chamber of Commerce is one of Atlantic Canada's largest chambers of commerce. A dynamic and relevant business organization, the Fredericton Chamber of Commerce is actively engaged in policy development that affects the competitiveness of our members and of the Canadian business environment.

The Saint John Board of Trade is a nationally accredited business organization dedicated to fostering an economic climate that enhances growth, prosperity, and an improved quality of life in the community. With more than 1,000 members, representing 600 small, medium, and large businesses and organizations and therefore, the interests of more than 30,000 citizens, the Board is a dynamic advocate and the principal voice for the business community of Greater Saint John. The elected Board of Directors is representative of the diversity of the membership and their concerns.