



Minimum Wage, Maximum Wager in Alberta*

Hell hath no fury like a plummeting oil price. Alberta, more than any other province in the country, has endured a period of fiscal pain unlike any time in its history.

The province's fortunes are clearly pegged to the market for oil. Over the past year, the price of oil has taken a nosedive – both in response to a glut on the global market as well as growing demand for green technologies.

Precipitous drops in oil prices mean lower revenues for both resource companies and government. But the economic fall-out is more deep and wide-ranging – with major job losses, plummeting real estate prices and an out-migration of workers who had moved west in search of opportunities in the oil patch.

Then came the unthinkable. Adding insult to economic injury were the raging wildfires that destroyed large portions of Alberta's economic powerhouse. Fort McMurray is slowly rising from the ashes to rebuild its once-thriving community.

Even the Queen likely would conclude that this has been an *annus horribilis* for Alberta. One would think that the province would hunker down and endure the fallout. It has done anything but.

The provincial government is proceeding with its promise to bolster the incomes of low-wage households. On June 30, Alberta boldly announced that it will be substantially raising its minimum wage over the next few years.

Alberta's minimum hourly wage currently stands at \$11.20. A lower minimum wage of \$10.70 per hour applies to employees serving liquor as part of their regular job.

Effective October 2016, Alberta's general minimum wage will increase to \$12.20 per hour and the liquor server rate will be abolished. The hourly minimum wage will rise to \$13.60 in October 2017 and \$15 in October 2018.

At first glance, these measures may seem wrong-headed. Why add a salary burden to business when it is already scrambling in such a volatile environment?

Some critics might conclude that the province has lost its compass, introducing wage increases at a time of economic instability. But its actions are entirely in step – actually ahead of the pack – in a worldwide movement that is pressing for an hourly \$15 minimum wage target.

Here's why. Most minimum wage workers are not teenagers employed in temporary summer jobs. They are heads of households raising families. Minimum wages barely keep pace with basic expenses – especially in places like Alberta where the cost of living is higher than other parts of the country.

Close to 59,000 Albertans currently earn minimum wage, the majority of whom (61 percent) are female. An estimated 43 percent of minimum-wage earners work full time, and nearly 77 percent have permanent jobs.

Minimum wages are far from "living wages," an amount considered sufficient to pay rent and feed a family. Fully-employed workers have become food bank regulars.

The rules of the economic game are broken. There is clearly something wrong with the equation in which minimum-wage, full-time work equals desperate poverty. Alberta has stepped up to the plate in tipping the scales in favour of the working poor.

Critics contend that minimum wage increases are the fastest route to killing jobs. But the opposite can also be argued: More money in the pockets of workers adds purchasing power to the local economy. Employers benefit from lower recruiting and training costs, less absenteeism and increased worker morale.

* This commentary was published as an op ed "NDP must hold fast in firestorm of raising minimum wage" in the *Edmonton Journal* on July 28, 2016.

The province has also taken steps to offset the impact of these changes on Alberta businesses. Its 2016 Budget announced a one-third reduction in the small business corporate income tax rate from 3 percent to 2 percent, effective January 2017.

Others argue that Ottawa should play its part. Its income tax-paying threshold is so low (\$11,474 for a single person in 2016) that any wage improvements for the working poor are largely confiscated at income tax time. The federal government should raise the bar at which income taxes start. Minimum wage increases are effective economic stimulus only if hardworking households can keep them.

Alberta proved that it could bravely and successfully fight the wildfires that threatened large swaths of the province. Its new challenge is to stave off the firestorm that its correct – but controversial – economic policies have sparked.

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