

Dear Editor:

The symptoms of the global recession are felt by businesses and employees everyday and everywhere. Businesses are striving to find ways to survive the economic turmoil – in addition to the crippling price for energy, increasingly limited access to financing, volatile markets and mandatory new expenditures for businesses under Ontario's Accessibility Act. And once again, 2009 will see Ontario businesses face the additional challenge of paying their minimum wage employees \$0.75/hour more – every working hour of every working day.

The Ontario government legislated an increase to student and general minimum wage over three consecutive years, beginning March 2008. Last year, Ontario's minimum hourly wage increased to \$8.75. On March 31 of this year, employers are required to increase this amount to \$9.50 – an 8.6% increase. Next year, employers will again face an increase as they will be required to pay minimum wage at a rate of \$10.25 per hour.

The government does not provide any portion of the increase. In fact, since the increase represents taxable income for the earner, it also results in increased income for the government. While the government has been lauded for helping out lower income workers, it is alarming to consider the increased burden it places on businesses already struggling to survive these challenging economic times and keep their valued employees.

Again this year, there are a few things that should be considered in forming an accurate perspective of the burden a minimum wage increase places on employers:

- It represents a 28% increase in wages over a three-year period, (or about \$5,000 more per employee per year that a business must include in their payroll).
- Added to this is the “cascading upward” effect which will require the employer to increase pay to all other wage brackets to maintain seniority.
- Other “hidden” costs include proportional increases in employee and employer contributions to the Canadian Pension Plan and Employment Insurance.
- It also means more income tax dollars that the government receives for these higher wages. The approximate extra benefit to the government (money that does not go to the employee) is \$3,500 per employee per year. That's \$350,000 per year for a company with 100 employees—a definite cost burden to business, but a clear revenue benefit to the government.
- With many businesses struggling in the current economic climate, the grim prospect of job losses is becoming a more frightening reality with each passing day, and this extra cost burden may push some to lay off workers sooner.

We support increased help for lowest wage earners and student earners. In fact, there are a number of alternate options the government could have chosen that would put more money in the pockets of lowest wage earners and student earners. The government could have increased the amount workers can earn tax free before income tax kicks in, which would let workers take home more of their actual pay cheque. The

government could have chosen to reduce tuition fees for students or provided more support to the social programs that enable lowest wage earners to upgrade their qualifications. The list of possibilities goes on, but our point remains this: Please recognize that in a global economic recession, any increased burden placed on businesses by the government may result in significant, long term and negative consequences for Ontario's businesses and the overall competitiveness of Ontario as a business jurisdiction. We remain unclear how that helps anyone.

Sincerely,

Rob Galloway
President
Timmins Chamber of Commerce