

HOW MUCH WILL THE COST OF ENTRY-LEVEL JOBS GO UP IN ALBERTA?

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Overview

The \$15 minimum wage will soon be reality in Alberta by October 1, 2018. Proponents of a higher minimum wage claim that a \$15 minimum wage will make workers in entry level jobs better off but fail to demonstrate how job creators will be affected. This backgrounder takes a look at how employers in Alberta are affected by the \$15 minimum wage plan in terms of the total cost of creating entry-level jobs that typically pay minimum wage.

In Alberta, the plan to increase the minimum wage to \$15 was first revealed in 2015. Increasing the minimum wage from \$10.20 to \$15 per hour means higher wage costs for employers. Other employer payroll costs such as Canada Pension Plan (CPP), Employment Insurance (EI), and Workers' Compensation Board (WCB) premiums go up as well as a result of the increased wage costs (see Table 1).

To illustrate, with a \$15 minimum wage, an employer in Alberta will pay an additional \$9,984 in wage costs, \$494 in CPP, \$167 in EI, and \$94 in WCB (assuming the business is a restaurant) for each minimum wage worker annually. In total, employer costs increase each year by \$10,739 (from \$22,810 to \$33,549), an increase of 47%, for each minimum wage worker employed due to increased wages (\$10.20 to \$15) and other payroll costs that will go up as a result of the increased wages. For an average business with 5 minimum wage workers, a business owner would have to pay an additional \$53,693 in Alberta each year (see Table 2), while a business with 10 employees would pay an additional \$107,386.

Minimum Wage Research Series

This publication is part of CFIB's new Minimum Wage Research Series. The series aim to show how dramatic minimum wage increases are a poorly targeted measure to fight poverty. They reveal the true impact of such increases on small business employers, the Canadian workforce and our economy in general. They also promote better economic and social alternatives that will more effectively help those that are really in need, while keeping the Canadian economy strong.

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TABLE 1

Annual cost of employing a minimum wage worker, At \$10.20 and at \$15 minimum wage, Alberta

Alberta	\$10.20 Minimum Wage (2015)	\$15 Minimum Wage*
Minimum wage (per hour)	\$10.20	\$15.00
Gross income (40 hrs/week)	\$21,216.00	\$31,200.00
CPP	\$876.98	\$1,371.24
EI	\$558.38	\$725.09
WCB**	\$159.12	\$252.72
Total cost to employer	\$22,810.48	\$33,549.05
Additional cost to employer (\$)	—	\$10,739
Additional cost to employer (%)	—	47%

* In effect October 1, 2018. In 2015, the Government of Alberta announced a plan to increase the minimum wage rate from \$10.20 per hour to \$15 per hour by October 1, 2018. The additional cost of employing a minimum wage earner is an illustration based on the change in the minimum wage from \$10.20 per hour in 2015 to \$15 per hour in 2018.

**WCB contribution is calculated based on a full-service restaurant.

Note: Based on payroll deduction calculations in 2015 and 2018.

Source: Canada Revenue Agency. Payroll Deductions Online Calculator. <https://apps.cra-arc.gc.ca/ebci/rhpd/startLanguage.do?lang=English> (accessed February 1, 2018).

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TABLE 2

Annual additional cost of employing minimum wage workers, Increasing the minimum wage from \$10.20 to \$15, by number of minimum wage workers, Alberta (\$)

Number of Minimum Wage Workers Employed in a Business	Annual Additional Cost to Business
1	\$10,739
5	\$53,693
10	\$107,386

This is for illustration purposes. Figures are based on data presented in Table 1. The additional cost of employing a minimum wage worker is an illustration based on the change in the minimum wage from \$10.20 per hour in 2015 to \$15 per hour in 2018.

Note: Based on payroll deduction calculations in 2015 and 2018.

Source: Canada Revenue Agency. Payroll Deductions Online Calculator. <https://apps.cra-arc.gc.ca/ebci/rhpd/startLanguage.do?lang=English>. Accessed February 1, 2018.

What is the aggregate impact on private sector employers from a \$15 minimum wage? In Alberta, it is estimated that minimum wage workers will cost¹ private sector employers an additional **\$284 million** each year as a result of the minimum wage increase from \$10.20 to \$15.

Conclusion

As seen from the illustrations above, a \$15 minimum wage does not come without a cost. These significant additional costs to employers could be used towards job creation, job training for employees, or investment in the business instead. CFIB will be examining policy alternatives to minimum wage increases that many employers have difficulty absorbing in forthcoming research.

¹ Note: This is an illustration of the annual increase in the cost of employing minimum wage workers among private sector employers in Alberta.

The illustration for Alberta is based on a minimum wage increase from \$10.20 per hour in 2015 to \$15 per hour in 2018. In 2015, the Government of Alberta announced a plan to increase the minimum wage rate from \$10.20 per hour to \$15 per hour by October 1, 2018.

Based on payroll deduction calculations in applicable years.

Source: Canada Revenue Agency. Payroll Deductions Online Calculator. <https://apps.cra-arc.gc.ca/ebci/rhpd/startLanguage.do?lang=English> Accessed February 1, 2018.

The number of minimum wage workers employed in the private sector estimated for Alberta is based on 2017 Labour Force Survey data and Statistics Canada estimates on the share of minimum wage earners.

Source: Statistics Canada. "The ups and downs of minimum wage." July 2014. <http://www.statcan.gc.ca/pub/75-006-x/2014001/article/14035-eng.htm>. Accessed February 1, 2018.

Source: Statistics Canada. CANSIM Table 282-0012. Labour Force Survey estimates (LFS), employment by class of worker, North American Industry Classification System (NAICS) and sex. <http://www.statcan.gc.ca/pub/75-006-x/2014001/article/14035-eng.htm>. Accessed February 1, 2018.