

Debunking Minimum Wage Myths

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Myth: Minimum wage earners receive the full benefits from a minimum wage increase.

Fact: Minimum wage earners do not receive the full benefits from a minimum wage increase. Governments benefit significantly more through payroll deductions.

Minimum wage rates have steadily crept up over the years across Canada. Provincial governments have commonly used the minimum wage rate as a tool to appeal to Canadian workers. Often, governments promote minimum wage increases as a way to boost the incomes of minimum wage earners but fail to explain who actually stands to win or lose from such a policy.

On one hand, minimum wage increases impose a negative impact on employers, especially small businesses who are generally more labour intensive than big businesses. Employers may be forced to cut jobs, freeze hiring, or even reduce employee work hours. Small business owners may also have to find ways to mitigate increased labour costs by hiking prices, reducing business investment, and decreasing employee training. On the other hand, governments reap benefits at the cost of businesses through higher personal income and payroll tax revenues.

Recently in Alberta, the provincial government plans on increasing the minimum wage rate from \$10.20 to \$15.00 per hour over the next three years with the first dollar increase set on October 1, 2015. This plan follows those of counterparts in the United States. Cities such as Seattle, Los Angeles, and San Francisco plan to substantially increase the minimum wage in upcoming years. There has also been debate about how often the minimum wage rate should be revised. Some governments have contemplated indexing the minimum wage rate to economic indicators such as the Consumer Price Index (CPI), average industrial wage, or Low-Income Measures (LIMs). Governments in Ontario, British Columbia, Nova Scotia and Yukon have gone ahead with indexing the minimum wage rate to the CPI. In Saskatchewan, the minimum wage is reviewed yearly using an indexation formula based on an equal weighting of the change of the CPI and the average hourly wage for the previous year.

CFIB's calculations show that minimum wage increases are not the best way to increase low income earners' well-being. In fact, minimum wage earners lost more in 2015 due to higher government deductions (e.g. CPP/QPP, EI, federal and provincial taxes) compared to 2010 in all provinces and territories except Newfoundland and Labrador (see Table 1). For example, Alberta minimum wage earners could see their payroll deductions increase from \$1,965.60 in 2010 to \$5,576.22 in 2018 with the minimum wage rate increase to \$15.00 per hour. With the exception of Newfoundland and Labrador, federal and provincial/territorial government deductions as a proportion of total gross income for minimum wage earners increased in 2015 relative to 2010.

Table 1:

Annual Minimum Wage Earnings and Deductions

British Columbia	2010	2015*
Minimum wage	\$8.00	\$10.45
Gross income (40 hrs/week)	\$16,640.00	\$21,736.00
Federal tax deductions	\$640.38	\$1,192.62
Prov. tax deductions	\$0.00	\$227.76
CPP deductions	\$650.52	\$902.72
El deductions	\$287.82	\$408.72
Total deductions	\$1,578.72	\$2,731.82
Net income	\$15,061.28	\$19,004.18
Deductions as % of gross income	9.5%	12.6%

**In effect September 15, 2015.*

Alberta	2010	2015*	2018**
Minimum wage	\$8.80	\$11.20	\$15.00
Gross income (40 hrs/week)	\$18,304.00	\$23,296.00	\$31,200.00
Federal tax deductions	\$873.34	\$1,410.76	\$2,515.50
Prov. tax deductions	\$42.90	\$366.34	\$1,102.92
CPP deductions	\$732.68	\$979.94	\$1,371.24
El deductions	\$316.68	\$437.84	\$586.56
Total deductions	\$1,965.60	\$3,194.88	\$5,576.22
Net income	\$16,338.40	\$20,101.12	\$25,623.78
Deductions as % of gross income	10.7%	13.7%	17.9%

**In effect October 1, 2015.*

***In effect by 2018.*

Saskatchewan	2010	2015*
Minimum wage	\$9.25	\$10.50
Gross income (40 hrs/week)	\$19,240.00	\$21,840.00
Federal tax deductions	\$1,004.38	\$1,207.18
Prov. tax deductions	\$525.72	\$537.16
CPP deductions	\$779.22	\$907.92
El deductions	\$332.80	\$410.54
Total deductions	\$2,642.12	\$3,062.80
Net income	\$16,597.88	\$18,777.20
Deductions as % of gross income	13.7%	14.0%

**In effect October 1, 2015.*

Manitoba	2010	2015*
Minimum wage	\$9.50	\$11.00
Gross income (40 hrs/week)	\$19,760.00	\$22,880.00
Federal tax deductions	\$1,076.92	\$1,352.52
Prov. tax deductions	\$1,131.78	\$1,334.58
CPP deductions	\$804.96	\$959.40
El deductions	\$341.90	\$430.04
Total deductions	\$3,355.56	\$4,076.54
Net income	\$16,404.44	\$18,803.46
Deductions as % of gross income	17.0%	17.8%

**In effect October 1, 2015.*

Ontario	2010	2015*
Minimum wage	\$10.25	\$11.25
Gross income (40 hrs/week)	\$21,320.00	\$23,400.00
Federal tax deductions	\$1,295.32	\$1,425.32
Prov. tax deductions	\$641.16	\$815.62
CPP deductions	\$882.18	\$985.14
El deductions	\$368.94	\$439.92
Total deductions	\$3,187.60	\$3,666.00
Net income	\$18,132.40	\$19,734.00
Deductions as % of gross income	15.0%	15.7%

**In effect October 1, 2015.*

Quebec	2010	2015
Minimum wage	\$9.50	\$10.55
Gross income (40 hrs/week)	\$19,760.00	\$21,944.00
Federal tax deductions	\$895.96	\$1,007.24
Prov. tax deductions	\$895.70	\$1,146.86
QPP deductions	\$804.96	\$968.24
El/QPIP deductions	\$368.84	\$460.72
Total deductions	\$2,965.46	\$3,583.06
Net income	\$16,794.54	\$18,360.94
Deductions as % of gross income	15.0%	16.3%

New Brunswick	2010	2015
Minimum wage	\$9.00	\$10.30
Gross income (40 hrs/week)	\$18,720.00	\$21,424.00
Federal tax deductions	\$931.32	\$1,149.20
Prov. tax deductions	\$824.46	\$1,016.60
CPP deductions	\$753.48	\$887.12
El deductions	\$323.96	\$402.74
Total deductions	\$2,833.22	\$3,455.66
Net income	\$15,886.78	\$17,968.34
Deductions as % of gross income	15.1%	16.1%

Nova Scotia	2010	2015
Minimum wage	\$9.65	\$10.60
Gross income (40 hrs/week)	\$20,072.00	\$22,048.00
Federal tax deductions	\$1,120.60	\$1,236.30
Prov. tax deductions	\$938.08	\$1,075.36
CPP deductions	\$820.30	\$918.06
El deductions	\$347.36	\$414.44
Total deductions	\$3,226.34	\$3,644.16
Net income	\$16,845.66	\$18,403.84
Deductions as % of gross income	16.1%	16.5%

Prince Edward Island	2010	2015
Minimum wage	\$9.00	\$10.50
Gross income (40 hrs/week)	\$18,720.00	\$21,840.00
Federal tax deductions	\$931.32	\$1,207.18
Prov. tax deductions	\$973.70	\$1,255.80
CPP deductions	\$753.48	\$907.92
El deductions	\$323.96	\$410.54
Total deductions	\$2,982.46	\$3,781.44
Net income	\$15,737.54	\$18,058.56
Deductions as % of gross income	15.9%	17.3%

Newfoundland and Labrador	2010	2015*
Minimum wage	\$10.00	\$10.50
Gross income (40 hrs/week)	\$20,800.00	\$21,840.00
Federal tax deductions	\$1,222.52	\$1,207.18
Prov. tax deductions	\$904.80	\$905.06
CPP deductions	\$856.44	\$907.92
EI deductions	\$359.84	\$410.54
Total deductions	\$3,343.60	\$3,430.70
Net income	\$17,456.40	\$18,409.30
Deductions as % of gross income	16.1%	15.7%

**In effect October 1, 2015.*

Northwest Territories	2010	2015
Minimum wage	\$9.00	\$12.50
Gross income (40 hrs/week)	\$18,720.00	\$26,000.00
Federal tax deductions	\$931.32	\$1,788.54
Territory tax deductions	\$289.38	\$619.32
CPP deductions	\$753.48	\$1,113.84
EI deductions	\$323.96	\$488.80
Total deductions	\$2,298.14	\$4,010.50
Net income	\$16,421.86	\$21,989.50
Deductions as % of gross income	12.3%	15.4%

Yukon	2010	2015
Minimum wage	\$8.93	\$10.86
Gross income (40 hrs/week)	\$18,574.40	\$22,588.80
Federal tax deductions	\$911.04	\$1,311.96
Territory tax deductions	\$427.70	\$615.68
CPP deductions	\$746.20	\$944.84
EI deductions	\$321.36	\$424.58
Total deductions	\$2,406.30	\$3,297.06
Net income	\$16,168.10	\$19,291.74
Deductions as % of gross income	13.0%	14.6%

Nunavut	2010	2015
Minimum wage	\$10.00	\$11.00
Gross income (40 hrs/week)	\$20,800.00	\$22,880.00
Federal tax deductions	\$1,222.52	\$1,352.52
Territory tax deductions	\$314.86	\$348.40
CPP deductions	\$856.44	\$959.40
EI deductions	\$359.84	\$430.04
Total deductions	\$2,753.66	\$3,090.36
Net income	\$18,046.34	\$19,789.64
Deductions as % of gross income	13.2%	13.5%

Source: CFIB calculations based on a full-time (2,080 hours) employee using Canada Revenue Agency Payroll Deductions Online Calculator. <http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/pdoc-eng.html>

Calculations for Quebec also based on WINRAS from Revenu Québec.
http://www.revenuquebec.ca/en/sepf/services/sgp_winras/default.aspx