

Alberta's Minimum Wage Increase - Effects on our Community and Mental Health.



Will Alberta's minimum wage increases negatively affect our community and mental health?

Who can argue with the idea of all Albertans receiving a “living wage”? The current minimum wage increases are touted to achieve that goal. Can a living wage be legislated?





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About Allan Friesen

I contribute to the financial health of my employer clients by providing programs and services which contribute to the physical health and well-being of their employees. Almost all of my adult life has been in the insurance industry and an active member of Southern Alberta's diverse community.

For the last 20+ years I have specialized in group benefit programs or employee benefit programs. In order to specialize effectively, I continue my ongoing education and as well have amassed considerable experience. I hold both CEBS (Certified Employee benefit Specialist) and CHRP (Certified Human Resource Professional) designations. I also complete the continuing education program offered every year through the ISCEBS (International Society of Certified Employee Benefits Specialists).

I actively research on topics that I feel will effect our community both positively and negatively. From this research I produce talks, articles and papers as well as videos on various topics. These can all be reached by visiting my website at <http://www.allanfriesen.com>.

My local “go-to” resource , Danny Leroy, says “no-way”. He has some strong , rational arguments. Most easily summarized by the belief that Joe from "Joe Biz” will hire people at \$12 per hour if they deliver additional value for Joe and his business - let’s say \$13 per hour. But, If Joe is mandated to pay \$15 per hour to someone who can only deliver \$13 per hour to Joe’s business, he will make other arrangements.

What are those arrangements? More self-serve kiosks, reduce hours of operation to peak volume times, outsource those tasks, have other employees subsume those duties or just close up shop.

Professor Emeritus John Komlos says minimum wage increases are right and necessary, but the thrust of his argument appears to be that the difference between the worker and CEO in large corporations is unconscionably large and downright unfair. Does it make any sense that the CEO is making 200 or 2000 times the average worker wage? No, of course not! But the reality of our marketplace in Southern Alberta is a lot more egalitarian in nature. Certainly there are variances in income.... but not to the extreme examples he provides.

The article “Pay Wars” asks and answers an interesting question. "So which side is right? That depends almost entirely on the perception of the problem with the domestic labor market, says Jeff Clemens, an assistant professor of economics at the

University of California, San Diego and a faculty research fellow at the National Bureau of Economic Research.

If you believe employers are squeezing more and more output from their payrolls without fair compensation, then a minimum wage hike would be for you. But if you believe technological advances and low-skill, low-wage competition from overseas have limited the number of minimum wage jobs in the U.S. and prevented employers from doling out raises, then a minimum wage bump might not make sense and could ultimately hurt low-skill workers' employment opportunities."

I work with hundreds of employers in Southern Alberta, the vast majority of whom want to do right by their employees. They want to pay them fair, treat them fair, help them and their families keep healthy and very much appreciate the value their employees bring to their customers and to their business.

But even the most kind-hearted business owner isn't in business to lose money! Let's say "Mike" has 30 staff in the restaurant business who currently get paid \$11.20 / hour plus average \$5 / hour in tips. He knows the tip compensation because almost everyone pays with a credit card and tips are all recorded. The restaurant industry is tough, his restaurant business nets a 2% return on his \$2,000,000. in receipts so his substantial capital investment nets him \$40,000. If mini-

mum wage increases go through as planned, and tips are not regarded or considered in applying towards the \$15 minimum wage, he needs to pay an additional \$3.80 per hour now his net is cut in half! Would you invest in that? I wouldn't!

Further, Mike is inundated by request from charities, sports groups and social service agencies who are looking for Mike to support their initiatives. Less revenue for Mike's business means less capacity for him to assist these programs.

But how about the not-for-profit sector? Surely service agencies would welcome increasing the pay to their employees? If that social service agency lives and dies by grants and they need 10 people to deliver services to their clients (kids, seniors, people regarded as "vulnerable"), then the minimum wage increases mean they can only afford to hire 7. How does that work? Either 7 people do the work of 10 OR 7 people work and 3 volunteer. Are either of those a better solution?

In the final analysis, the people who are supposed to be helped may not get much, if any, benefit. Some may be in a better financial position with a higher wage and no additional work demands. Likely though, many more will find themselves unemployed. Further, many may find themselves earning 25% more but working 50% more.

Maintaining good mental health is a challenge - stress is ubiquitous. Besides the economic costs, what happens to the mental health of people who become unemployed because of a minimum wage increase? What happens to those that remain employed after their colleagues have been let go and have to work even harder?

I see the planned increases as being generally bad news for Alberta.... especially in our current economic climate.

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Resources and Related Links

Economics: Is Raising Minimum Wage A Bad Idea? - Learn Liberty
www.youtube.com/watch?v=9aCpaON5NyE

Pay Wars: Would a higher minimum wage help or hurt workers?
www.usnews.com/news/the-report/articles/2016-03-28/ask-an-economist-will-a-minimum-wage-hike-help-or-hurt-workers

PBS News Hour - Column: Why raising the minimum wage is good economics
www.pbs.org/newshour/making-sense/why-raising-the-minimum-wage-is-good-economics/

Alberta Chamber of Commerce - Cost Impacts Affecting Employment Outcomes in Alberta.
[chambermaster.blob.core.windows.net/userfiles/UserFiles/chambers/2087/CMS/Advocacy Submissions and Responses/](http://chambermaster.blob.core.windows.net/userfiles/UserFiles/chambers/2087/CMS/Advocacy%20Submissions%20and%20Responses/)

Cost Impacts Affecting Employment Outcomes in Alberta, a report prepared for the Alberta Chambers of Commerce: A review By Danny G. Le Roy
<http://allanfriesen.com/wp-content/uploads/2016/07/Cost-Impacts-Affecting-Employment-Outcomes-in-Alberta-by-Danny-G.-Le-Roy.pdf>