

NL Employers' Council asking for halt in minimum wage increases

Tomorrow's increase to \$10 an hour marks a 60% increase in minimum wage over last five years

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June 30, 2010, St. John's, NL –Minimum wage in this province will rise to \$10/hour tomorrow, marking the final increase in a two year plan by government to raise the province's minimum wage from \$8/hour to \$10/hour, which combined with past increases marks a 60% rise in minimum wage in the last five years. The NL Employers' Council (NLEC) is asking government to halt any further increases in minimum wage, and allow businesses time to adjust to this significant rise in cost.

The NLEC has been hearing from numerous employers on this issue, including businesses that pay well above minimum wage, who are concerned with this rapid increase in minimum wage and the upward pressure these increases are putting on wages. "This is an extremely rapid and significant increase for employers in their cost of doing business," says Richard Alexander, NLEC Executive Director. "In addition to the increase in wages, these changes also drive up the tax on labour an employer has to pay, things like WHSCC premiums, payroll tax, EI premiums and CPP benefits. Particularly for small business owners this has been a difficult adjustment and time is needed to absorb these costs before any further increases should be considered."

Newfoundland & Labrador currently has the highest tax on labour of any Atlantic Province. In addition to recent increases in minimum wage; employer Workers' Compensation Premiums are the highest of any province; and Newfoundland & Labrador is the only province in Atlantic Canada that still has a payroll tax, a direct tax on employing people. Even with these costs, and the significant increases made to minimum wage over the last five years, there is pressure from labour groups for government to make further regularly scheduled increases to minimum wage. They see this as an anti-poverty strategy but the research seen by the NLEC does not support minimum wage as an effective instrument to address poverty. While increasing minimum wage will put more money in the pockets of some low wage earners in the short term, research done on increasing minimum wage indicates that in the medium to long term increasing minimum wage actually causes a decrease in employment levels, as employers find ways to address the increased cost of employment through shifting from labour to capital and cutting back on the number of employees or employees hours.

"It is a simple reality that the more expensive it is for businesses to employ individuals, the less they are able to employ," says Alexander. "There is overwhelming evidence indicating that increasing minimum wage actually increases unemployment. Does it make sense that the province with the highest unemployment rate in the country also has the second highest minimum wage? Government needs to take some time to seriously consider the implications this significant increase in the cost of employment has on business in this province before making further increases."

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Interview Opportunities Available - Please Contact to Arrange

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