

# MINIMUM WAGE

FACT SHEET

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## Newfoundland and Labrador Minimum Wage

# Small Business and the Minimum Wage

**WHAT THE MAINSTREAM MEDIA** likes to cover is *conflict*, because it gets them more views and more advertising dollars. So most media stories on small business and the minimum wage tend to say “small businesses hate minimum wages.” No doubt some do, but others don’t.

The reality is that small businesses can benefit from minimum wages. When minimum wages rise, thousands of workers have more money in their pockets, and spend it, e.g., buying groceries, clothes for their kids, and the occasional evening out. A lot of this additional spending helps local, small businesses.

Raising the minimum wage also helps to reduce poverty and inequality, which are both associated with slower economic growth. Boosting economic growth helps small businesses (and large businesses).



Reducing poverty also helps to reduce the demand for tax-funded social services and social assistance payments, helping to keep tax costs down for small businesses, as well as for their suppliers and customers.

Myths and facts about minimum wages and small businesses:

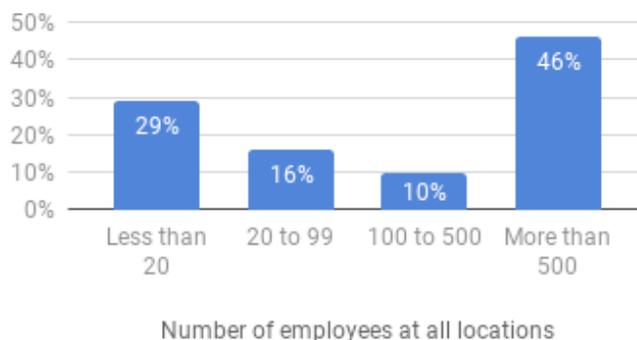
**Myth:** “Most minimum wage earners work for small businesses, and small businesses will be driven out of business by minimum wage increases.”

**Reality:**

- Most minimum wage earners work for businesses with over 20 employees, or even 100 employees.

### Most min wage earners work for larger firms

(From G. Supovich, *The Minimum Wage in Canada* CLC 2015)



- Small businesses depend on consumer demand. A higher minimum wage would increase the amount of money in circulation in the local economy, boosting demand for local goods and services, and boosting economic growth more generally.
- Many small businesses go out of business every year, even when the minimum wage doesn't go up, for many reasons, e.g. inexperienced management (the main reason), poor financial planning, or growing competition from large chains stores.

**Myth: “Raising the minimum wage translates directly into higher costs for businesses!”**

**Reality:** Not all businesses are affected. Those that are affected may see some costs go up and some go down.

- There are dozens of sectors in the economy, and minimum wage is concentrated in just a handful. So not all businesses will see a cost increase. What they will all see is consumers with more money to spend in their businesses.
- For businesses that do pay a minimum wage, the overall cost increase is diluted:
  - Only a portion of costs are related to workers. Businesses have many other costs — capital, supplies, etc. Labour costs for a restaurant are generally only 25 to 40 per cent of total costs.
  - Of worker-related costs, only a portion are related to *minimum wage workers*; they have higher-paid workers too.
  - Of costs related to minimum wage workers, only a portion is wages; there are also benefits and overheads, many of which don't go up when wages go up.
  - Typical cost increases for fast food due to large minimum wage increases (e.g. increases of 50% or more) are on the order of 2% to 4%. Boosting the minimum wage from \$11.15 to \$15 would raise the cost of a \$4.00 burger to \$4.08 to \$4.16.
- When wages go up, employer costs of turnover, transition and training tend to go down, and worker productivity rises.



**Myth: “NL has many low wage earners and a low median wage, so raising the minimum wage would cause huge economic disruption.”**

**Reality:**

- Newfoundland and Labrador has the lowest rate in Atlantic Canada of workers earning under \$15 per hour.
- It also has a lower proportion of minimum wage earners (6.1%) than the Canadian average (6.5%).
- NL is around the middle of the provinces (sixth of ten) for median wages.

**Myth: “Small businesses can only survive if governments keep the minimum wage down.”**

**Reality:** There are many ways governments can support small businesses, without doing it on the backs of low-wage workers. Government can, for example:

- Extend medicare coverage to include dental, optical, and pharmacare, to reduce business costs of extended health plans and make small businesses more competitive with larger employers that provide plans;
- Provide high-speed internet as a free public utility;
- Expand student summer job or intern programs for small businesses; or,
- Support micro-businesses (e.g., with profits less than \$100,000) to grow, with incentives for hiring more employees.

**Download the full minimum wage background paper at [www.wearenl.ca](http://www.wearenl.ca)**

