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# FAST FACTS

**April 23, 2010**

## Opponents of minimum wage have got it all wrong: Everyone benefits from increase

Recently the *Brandon Sun* published an article and two editorials relating to Labour Minister Jennifer Howard’s announcement that the minimum wage would be increased by 50 cents an hour on October 1, 2010. However, apart from the statements of minimum wage earners, the president of the Brandon and District Labour Council, and, in part, the president of the Brandon Chamber of Commerce (who acknowledges that an increase in the earnings of low-paid employees will be beneficial to employees and the local economy), many of the comments and arguments presented in these items are inaccurate, misleading and/or incomplete.

The *Sun* article on the 50 cent increase (“Minimum wage rises 50 cents, April 9) reported that full-time minimum wage employees will see their gross earnings rise by \$1,040 per year (from \$18,720 to 19,760, an increase of 5.6%). This increase ups “their take-home pay approximately \$720 while the remaining \$320 will go to the federal and provincial governments [in income tax payments and CPP and EI contributions].” (It may be of interest to

Sun readers to note that the minimum wage, even at \$9.50, is still well below a living wage. Two parents with two children would each have to earn \$11.10 an hour to make a living wage in Brandon, while a single parent with two children would have to make \$18.31 an hour.)

In an editorial the same day (“Business hit hard”), the *Sun* condemned both the increase in the minimum wage and “the hiring of five safety and health officers to help prevent workplace injuries and health,” and concluded that these measures would “diminish the driving force behind job creation...and make the private sector much less competitive in the long term. A second editorial on April 10 (“Basic exemption must rise”) proposes an alternative to increasing the minimum wage, namely, increasing the basic personal income tax exemption in Manitoba from \$8,134 to the Saskatchewan level of \$13,348. According to the editors, “this could save Manitobans \$540 in taxes every year.”

This is, of course, the same idea that the Canadian Federation of Independent



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## *FAST FACTS continued ...*

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Business, the Canadian Taxpayer Association, etc. have been flogging for years. It is not a good idea; indeed, it is a very bad idea.

Minimum wage earners will recognize that an increase in take-home pay of \$720 is more than the potential \$540 they would get from the proposed tax saving. Most minimum wage earners are also aware that while it is true that they will pay more in CPP and EI contributions the result will be an improvement in EI benefits, if they become unemployed, and also higher CPP payments further down the road. As well, minimum-wage earners, and also those who earn more than the minimum wage, understand that the income taxes they pay help to cover the costs for programs that are beneficial to them, including, health care, education, child and family services, the justice system, child care recreation, and public transit.

The other thing about the editor's proposal is that they would extend the benefit to all Manitobans. They don't tell us how much this tax expenditure would cost. A few months ago I looked at this issue ("Increasing the Minimum Wage vs. Income Tax Exemptions, CCPA, June 12, 2009) and concluded that the impact of a \$1,000 increase in the basic exemption would be a reduction in revenue from the personal income tax of \$72 million. "Of the total \$72 million, 26.4% (\$19 million) would go to individuals with incomes of less than \$25,000, 46.7% with incomes between \$25,000 and \$50,000, and 26.9% (\$19 million) to individuals with incomes greater than \$50,000."

But the Sun editors are not looking at a mere \$1,000.00 increase in the basic exemption. On the contrary, they want an increase of \$5,214.00. The question, of course, is how much revenue this would cost us. The answer is \$375 million give or take a few dollars. The editors don't tell us how the government would compensate for a loss of revenue of this magnitude. However, I'm guessing from the general thrust of their recent attacks on the public sector that they would favour cuts to services, cuts that adversely affect most working people, and in particular, low-paid workers, people on fixed incomes and retirees dependent on modest pensions.

With friends like these, people of low and modest incomes in Manitoba certainly don't need any enemies.

In conclusion, the 50 cent increase in the minimum wage will benefit minimum wage earners and their families and it will benefit all the rest of us through the positive impact that such increases have on the economy and on reduced expenditures on health care, the justice system and other services that are correlated with low incomes and poverty. Such increases will not only improve the quality of Manitoba society; they will also help to make the Manitoba economy more robust and more competitive in both the short and long runs.

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