

September 1, 2022

Hon. Cliff Cullen
Minister of Economic Development, Investment and Trade
Room 358 Legislative Building
Winnipeg, MB R3C 0V8

Dear Minister:

Thank you for your letter of August 18, 2022, requesting feedback on your government's recent minimum wage increase and potential measures to help mitigate the financial impact on businesses. We appreciate this opportunity to share small business owners' views on this important topic.

In preparation, CFIB sent a survey to its Manitoba members on August 29 to solicit business owners' opinions on the questions posed in your letter. Within two days we had received over 300 responses. The full preliminary survey results are attached to this letter for your information, and the key points are summarized below.

For context, it is important to note that according to CFIB's [Small Business Recovery Dashboard](#), fewer than half of Manitoba small businesses have returned to normal, pre-pandemic revenues. Many have taken on significant pandemic-related debt that they are struggling to carry and repay due to rising interest rates. Meanwhile, nearly all business costs are increasing, including inputs, food, fuel, shipping, insurance, and rent. These are challenging circumstances for many small businesses.

Below, we have provided answers to the four questions posed in your letter.

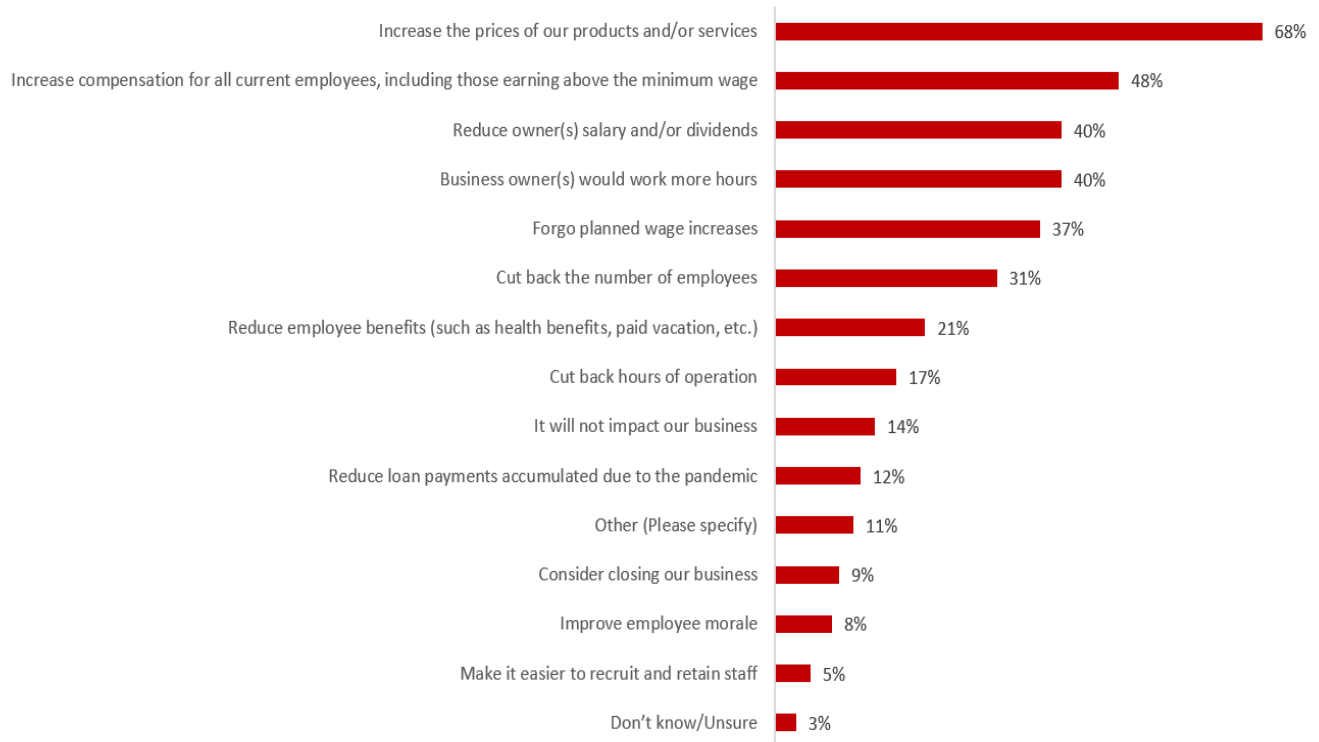
Q1: What percentage of the workforce will [be] impacted by the minimum wage increase?

A: Our survey results indicate that fewer than one third (28%) of small businesses employ staff at minimum wage; however, this is *not* indicative of the number of small businesses that are impacted by the increase to minimum wage. Repeatedly, our members have told us that even if they are currently paying above minimum wage, the increase to minimum wage will require them to raise wages across the board. Employees who are currently making above minimum wage expect to continue making more than minimum wage, and with a 25% increase to minimum wage in the next year, many small business owners (48%) anticipate increasing wages for all their staff accordingly, regardless of their current rate of pay.

Conversely, 14% of survey respondents indicate the increase to minimum wage will not impact their business.

Q2: What are the impacts to business operations/functions as a result of this increase?

We asked our members, “What impact will Manitoba’s minimum wage increase have on your business?”. The results are summarized in the chart below.



Of note:

- 68% anticipate raising prices
- 40% say the owner(s) will reduce their own salary and/or dividends and will work more hours
- 31% will reduce the number of staff they employ
- 17% will reduce their hours of operation
- 9% will consider closing their business
- 14% say the increase to minimum wage will not impact their business

Among those who answered “other”:

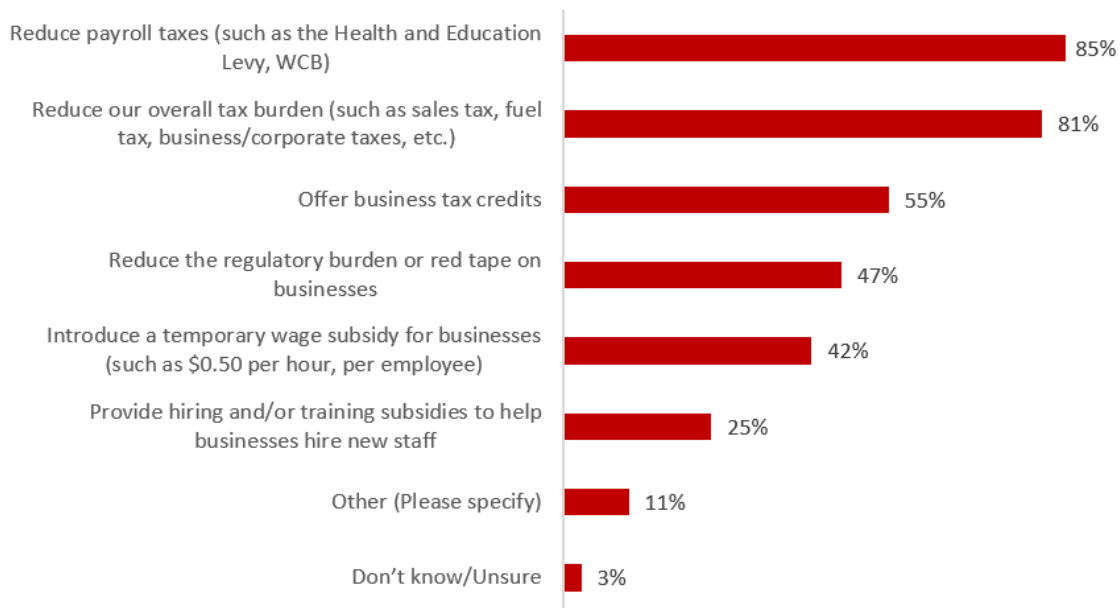
- Many indicated that they would find it difficult to employ youth or inexperienced staff at \$15.00 per hour, as these employees typically require more training and supervision
- Many indicated that they will automate more functions to reduce payroll costs

With the announced minimum wage increase, the average small business in Manitoba employing minimum wage staff will see their total payroll costs go up by 17% between October 2021 and October 2023.¹

¹ Assumes 10 full-time minimum wage employees and includes CPP, EI, and WCB (using average premium rate)

Q3: Are there any supports or other opportunities that Manitoba should consider to help ease the transition to a higher minimum wage?

We asked our members, “What could the Manitoba government do to help alleviate the impact on your business from increasing the minimum wage to \$15 per hour by October 2023?”. The results are summarized in the chart below.



Our survey results indicate that **tax relief** is the preferred cost-mitigating option for small business owners. Many members elaborated on this in the survey comments. Based on member feedback, CFIB is recommending that tax relief take the form of:

- **Improving Manitoba’s tax competitiveness** with a significant increase to the basic personal amount and adjustments to Manitoba’s income tax rates and tax brackets, which have fallen significantly behind other Western provinces;
- **Increasing the threshold for the small business corporate tax rate to \$600,000;**
- **Further increasing the threshold for the Health and Education Levy**, as the increase to minimum wage and the resulting upward push on all wages will push more employers past the existing threshold and/or discourage them from growing their business and adding new jobs; and
- **Additional forms of tax relief**, such as a PST rebate to small businesses and/or those most impacted by the pandemic.

Most small business owners are already paying above minimum wage, and many (32%) support a \$15 minimum wage. However, many small business owners strongly believe there should be a corresponding increase to the basic personal amount, along with adjustments to Manitoba’s income tax rates and tax brackets, to allow low-income earners to keep more of their paycheque.

On the issue of wage subsidies, these measures received less than half the support of tax relief measures, with 40% supporting a temporary wage subsidy and 25% supporting hiring or training subsidies.

Q4: If government did not provide support to business, what measures would need to be taken to accommodate the minimum wage increase?

While we did not survey our members on this question specifically, the answers would likely be similar to those of question 2 (see above). Small business owners are most likely to raise their prices, reduce their own take-home pay, worker longer hours, reduce staff, and reduce employee benefits. Nine percent will consider closing their business.

We have attached the full results of our Minimum Wage Flash Survey for your review, including selected survey comments. Thank you again for the opportunity to provide feedback on your government's minimum wage announcement and potential supports to businesses. We look forward to further discussion on this important matter.

Sincerely,

A handwritten signature in blue ink that reads "K COOK". The signature is stylized with a large, sweeping "K" and a cursive "COOK".

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