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# Minimum wage reality check

As a mode of transportation it is easy to compare the difference between a pogo stick and a formula one race car. The recent coverage and comments in The Sun Times in support of increasing the minimum wage is the pogo stick of economic analysis and understanding of a complex economic system with more moving parts than a race car. Increasing the minimum wage is like switching an unproven engine part with the unintended consequence of blowing the engine.

If increasing the minimum wage to \$15 is such a good idea according to the supporters – then why not \$50 or \$100? According to their pogo stick logic, the economic benefits should be exponentially higher, with minimal or no negative impact on the economy.

If you increase minimum wages there are a plethora of interactions and effects - short and long term – by industry type, regional profile, demography, employment legislation, technology, capital markets and availability, among many others. Redressing one set of inequities creates new ones. It can blow the economic engine.

Imagine what you would have to cut from your household budget if your monthly mortgage payment was suddenly increased by 32% over the next 18 months? Severe deep cuts would have to be made to keep you from going under financially. It's no different in business and most importantly the economic engine of our province. Changes, most likely deep cuts for small business, will have to be made throughout the entire business sector.

Economists learned long ago that you cannot address or solve any particular issue in isolation. If you try to do so it's like whack-a-mole -- as you hammer down one problem another one pops up. That's why economists and economic policy advisors use complex, interactive, data driven econometric models. Not only are these models domestic in nature, they also factor in things like free trade agreements, third world competition, trade barriers, subsidization, etc.

There is no evidence that this has been done by the provincial government.

Supporters of the increase cite studies in Canada and the US that 'purportedly' demonstrate positive economic impact. None of these account for a 32 per cent increase in 18 months (five years was the norm) and with no tax break for small business to help off-set the direct cost to their business.

It can be argued that other valid rigorous empirical studies have shown that increased minimum wages lead to reduced employment, lower profitability for or even closure of fragile small businesses, workplace inequities and inflation.

Either way - we just don't know what the economic impact will be of increasing the minimum wage in Ontario.

That is why this Chamber supports the initiative of the Ontario Chamber of Commerce and the Keep Ontario Working Coalition to conduct an in-depth economic impact analysis of increasing the minimum wage and the other changes in Bill 148, The Fair Workplaces, Better Jobs Act. Only then can we have an informed discussion on the consequences of this legislation.

Oh, and by the way, the coalition is using the same research firm used by the province in order to avoid any question of impartiality of the outcome of the study.

The Owen Sound & District Chamber of Commerce does not believe that, "the sky is falling," as recently stated in a letter to the editor in this newspaper. We know that the minimum wage is increasing to \$14 on January 1, 2017 and likely an additional \$1 the following year. But let's not lose sight of why the province made this decision – it's good politics for a floundering government that is trying to garner favour with the electorate leading up to next year's provincial election, but bad policy to blindly implement this legislation regardless of the ultimate cost to the provincial economy and the people of Ontario.

Call me cynical, but the largest employer of temporary workers in Ontario is the province -many of whom may benefit from the increase in the minimum wage. I don't believe in coincidence when it comes to politics.

Peter Reesor CEO and Chair, Advocacy Committee, Owen Sound & District Chamber of Commerce

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