

Manitoba's Minimum Wage to increase on October 1, 2022

ISSUE BACKGROUNDER PREPARED BY
THE MANITOBA CHAMBERS OF COMMERCE
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Last week, the Government of Manitoba announced its plan to increase Manitoba's minimum wage to \$13.50 per hour on October 1, 2022, representing a 13% increase from the existing rate, which sits at \$11.95 per hour. Opting for a phased-in approach, the provincial government will further increase the minimum wage by an additional 65 cents to \$14.15 per hour on April 1, 2023, and again on October 1, 2023 to around \$15.00 per hour, depending on Manitoba's 2022 precise inflation rate.

Since 2017, Manitoba's minimum wage has been indexed to inflation as measured by the Consumer Price Index (CPI), which represents changes in prices as experienced by Canadian consumers. Specifically, it measures price change by comparing, through time, the cost of a fixed basket of goods and services for an average consumer. Using this inflation-based formula where government utilizes the previous year's inflation rate, Manitoba's minimum wage was scheduled to increase from \$11.95 per hour to \$12.35 per hour on October 1, 2022. This increase would have placed Manitoba's minimum wage as the lowest in the country after Saskatchewan increases its wage rate to \$13.00 this fall.

However, the Legislative Assembly of Manitoba passed Bill 44, The Employment Standards Code Amendment Act, back in June. This legislation allowed for minimum wage increases above the scheduled increases tied to inflation and enabled larger one-time annual increases where inflation in Manitoba is over 5% in the first quarter of a calendar year. For context, consumer inflation in Manitoba rose to 9.4% in June. This was well above Canada's inflation rate of 8.1% - the largest yearly change since January 1983, according to Statistics Canada. Inflation cooled to 8.8% in our prairie province in July, but remained above the national rate of 7.6% for this same timeframe.

Manitobans and businesses have been facing increasing inflationary pressures as the cost of everyday goods increases. This pressure is felt most acutely at the fuel pump and at the grocery store. The Manitoba Chambers of Commerce acknowledges that the minimum wage needs to increase in response to rising cost pressures, however, there needs to be a balance between having a competitive minimum wage and recognizing that employers have faced serious economic challenges through the COVID-19 pandemic. In fact, Manitoba's business community continues to deal with the financial aftermath of operating restrictions and labour shortages, and many businesses in all corners of our province are still unable to return to full operating capacity. According to our members, it will take at least another six months before many businesses will be able to return to pre-pandemic revenues.

The prescription for dealing with the increasing cost of living cannot be borne entirely by the business community. While we were pleased to see the government's commitment to programs that will help small businesses in adjusting to higher payroll costs, there is no better time than now to pursue broader scope initiatives and to address longer-term challenges. The minimum wage is one part of the affordability discussion, and we cannot have a discussion on affordability without considering economic competitiveness and more specifically, the competitiveness of Manitoba's taxation framework.

When compared to Ontario, Saskatchewan, Alberta, and British Columbia, Manitoba ranks poorly in several key economic indicators, including GDP per-capita, interprovincial migration, and taxation. According to the Manitoba Employers Council's 2022 Prosperity Report, Manitobans have the lowest wages and the highest personal income taxes amongst these five provinces. An individual earning \$50,000 in employment income in Manitoba would save over \$1,000 in income taxes if they lived in Saskatchewan instead.

To further break this down, Manitoba has the third lowest Basic Personal Amount (BPA) in Canada, behind only Nova Scotia and Newfoundland and Labrador, at \$10,145. The BPA is a non-refundable tax credit that provides full relief from provincial income tax to all tax filers with taxable income below the BPA. In other words, it is the amount of income earned before it is taxed by the government. For context, Manitoba's BPA is \$6,000 lower than Saskatchewan's BPA.

The Health and Post Secondary Education Tax Levy, or the payroll tax as it is more commonly known, is a tax imposed on remuneration that is paid to employees in Manitoba. Employers with total remuneration above \$1.75 million are subject to this levy. While the provincial government's indexing of the payroll tax has provided some relief, it continues to be a significant pain point for Manitoba businesses and arguably, a disincentive to growth.

The last two years have been difficult for Manitobans, businesses, and for decision-makers as we have faced unprecedented health and economic challenges. Inflation rates are high and cost pressures are real. An increase in Manitoba's minimum wage was a necessary step to take, however, this is an opportune time to undertake a comprehensive and sincere review of Manitoba's taxation framework with a focus on economic competitiveness. The Manitoba Chambers of Commerce welcomes the opportunity to collaborate with the provincial government on this important and timely initiative. Together, we will build a stronger economic base and ensure that Manitoba remains internationally competitive.

Manitoba's Increasing Minimum Wage

\$11.95

Current

\$13.50

October 1, 2022

\$14.15

April 1, 2023

~\$15.00

October 1, 2023