



---

**British Columbia Fair  
Wages Commission  
Submission**

---

**Date of Submission:**  
December 6, 2017

## About CFA

The Canadian Franchise Association (CFA) is the recognized authority on franchising in Canada. With over 600 corporate members representing many of Canada's best- and lesser-known brands and 48,000 franchisees nation-wide, CFA is the indispensable resource for the franchise community and advocates on behalf of franchisors and franchisees in Canada to enhance and protect the franchise business model. CFA promotes excellence in franchising and educates Canadians about franchising, specific franchise opportunities and proper due diligence through its many events, programs, publications, and websites ([www.cfa.ca](http://www.cfa.ca), [www.LookforaFranchise.ca](http://www.LookforaFranchise.ca), and [www.FranchiseAwareness.ca](http://www.FranchiseAwareness.ca)).

As the only national trade association serving the franchise industry, the CFA is a one-stop resource for franchisors, franchisees, and anyone considering new business opportunities in the franchise sector. CFA was founded in 1967 by a group of franchisors who saw a need for a national organization committed to the growth, enhancement, and development of excellence in franchising in Canada. CFA's wealth of knowledge flows, in part, from its prominent role in the nation's business community. CFA is committed to:

- ❖ Enhancing and protecting our industry through **advocacy**
- ❖ Being the premier vehicle for **lead generation**
- ❖ Being the best course for information and **education** on franchising

## Contact

If you have any questions regarding the content of this submission or to schedule a meeting, please contact:

**Ryan J. Eickmeier** MPP, LL.M., EMBA  
Vice President, Government Relations & Public Policy  
**Canadian Franchise Association**  
116-5399 Eglinton Avenue West  
Toronto, ON M9C 5K6  
**Tel:** 416-695-2896 ext. 297  
**Mob:** 905-441-0337  
**Fax:** 416-695-1950  
**E-mail:** [reickmeier@cfa.ca](mailto:reickmeier@cfa.ca)

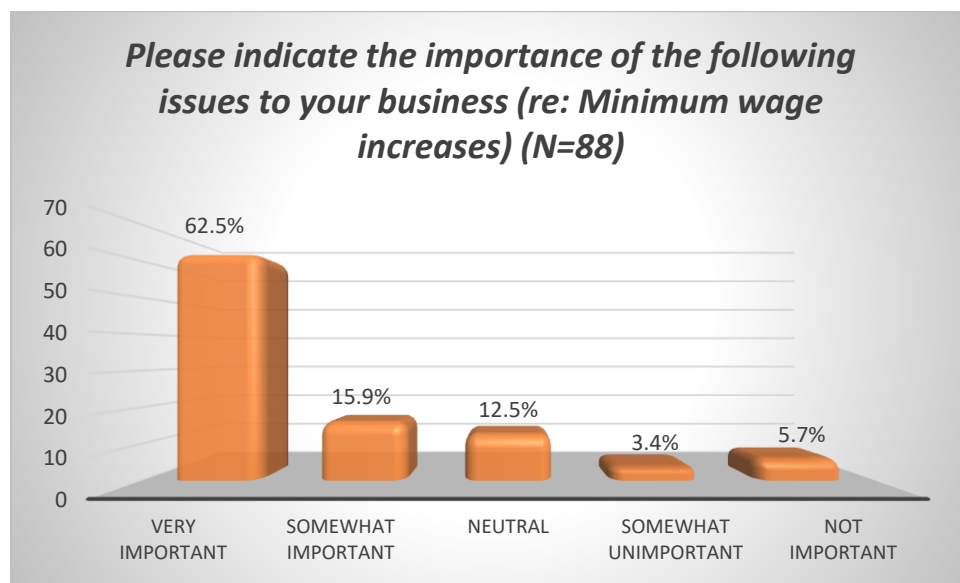
## Minimum Wage

The CFA appreciates the Government's commitment to stakeholder consultation prior to the implementation of a \$15 minimum wage. To help guide our consultation response, CFA conducted a survey of our membership, and the following is an overview of their responses.

CFA and its members are not opposed to increases in minimum wage. In fact, we are supportive of increases that are fair, predictable, and staggered across a reasonable timeframe. Significant and rapid increases in the minimum wage however can have a dramatic impact on our members and their businesses, potentially resulting in hiring freezes, price increases, and reduction of employee hours; this creates circumstances in which small businesses are unable to thrive. As such, CFA would be supportive of a predictable and reasonable timeframe for the implementation of a \$15 minimum wage in British Columbia.

For CFA members, a rapid minimum wage increase would be a critical threat to their small businesses, as 78.4% (Figure 1) of our members consider this a substantial issue.

Figure 1



If rapid and significant increases were to occur in British Columbia, 32.4% (Figure 2) of our membership are concerned that locations would close as a result of profitability strains, as the majority expect that their operating costs would rise anywhere from 5% to 30%; an additional 20.3% are unsure of their ability to survive under these economic conditions.

The BC government must also consider that employees who currently make \$15 or more will expect their wages to be raised as well, otherwise the existing wage gap based on skills and/or tenure will be diminished or eliminated altogether. In addition, an increase in wages has a compounding impact on employers paying increased payroll taxes, which itself will prove to be a significant financial challenge for business owners. The Government of British Columbia must take into consideration the rate at which small businesses can absorb these cost increases when developing its minimum wage increase schedule. The reality is that many of our members are indeed small businesses, who already work under very slim

margins, and therefore many business owners cannot absorb rapid increases. 29% of our members would simply not be able to accommodate wage increases for those who currently make \$15-an-hour (Figure 3), while 43% of our members are unsure; only 28% of our members would be able to accommodate wage increases where necessary (Figure 3).

Figure 2

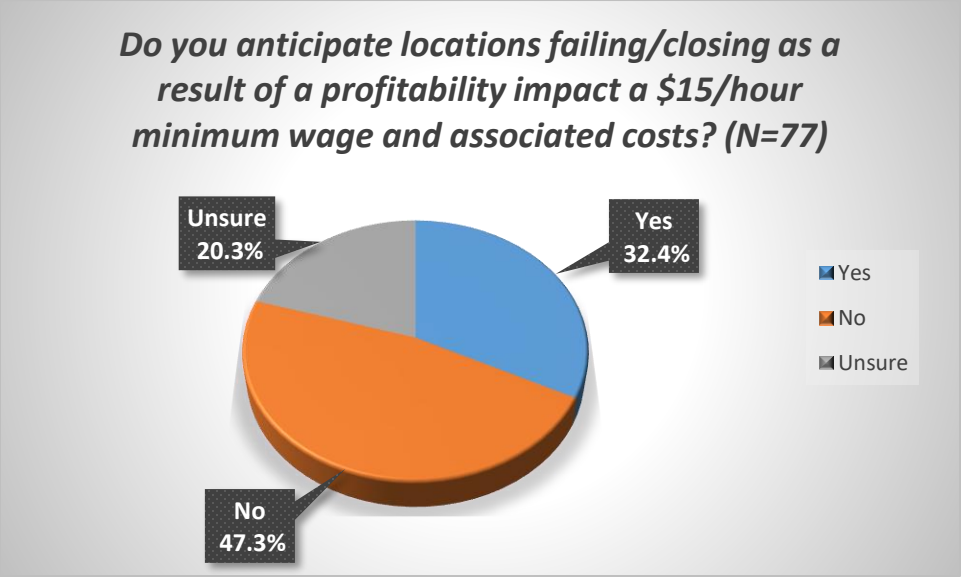
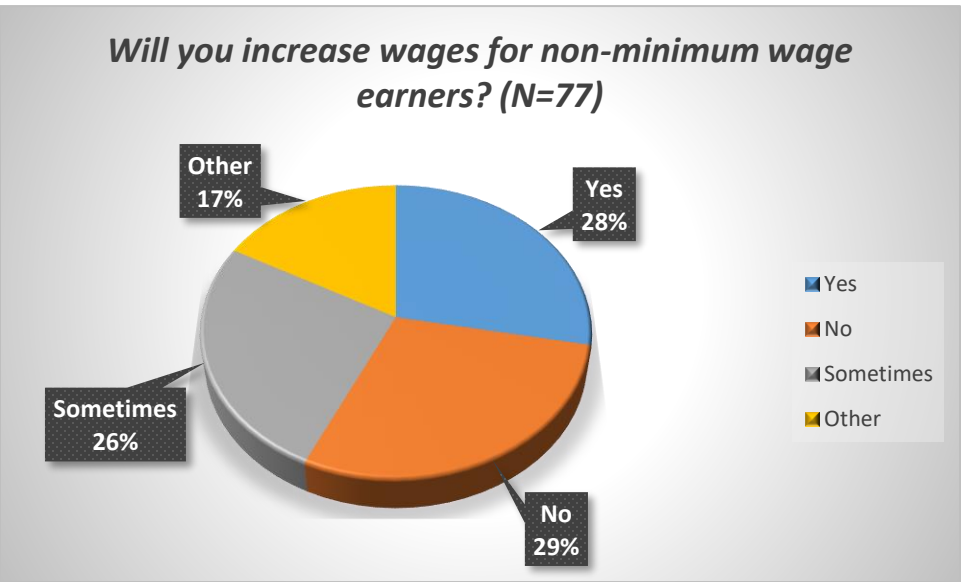


Figure 3



In looking at other jurisdictions for lessons learned, the speed of the planned increases in the Province of Ontario has created an insurmountable hurdle for many small business owners, and should serve as a case study for British Columbia. To accommodate this proposed rapid increase in Ontario, many businesses are being forced to pass on increases to the customer or decrease the amount of staff

currently employed. The net result is actually the opposite of what the government intended when low-wage workers lose their jobs rather than gain a raise to \$15-an-hour. CFA strongly urges the BC government to avoid taking the same irresponsible path as the Ontario government.

It is also important to note that like Ontario and Alberta, British Columbia is planning to undertake a robust review and modernization of their employment standards and labour relations acts, which too has proven to result in added costs for businesses. While CFA is supportive of these types of reviews, we do recommend that the BC government keep these additional costs to employers in mind as they set their minimum wage timeline; simply put, all businesses have a limit on how much they are able to absorb at once.

### Member Commentary

To sum up much of the commentary received in our member survey, to accommodate rapid minimum wage increases, many businesses would be forced to pass on increases to the customer or decrease the amount of staff currently employed. The following direct quotes from our members further illustrate this point:

*“Quick and aggressive changes to minimum wage will decrease our small margins to negative amounts. We are highly concerned about the impact of this change on our business. We will be forced to raise prices or take away non-mandatory perks, like benefits, to keep a profit. It is irresponsible of a government to impose this so quickly. If we raise our prices we will lose clients, as we are a non-essential service company, and the cost will be out of reach since it will have to raise the 30% that minimum wage is raising.”*

As previously noted, not only will employers need to raise wages for minimum wage earners, many will be forced to raise wages across the board to satisfy other employees. With the increase in minimum wage and wages of other workers, the compounding impact on employers paying increased payroll taxes will be significant. One respondent indicated they will increase prices to satisfy workers currently making more than minimum wage, but it will be at the expense of hours given. Others are simply not able to do so.

*“At this point, we couldn’t afford to [increase wages for non-minimum wage earners]. We’re a labour intensive business, our margins are already very thin. We would need to drastically increase the price to the consumer, and it’s just not feasible in many of our smaller/rural markets.”*

### Potential Offsets

Regardless of the timeframe for increasing minimum wage to \$15, the reality is that the cost for business owners will grow. To help the BC government find ways to alleviate the pressure this will cause, CFA members were asked what type of government provided offsets would help them and their franchisees cope with a minimum wage increase to \$15-an-hour. More than 40 suggestions were put forward, including, but not limited to:

- Longer implementation timeframe;
- Reduction of the small business tax rate;
- Income tax credits;
- Benefits credits;

- Training allowances/subsidies;
- Uniform purchase credits;
- Lower payroll taxes; and,
- Government wage enhancement.

A mix of offsets, announced alongside the final minimum wage schedule, would go a long way in helping alleviate concerns and the financial pressure a minimum wage increase to \$15-an-hour would have on businesses.

#### **Recommendation:**

CFA urges the government to consider the concerns employers in this province have about rapid minimum wage increases, and put forth a schedule that is indeed predictable with evenly staggered increases to \$15 over the next 3-5 years; this will ensure a fair balance between supporting employees and employers in the Province.