



CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office

Charting a Path to \$15/Hour for all Workers — and the Road Beyond

CCPA-BC Submission to the BC Fair Wages Commission

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Introduction

Thank you for this opportunity for the CCPA-BC to share some of our research and recommendations with your Commission. This is a file we have been engaged with for many years and we hope our contribution will be useful for your deliberations.

Since opening the CCPA-BC office 20 years ago, we have published extensively on minimum wages,¹ poverty and working poverty, employment standards, the experiences of immigrant and migrant workers, and we are the architects of the methodology for calculating the Living Wage for Families,² which is now used to calculate the living wage in about three dozen communities across Canada.

The case for being bold and moving quickly with minimum wage increases

Workers need it: increasing the minimum wage is a direct transfer to low-wage workers and would represent a sizable boost to their incomes.

¹ See for example our 2015 report reviewing the academic literature on minimum wages by Professor David Green here: <http://www.policyalternatives.ca/publications/reports/case-increasing-minimum-wage>

² See <http://www.policyalternatives.ca/livingwage2017>

BC's current minimum wage is a poverty-level wage. Low-wage workers need a significant boost and they have been waiting for a long time. Over 400,000 British Columbians — 22 per cent of all paid employees in the province — work for less than \$15 per hour.³ They would all benefit from a \$15 minimum wage. Research tells us that people of colour and recent immigrants are disproportionately affected.⁴

The data also tell us that many of those who would benefit from a minimum wage boost to \$15 are family breadwinners. While only a small share of British Columbians make the current minimum wage, and a majority of these workers are youth, the picture changes dramatically when we look at all those making between the current minimum wage and \$15. Of all BC employees earning less than \$15 per hour:⁵

- 78 per cent are 20 years of age or older.
- 66 per cent do not live at home with their parents.
- 44 per cent are 30 years of age or older.
- 59 per cent are women.
- 54 per cent work full-time.
- 76 per cent are not students.
- 51 per cent have at least some post secondary education.
- 38 per cent have been in the same job for more than two years.

STEREOTYPE

The working poor are mostly teenagers and students.

REALITY

In Metro Vancouver, there are over 100,000 people who are working poor, not counting students. 61% are 30–54 years old and 42% have children.

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³ Data from Statistics Canada 2016 Labour Force Survey Public Use Microdata Files.

⁴ According to data from Statistics Canada's 2017 Labour Force Survey Public Use Microdata Files, 30 per cent of recent immigrant employees in BC earn less than \$15 compared to 20 per cent of non-immigrant employees (data for Jan-Oct 2017). See also Block, Sheila. 2013. *Who is Working for Minimum Wage in Ontario*. Toronto: Wellesley Institute.

⁵ Ibid.

We have long held the foundational view that someone working full-time in the paid labour market should earn comfortably above the poverty line.

Yet inadequate minimum wages are clearly a significant part of the poverty story in BC. The poverty rate in BC is currently the highest in Canada (14.8% in 2015, the last year for which we have data).⁶ When people think about poverty, they often think it is primarily a story of low welfare rates. But only about 4 per cent of British Columbians rely on social assistance at any given time. In contrast, about half the poor in BC are either the working poor or the children of the working poor. Indeed, as we noted in a 2016 CCPA report, BC leads the country in the rate of working poverty.⁷

Those who are working at low wages, particularly those with children, often face impossible choices – to pay the rent or buy food; to heat the home or pay for safe child care. As we note in our living wage work, if parents cannot meet the realities of their family budget with an adequate hourly wage, they make up for this reality in time, working additional hours and at more than one job, frequently at the cost of time with their children. Unable to help with homework, extra-curricular activities or social events, the result is intensified family stress.

All of these stresses have been compounded by the runaway cost of housing in BC, particularly in the province's southwest corner. Indeed, basing minimum wage considerations on the general inflation rate (Statistics Canada's Consumer Price Index) masks a troubling reality. The CPI is held down by falling prices for some non-essentials (such as electronics). However, as we found in our January 2017 report *Long Overdue*,⁸ the costs of core essentials that families cannot avoid – rent, electricity, child care and food – have been increasing by two-to-four times the rate of inflation since the mid 2000s.

BC is falling behind other provinces

By January 2019, two provinces in Canada – Ontario and Alberta – will have a \$15 minimum wage. There is no reason why BC cannot join them.

Moving from a minimum wage of \$11.35/hour to \$15/hour represents a 32 per cent increase. This is a substantial increase **but it is not unprecedented**. In March 2011, the BC government of Premier Christy Clark announced a 28 per cent increase in the minimum wage (from \$8 to \$10.25) in three increments over a total of 14 months after the

⁶ Based on the Market Basket Measure in the Canadian Income Survey. For more on poverty in BC, see our January 2017 report *Long Overdue* here: <http://www.policyalternatives.ca/publications/reports/long-overdue>

⁷ Our full report on working poverty can be found here: <https://www.policyalternatives.ca/van-working-poverty>

⁸ Available at: <http://www.policyalternatives.ca/publications/reports/long-overdue>

announcement was made (with the minimum wage reaching \$10.25 in May 2012).

Similarly:

- In June 2017 the Ontario government committed to a 32 per cent increase in the minimum wage (from \$11.40 to \$15) by January 2019, only 18 months after making the announcement.
- Alberta is on track with its plans to raise the minimum wage from \$10.20/hour to \$15/hour – a 47 per cent increase – by October 2018. That province chose to take just over three years to implement the increase but they started farther behind and had to contend with the impact of a large drop in oil prices on their provincial economy while they were doing it. (The increases were \$1 in October 2015, \$1 in October 2016, \$1.40 in October 2017 and \$1.40 in October 2018 (to \$15).

BC is behind Alberta and Ontario in its plans to reach a \$15 minimum wage, but the strong economic growth we have enjoyed for the last few years presents a unique opportunity to move quickly now.

Recommendation for a path to \$15

Given current solid economic growth in BC and low unemployment, we propose front-loading the minimum wage increase and implementing it in three steps over 12 months as follows:

- \$13 in March 2018
- \$14 in Sept 2018
- \$15 in March 2019

This would represent a similar timeline of minimum wage increases as the BC government implemented in 2011 and will put BC on schedule to match Alberta and Ontario by March 2019.

BC should seize upon the opening created by strong economic growth. The economic literature is clear on the fact that the minimum wage plays only a small part in determining overall employment.⁹ Bigger forces driving growth should mitigate any negative disemployment effects stemming from a minimum wage increase and reduce the risk of observing a decline in employment in BC. **Now is the time to go big.**

⁹ Green, David. 2015. *The Case for Increasing the Minimum Wage: What Does the Academic Literature Tell us?* Vancouver: CCPA-BC. p.8. <http://www.policyalternatives.ca/publications/reports/case-increasing-minimum-wage>

What should happen after we reach \$15?

Once BC's minimum wage reaches \$15/hour, it is essential that a process and mechanism be in place for future increases. Sadly, BC has a history of long periods of minimum wage freezes, during which the real value of the minimum wage shrinks over time. This practice needs to end. **The CCPA has argued for years that the process for setting the minimum wage needs to be de-politicized, and grounded in a clear rationale that is principle-based and independent.**¹⁰

Given this, we recommend:

- The establishment of a ***Permanent Fair Wages Commission***.
- That this ongoing Commission provide schedules for regular and predictable minimum wage increases into the future.
- That these future increases *not be based on a simple indexation to inflation* (given the concerns about the CPI noted above, and the failure of CPI to capture many of the realities of the expenses faced by low-income households).
- That instead, **future minimum wage increases be guided by a rationale such as pegging the minimum wage to 60 per cent of the average industrial wage, or 10 per cent above the poverty line for a single person as calculated by the Low-Income Measure (LIM) or the Market Basket Measure (MBM)**. The minimum wage is a floor and is intended to protect low-wage workers. It should provide adequate income so full-time, full-year workers can earn more than the poverty line. It is also a mechanism to reduce wage inequality by ensuring that the minimum wage does not fall too far below the average industrial wage in the economy. Minimum wage workers should share in the gains of economic growth.
- In order to ensure that the minimum wage continues to reflect the realities of the challenges faced by low-wage workers, the permanent Fair Wages Commission must provide opportunities for input from workers earning low wages, labour unions, community organizations, businesses and the general public. The Commission should be resourced to undertake research, consult with the public and develop recommendations.
- The Fair Wages Commission could also be a vehicle for investigating other employment standards issues and emerging workplace issues (such as those identified in Ontario's recent Changing Workplaces Review), and should provide an annual report to the public on how employment standards and the protection of vulnerable workers are being enforced in BC.
- A possible model for such a permanent body is the UK Low Pay Commission.

¹⁰ For example in our 2007 report *Bringing Minimum Wages Above the Poverty Line* available here: <https://www.policyalternatives.ca/publications/reports/bringing-minimum-wages-above-poverty-line>

Recommendations on minimum wage exemptions and special rates

We believe that all workers, without exception, should earn at least the general minimum wage. To ensure that this happens, we recommend simplifying the law by eliminating all current exemptions/special rates from the general minimum wage and mandating a single minimum wage that applies to all workers. As an additional benefit, eliminating exemptions will make administering and enforcing the new minimum wage legislation easier.

*Farmworkers*¹¹

The agriculture industry has historically argued that the unique and seasonal nature of work in this sector – specifically hand-harvesting crops – makes minimum wages impractical, and have instead been allowed to use piece rates for remuneration by weight or volume of crops picked. However, this wage structure is unfair to workers and there is little evidence that it is necessary given the emerging realities within the BC agricultural sector.

- While workers can earn more than the minimum wage at the height of the picking season, in less “fruitful” months, workers often earn less than the minimum wage, as we documented in our 2008 report *Cultivating Farmworker Rights*.
- Recent increases in piece rates have not kept up with the general minimum wage. Between 2001 and 2017, BC’s minimum wage increased by 42 per cent while piece rates increased by just 16 per cent.
- In recent years, the industry has shifted a large share of production to agricultural greenhouses that operate year-round. These greenhouses are effectively no different from factories in employment terms, and work done in them is not paid by the piece rate.
- Also in recent years, a growing share of farmworkers (roughly half) are migrants employed as temporary workers under the Seasonal Agricultural Workers Program. **These SAWP workers must legally be paid the minimum wage. If the industry can make minimum wage function for these workers, the same should be possible for all workers.**

¹¹ For more on this subject, see two CCPA-BC reports: the 2015 report by Otero and Preibisch *Citizenship and Precarious Labour in Canadian Agriculture*:

<http://www.policyalternatives.ca/publications/reports/citizenship-and-precarious-labour-canadian-agriculture>; and our

2008 report by Fahey et al *Cultivating Farmworker Rights*:

<http://www.policyalternatives.ca/publications/reports/cultivating-farmworker-rights>

Liquor Servers

Very few provinces have a lower minimum wage for liquor servers. BC's liquor server wage of \$10.10/hour is currently tied with Ontario for second lowest in Canada. Only Quebec pays less to workers who receive tips. Alberta eliminated its liquor server wage as of October 1, 2016. The Ontario Changing Workplaces review concluded that the liquor server wage is "an anachronism" and recommended phasing it out (a recommendation the Ontario provincial government has thus far not implemented).

We recommend eliminating the lower liquor server wage.

A lower minimum wage for liquor servers is unfair because:

- Tips in many eating and drinking establishments are often pooled for all employees (both the servers and non-servers).
- While tip income can be quite high in some high-end establishments, in many regular bars and restaurants, tips are not considerable, particularly during off-hours. More importantly, tipping is at the discretion of the customer and is not guaranteed to the employees.

The lower liquor server minimum wage also has gendered implications because 81 per cent of food and beverage servers in our province are women. Recent research found that depending on tips leaves workers vulnerable to sexual harassment and sexualized behavior from customers because if servers speak up against customers, they risk losing a tip. The promise of earning higher tips is what drives employers to implement discriminatory gender-based dress codes.¹²

Conclusion

Low-wage jobs that contribute to working poverty impose high costs on society more broadly. The consequences are far reaching including chronic stress and health problems to poorer school performance for children and, fundamentally, lost human potential. Ultimately, it isn't just low-wage workers and their families who are paying the price of poverty; we're all paying the price.¹³

¹² For more on these gender implications, see this analysis by David Fairey and Kaitlyn Matulewicz: <https://www.policyalternatives.ca/publications/commentary/reliance-tipping-creates-inequity-and-leaves-workers-vulnerable>; and this excellent Tyee Series by Rachel Sanders: <https://thetyee.ca/Series/2017/02/07/Slaves-To-Tips/>

¹³ For more on the societal costs of poverty in BC, see: <https://www.policyalternatives.ca/costofpovertybc>

Keeping wages low is a blunt instrument for assisting businesses. A large share of minimum wage workers (54 per cent) are employed by large businesses with 100 or more employees. Many of these corporations are very profitable. They can afford to pay better and should be made to do so.

We urge you to recommend speedy and ambitious increases to BC's minimum wage, as a matter of great urgency.

Appendix: Addressing some of the concerns of minimum wage critics

As this Commission undertakes its public consultations, it is no doubt hearing many concerns from employers and other critics of minimum wage increases. In this appendix, we wish to respond to some of the arguments that are frequently raised in opposition to a wage hike.

Will a minimum wage increase have a potential negative effect on employment or hours?

There is no such thing as a public policy that is all good or all bad. All public policies have costs and benefits, risks and opportunity costs, and winners and losers. But by and large, the costs and risks of increasing the minimum wage are small and frequently over-stated, and are sizably offset by the benefits.

While some economic studies find a statistically significant disemployment effect from minimum wage increases, these effects are small, mostly experienced by teenagers, and on the whole low-wage workers are considerably net better off from the wage increases.

A 2014 CCPA report by Jim Stanford and Jordan Brennan reviewed the empirical Canadian employment data in search of any evidence that higher minimum wages reduce employment or increase unemployment. It examined the relationship between minimum wages and employment in the ten Canadian provinces between 1983 and 2012, and found “no consistent evidence that minimum wage levels affect employment in either direction.” Instead, the research concludes that employment levels are overwhelmingly determined by larger macroeconomic factors. Among the report's findings:

- “Seventy regressions were conducted using historical data for each province from 1983 through 2012. These regressions covered several different potential indicators by which minimum wages have been held to cause significant harm to employment outcomes including total employment, employment and unemployment rates, youth-specific employment and unemployment rates, and sector-specific employment in low-wage sectors (namely, retail and hospitality).

- 90 per cent of the tests indicated no statistically significant relationship whatsoever between a higher minimum wage and labour market outcomes in Canada.
- In seven of the 70 regressions the minimum wage was found to be a statistically significant determinant of employment or unemployment. However, of these cases, the effect was seen to be positive (leading to higher employment or lower unemployment) almost as often (in three cases) as it was seen to be negative (four cases).
- Even when the analysis is focused on those segments of the labour market where low wages are most common (among young workers, and in the retail and hospitality sectors), there was no consistent evidence of significant disemployment effects from higher minimum wages.”¹⁴

A 2015 CCPA report by David Green reviewed the academic literature about the economic impact of minimum wage increases and concluded that “[t]he benefits of raising BC’s minimum wage to \$15 through a series of pre-announced staged increases far outweigh the likely costs.”

There is growing support for ambitious increases to the minimum wage among economists, as evident from a 2017 *Open Letter from Canadian Economists In Support of \$15 in Ontario*, signed by over 50 economists.

To the extent that one finds a statistically significant impact for young workers, rather than this serving to discourage minimum wage increases, it could potentially be mitigated by a focused youth employment strategy.

Would a significant increase in the minimum wage be too harmful to businesses (particularly small businesses)?

We believe not.

There is evidence that higher minimum wages can reduce turnover (thus lowering recruitment and training costs for employers) and incentivize employers to invest in more advanced training and increase workers’ productivity. A \$15 minimum wage may make some low-wage, high-turnover business models more expensive, but if doing so, this may create incentives for employers to offer better, more stable jobs.¹⁵

¹⁴ The full Stanford and Brennan report available at: <https://www.policyalternatives.ca/publications/reports/dispelling-minimum-wage-mythology>

¹⁵ As Professor David Green documents in this 2015 CCPA report: <http://www.policyalternatives.ca/publications/reports/case-increasing-minimum-wage>

Employers often fear that large wage increases will make their businesses uncompetitive, without considering that all their local competitors are experiencing the same wage bill impact. The business sector can adjust to a higher minimum wage environment as demonstrated by thriving economies in countries where minimum wages are \$15 or more. For example, Australia's minimum wage is currently \$AUD 18.29 per hour (~\$17.70 Cnd) and it has a healthy business sector and low unemployment rate.

Additionally, a \$15 minimum wage means workers will have more disposable income to spend, which will have positive spillover effects to our local economies. True, the wage bill for employers will be somewhat more expensive. This money, however, does not go into a black hole – the higher wages are spent in the community. Many employers will see increased demand for their goods and services, as low-wage workers will be able to better afford items such as a haircut, birthday presents for their children and the occasional night out. Notably, lower income people are less likely to take holidays abroad or to invest and save, therefore a large share of this wage boost will be spent in local economies. Our economy works better when more people have money in their pockets.

What about the impact on inflation?

While some impact on inflation is possible, it would be minimal. That is because the cost of labour is only one input into the cost of goods and services: the *local* labour cost is a further sub-set of the overall labour cost, the local *low-wage* labour cost is a further sub-set again.

We have seen no research that would suggest that minimum wage increases in the past have led to significant price inflation.