

Undermining Wages in Nova Scotia: The Minimum Wage from 1976 - 2002

**By W. Thom Workman
and John Jacobs**

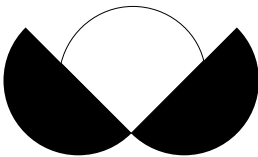
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Canadian Centre for Policy Alternatives – Nova Scotia
P.O. Box 8355, 6175 Almon Street., Halifax, NS B3K 5M1
Tel: 902-477-1252 Fax: 902-484-6344
Email: ccpans@policyalternatives.ca
<http://www.policyalternatives.ca/ns>

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About the Authors

W. Thom Workman is an associate professor of political science at the University of New Brunswick and a CCPA-NS Research Associate.

John H. Jacobs is the Director of the Canadian Centre for Policy Alternatives – Nova Scotia (CCPA-NS).

Summary

The minimum wage in Nova Scotia is the second lowest in Canada. The real (inflation adjusted) minimum wage in this province has decreased by more than \$2.00/hr. over the past 25 years. To maintain the same purchasing power as 25 years ago, the current minimum wage (\$5.80 per hour) would have to increase to more than \$8.00 per hour. The legislated minimum wage buys 28% less in 2002 than the minimum wage did in 1975. This decline in the real rate has contributed to an increase in the percentage of Nova Scotians identified as the "working poor."

Business and political leaders tend to focus the debate on employees working for the minimum wage, but the importance of the minimum wage extends far beyond those workers presently receiving \$5.80 per hour. The minimum wage bears directly on all other wages. It acts as a benchmark wage. If the minimum wage rises, other wage rates across the province will be pressured to follow suit. Maintaining a low minimum wage ensures that wages remain low, the working poor continue to follow behind and inequality increases in Nova Scotia.

Many Nova Scotian's work for close to the minimum wage. In 1999, 25% of wage workers earned less than \$8.00 per hour, or within \$2.40/hour of the minimum wage; at least half of the wage workers earned less than \$11.42/

hour, or within \$5.82 of the minimum wage. A more disturbing picture emerges when we examine the wage rates of women in Nova Scotia. In 1999, 25% of women wage workers earned less than \$7.00/hour, or within about \$1.40 of the minimum wage. At least half of the women employees working for hourly wages earned less than \$10.00, or within \$4.60/hour of the minimum wage.

In 1999, one out of every four workers in Nova Scotia worked for less than \$8.00/hour. Many of these workers have families to support and these wages do not lift families above the poverty line. A household working 60 hours a week has a monthly income that is between \$300 (\$8.00/hr.) and \$950 (minimum wage) below the poverty line for a family of four. A substantial increase in the minimum wage is overdue and will go a long way in addressing the poverty of many households and children in Nova Scotia.

Business leaders have attempted to deflect increases in the minimum wage by claiming that increases in the minimum wage would result in fewer workers being hired and some being laid off. Studies have shown that the effects on employment opportunities are limited and that the overall benefits outweigh the minimal costs. The antipathy of business leaders to increasing the minimum wage has more to do with a desire to keep wages low than concerns about providing employment that sustains workers and households.

Introduction

Questions about the minimum wage in Nova Scotia have surfaced with a new vigour.¹ Indeed, over the last few years the political profile of the minimum wage has risen everywhere. On one side of the debate over the minimum wage, we see the business community, especially proprietors of small businesses, in a bid to limit the growth in wages, asking governments to hold the line on the minimum wage. The provincial government is complying, proudly proclaiming that wages in Nova Scotia are “16% less than the Canadian average, and ... growing at a lower rate than the rest of Canada.”²

On the other side, working people themselves almost invariably express their hope that governments will raise the minimum wage to alleviate some of the burdens on the working poor. There is widespread recognition that wage earners cannot survive on the minimum wage, and even small increases make their daily lives a little easier, especially in a province where the minimum wage is the second lowest in Canada.³

There are a number of misunderstandings concerning the minimum wage in Nova Scotia, but two stand out:

1. The claim that the minimum wage has been rising over the years, and that it has more than doubled since the mid-1970s.
2. The claim that the minimum wage applies to very few workers, and primarily to short-term workers, especially younger people and students, who tend to live with their parents.

We address both of these misunderstandings. We also examine the forces behind policies that keep the minimum wage low.

A Rising Minimum Wage?

It is regularly asserted that the minimum wage in Nova Scotia has been on the rise over the last two decades. At first glance, the minimum wage has indeed been risen in Nova Scotia over the past 25 years. As shown in Table 1, in 1976 the minimum hourly wage in Nova Scotia stood at \$2.50.

By 1995 it had almost doubled to \$5.15, and over the last 7 years it has climbed another \$0.65. In just over 25 years the minimum wage has risen by more than \$3.00.

The minimum wage in Nova Scotia, however, has not been rising

Table 1
Minimum Wage Rates in Nova Scotia
1976 - 2002

	1976	1985	1995	2002	\$ Growth	% Rise
<i>Minimum Wage</i>	\$2.50	\$4.00	\$5.15	\$5.80	+ \$3.30	132

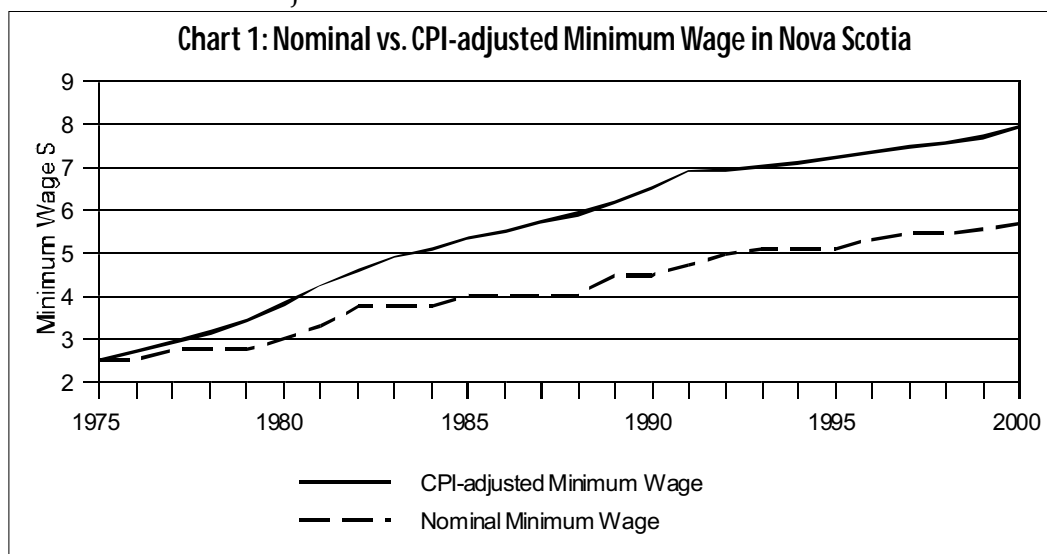
Source: Human Resources Development Canada (HRDC)

http://206.191.16.130/psait_spila/lmnc/eslc/eslc/salaire_minwage/report2/report2_e.cfm

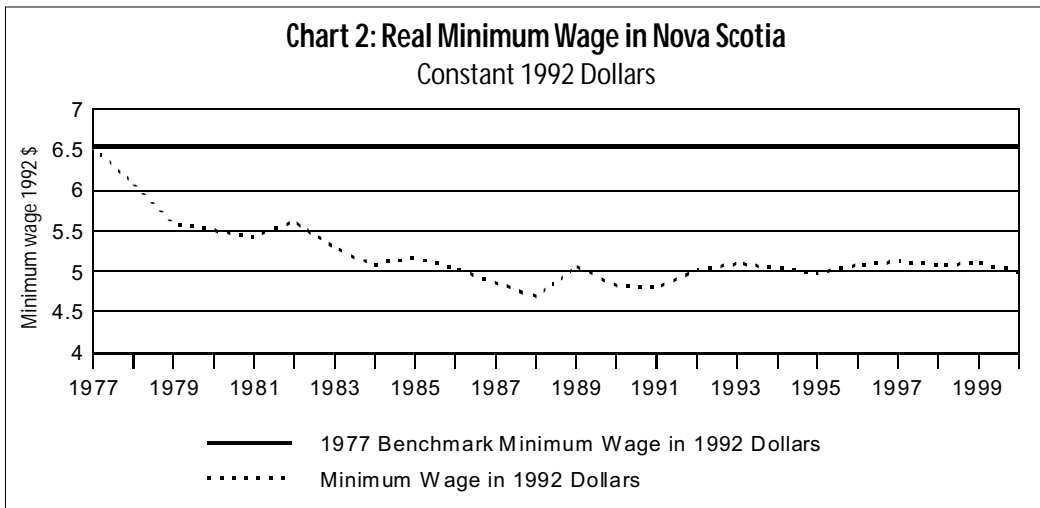
relative to the rate of inflation. A dollar in 2002 does not go as far as in 1976. The costs of goods and services have continued to rise; inflation perennially eats away at the value of a dollar. The following question must be posed: “Have the irregular increases in the minimum wage in Nova Scotia over the last 25 years kept pace with the rate of inflation?” Put a little differently, “Does the minimum wage rate of \$5.80 today have the same purchasing power as the minimum wage rate of \$2.50 in 1976?” Using the Consumer Price Index (CPI)-adjusted minimum wage for Nova Scotia, we can track the performance of the legislated minimum wage (usually called the *nominal wage*). The CPI-adjusted minimum wage reflects the level to which the minimum wage would have to rise just keep pace with the rate of inflation.

Chart 1 shows the poor performance of the minimum wage in Nova Scotia. By 1983, the legislated nominal minimum wage in the province had fallen off the CPI-adjusted minimum

wage by more than one dollar. By 1990 it had fallen more than two dollars off the pace of the CPI-adjusted minimum wage. At the close of our survey period the nominal minimum wage in Nova Scotia remained more than two dollars below the CPI-adjusted minimum wage. At no time did the nominal minimum wage in Nova Scotia track above the CPI-adjusted minimum wage. Between 1975 and 1990 the gap continued to widen. For most of the 1990s the gap remained relatively steady at more than two dollars. In 2000 the CPI-adjusted minimum wage was \$7.97 while the nominal minimum wage lagged behind at \$5.70, a difference of \$2.27. The nominal minimum wage in 2000 needed to reach almost eight dollars per hour for minimum wage workers to get the same purchasing power out of their income as their counterparts in the mid-1970s. Although the nominal wage in Nova Scotia has risen over the years, the purchasing capacity of the minimum wage in 2000 was dramati-



Source: Calculated from Statistics Canada CPI for Nova Scotia



Source: Calculated from Statistics Canada CPI for Nova Scotia

cally less than the minimum wage of the late 1970s and early 1980s.

Another way of showing the weak performance of the legislated minimum wage in Nova Scotia is by calculating the *real minimum wage*.⁴ We calculated the real minimum wage in Nova Scotia from 1977 to 2000. The results are depicted in Chart 2. The decline of the real minimum wage in Nova Scotia is staggering. The 1977 minimum wage in Nova Scotia expressed in constant 1992 dollars was \$6.43. By 2000 the real minimum wage had fallen to \$4.99 (in 1992 dollars) - an alarming 22.4 per cent decline in a little more than two decades. The most precipitous declines occurred between 1977 and 1988. During the 1990s the real minimum wage hovered around \$5.00. The real minimum wage did not rise significantly in the last eight years of our survey period, and there is no sign that it will be restored to the levels of the late 1970s.

In light of the performance of the real minimum wage in Nova Scotia, the

questions posed by the government in its survey of February 2002 foreclose the possibility that the real minimum wage will rise meaningfully in the near future. Some of the questions raised asked survey respondents their views on scaling back or freezing the nominal minimum wage. By taking this tack the government effectively insures that the real minimum wage in Nova Scotia will continue to decline. The minimum wage in Nova Scotia does not go as far today as it did twenty-five years ago, and the prospect that its purchasing power might deteriorate even further now looms large. The province's internet survey is an astonishingly thin democratic exercise designed to insure that the stagnation and decline in the minimum wage rate in Nova Scotia persists well into the future.

In a province that now distinguishes between short-term and long-term minimum wage rates, the concern arises that even more serious degradation of the short-term minimum wage rate may occur. A two-tiered minimum

wage creates the possibility that the lower minimum wage rate could be neglected, to the satisfaction of the tourist industry and employers who tend to hire students during the summer. There is a distinct possibility that both minimum wages will perform poorly, but that the lower minimum wage may decline, in real terms, even more dramatically.

Making Ends Meet on the Minimum Wage?

Minimum wage work consigns people to chronic hardship. If we measure minimum wage income, in the course of a month, against the Low Income Cutoffs (LICOs) developed by Statistics Canada, the insufficiency of minimum wage work quickly becomes apparent. As Table 2 reveals, minimum wage work leaves households struggling in poverty.

A single person working at the minimum wage over the course of a month falls \$325 short of the income required to purchase necessary goods and services. In percentage terms, the monthly minimum wage poverty gap in 2000 was almost 25% for someone in Halifax. Out of necessity minimum

wage workers are forced to work more than forty hours each week, often hold a second job, and live with friends and family members to save on rent and cut grocery costs.

A substantial increase in Nova Scotia's minimum wage is long overdue, but business groups claim that to increase the minimum wage would hurt the very people such an initiative seeks to benefit. Increasing the minimum wage, they claim, will result in greater unemployment as the increased wage makes maintaining current staffing levels unprofitable for companies that rely on minimum wage workers. Not so – a 1995 study reviewing 5 years of research into minimum wage increases in the United States found that minimum wage increases in the early 1990s did not have the negative employment effects that the job-killer model predicts.⁵ A recent Canadian study of the four largest provinces⁶ finds that the immediate impact on employment levels of a change in the minimum wage is statistically insignificant for all groups except for young men, for whom there is a small negative effect. A recent survey of small business owners in the United States found that “more than three-quarters of the firms surveyed said their employment prac-

Table 2
Minimum Wages and Poverty Gap
Single Person 2000 Halifax

	Gross Monthly Minimum Wage Income	Statistics Canada Low Income Cutoff (LICO) for Single Person	\$ Gap	% Gap
Single person living in Halifax	\$988	\$1,313	\$325	24.8

Source: Statistics Canada, 75 F002MIE-01007

tices would not be affected by an increase in the minimum wage [from \$5.15/hr] to \$6.00", an increase of 16%.⁷ If increasing the minimum wage raises the income of low income households with insignificant implications for the labour market, why then the active attempts to limit increases to minimum wages?

Why the Minimum Wage Rate is Contentious

In the neo-liberal era the political profile of wages in Canada has risen. Over the last three decades Canadians regularly have heard calls for wage moderation. Working people, especially in the civil service, are more likely to have their wages questioned by political leaders and journalists. Canadians are routinely reminded of the need for the country to remain competitive (a thinly veiled reference to wage competitiveness) in the global market place. Striking workers are often portrayed as greedy and ungrateful. Governments use wage freezes and collective bargaining restrictions as a matter of course, and many provincial governments publicly boast about their low-wage rates to attract investment. The minimum wage debate in Nova Scotia is part of this general struggle over wages across Canada, a struggle that has intensified in recent decades as the business community seeks to roll back the wage gains made by working people since the middle of the 20th cen-

tury. Three factors to explain why the minimum wage has risen in importance and profile:

- i) The minimum wage as a benchmark wage
- ii) The minimum wage in the era of radical free marketism
- iii) The minimum wage and the working poor

i) The Minimum Wage as A Benchmark Wage

The goal of lowering labour costs is central to the neo-liberal culture of austerity. This is partly why the value of the minimum wage in Nova Scotia has been allowed to decline in recent years. The importance of the minimum wage extends far beyond those workers presently working for \$5.80 per hour across the province. The minimum wage bears directly on all other wages in society. It acts as a benchmark wage. If the minimum wage rises, other wage rates across the province will be pressured to follow suit. Legislating the minimum wage is not equivalent to a social program that indirectly drives up low-end wages by affording workers greater degrees of job latitude in their daily lives.⁸ Rather, it is *the* wage standard that has social, economical and political impacts across society.

These impacts take many different forms. Lower-wage employers tend to measure their pay scales against the minimum wage. High-wage employers argue that their workers are overpaid relative to the minimum wage anchor. The minimum wage sets a so-

cial standard or tone, and many public debates, as well as innumerable disputes inside the workplace, use the minimum wage as an implicit guide to construct arguments, to assess all wage scales, to measure the relative standards of one's enterprise. It is precisely because the minimum wage has risen in importance that business-funded think tanks have devoted so much of their efforts to attacking it.⁹

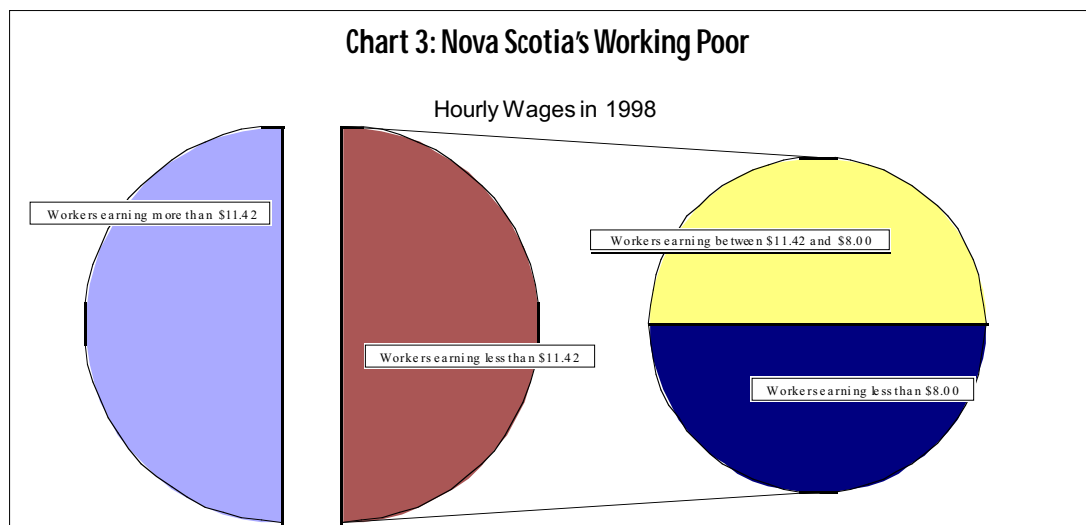
ii) The Minimum Wage in the Era of Radical Free Marketism

We live in an era when free markets are celebrated by some economists and politicians as the panacea for all of society's ills. As a result neo-liberalism has tended to discredit state programs and state intervention in the economy. State programs enjoyed credibility in the Keynesian era, but this approval has evaporated over the last two decades. A new outlook has emerged, an "anything-the-state-can-do-the-free-market-can-do-better" belief has taken root. Whenever the state intervenes in

the economy in this climate it is open to attack.

When the state increases the legislated minimum wage the opposition of the business community appears with renewed hostility. Labour markets, we are told, are being distorted and warped. Indeed, old and thoroughly discredited liberal ideas about the labour market—the idea that individual workers seeking employment from individual employers come to an agreement concerning wages, working conditions and length of employment—now circulate widely in the business community to support these objections. Such myths about the labour market provide a veneer of intellectual justification for the hostility towards the minimum wage. In short, when free markets are glorified it is inevitable that any rise in the legislated minimum wage will be greeted as a distortion of the "natural" functioning labour market.

More generally, debate about the minimum wage acts as a lightning rod



Source: Calculated from Statistics Canada, Labour Force Survey

for the social antipathies in our globalizing society. It is an issue that permits the new anti-worker language of emphasizing “efficiency,” “stakeholders,” “flexibility” and “wage moderation.” In the era of globalization the minimum wage debate throws the basic divisions of our society into relief, and reminds us of the generic hostility of the business community to rising wages of any kind.

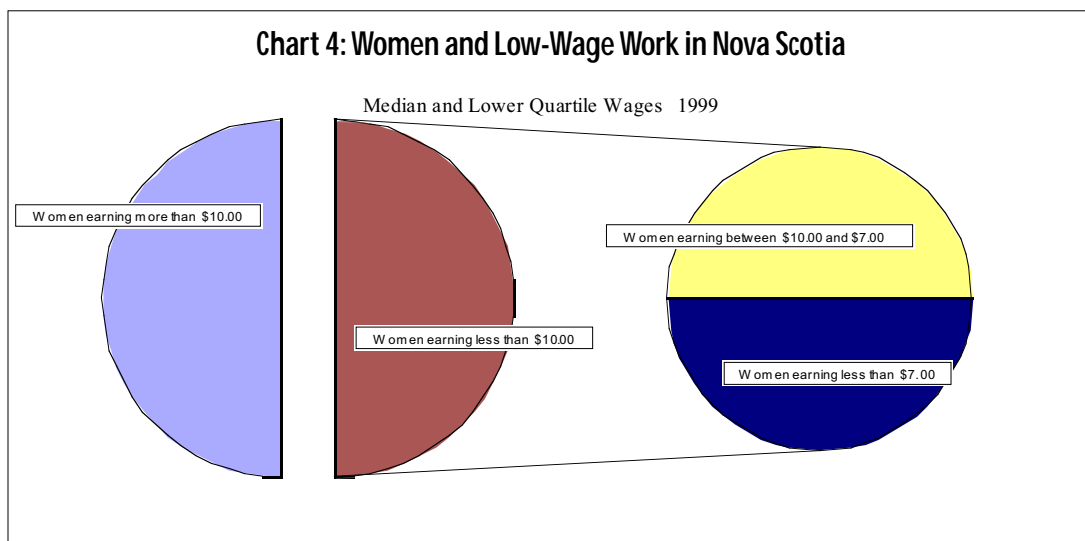
iii) The Minimum Wage and the Working Poor

The minimum wage is important because so many workers in Nova Scotia work at wage rates that are very close to the minimum wage. The claim of business leaders and neo-liberal politicians that few people tend to work at the minimum wage has a kernel of truth, but such a claim conveniently ignores the fact that many Nova Scotians receive very close to the minimum wage. Our data on quartile wage rates¹⁰ in the province demonstrate this unequivocally. At least half of the

hourly wage workers across the province in 1999 worked for less than \$11.42 per hour. This means that half of the hourly wage workers across the province worked for a wage that was within \$5.82 of the minimum wage, a fact that provides insights into the swelling ranks of the working poor across the province. Worse still, in 1999 at least 25% of all wage workers earned less than \$8.00 per hour, or within \$2.40 of the minimum wage. One conclusion is inescapable: workers may move past the minimum wage level, but they do not inevitably land in adequate wage jobs.

Women and Low-Wage Work in Nova Scotia

An even more disturbing picture emerges when we examine the quartile wages for women in Nova Scotia. As Chart 4 shows, at least half of the female employees working for hourly wages in Nova Scotia in 1999 earned



Source: Calculated from Statistics Canada, Labour Force Survey

less than \$10.00 per hour, or within \$4.40 of the minimum wage. Moreover, 25% of the women worked for hourly wages of less than \$7.00, or within \$1.40 of the minimum wage.

The anchor effect (Chart 5) of the minimum wage is more pronounced for women than for men. In 1999, the median wage for women was \$10.00 per hour and for men it was \$13.00 per hour, revealing that men are more likely to land jobs at rates that pull further away from the minimum wage. Moreover, the lower quartile wage for men in 1999 (i.e., the wage rate below which the lowest 25% of wages fall) was \$9.00 per hour, a full \$2.00 higher than the comparable rate for women. It was only in 1991 that the Nova Scotia government amended the provision in the Labour Standards Code that had permitted the adoption of separate minimum wage rates for male and female employees. However, differential wages between men and women persist in Nova Scotia, and more women are likely to end up in the low-wage jobs across the province. The government of Nova Scotia needs to do much more to address discriminatory wages between men and women, and raising

the minimum wage would be an important step.

Globalization has deepened the exploitation of women around the world—as domestic workers, in the informal economy and in export processing zones where at least 85% of all employees are female. Similar effects are at work in Nova Scotia. Low-wage work is a burden disproportionately shouldered by women across the province. To oppose increases in the legislated minimum wage – increases that will help to bump up all low-end wages across the province – is to oppose a policy that would greatly benefit women in Nova Scotia directly.

Low-wage Household Incomes

One out of every four wage workers in Nova Scotia worked at an hourly rate within \$2.40 of the minimum wage in 1999. Many of these workers have households to support; these wages do not lift households above the poverty line. Table 3 provides an indication of the struggles facing a family of four when its wage earners fall into the lowest income quartile. In such a family

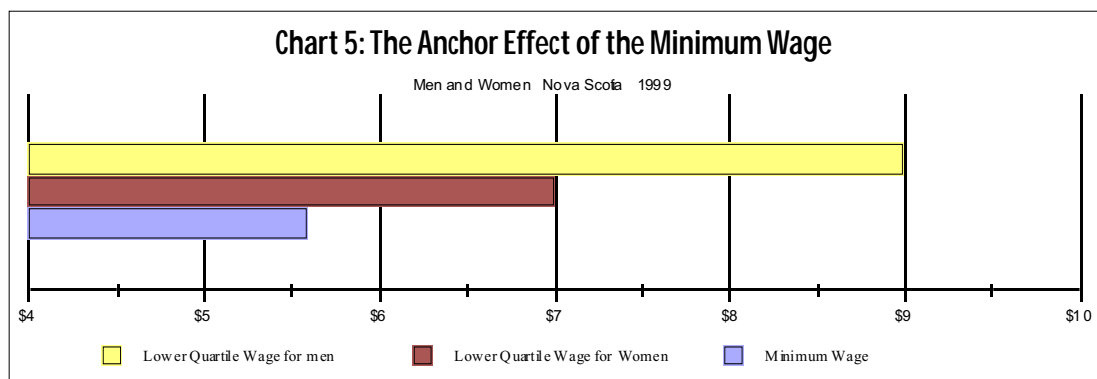


Table 3
The Monthly Grind Among Nova Scotia's Working Poor
Four-Person Families in Lowest Income Quartile in 1999
(Based Upon 60 hours of Household Employment Each Week).¹¹

	Statistics Canada LICO for Family of Four	Lowest Quartile Wage Income \$8.00 hourly	\$ Gap Poverty Gap	Monthly Minimum Wage Income \$5.60 hourly (October 1 of 1999)	\$ Gap Poverty Gap
Halifax	\$2,406	\$2,080	\$326 14 %	\$1,456 —	\$950 39 %
Sydney	\$2,389	\$2,080	\$309 13 %	\$1,456 —	\$933 39 %

Source: Statistics Canada, 75 F002MIE-01007

from Halifax the poverty gap will range from 14% to 29%. At best the household will fall short of meeting its needs by more than \$300 every month, and possibly by as much as \$950 every month. In Sydney, the comparable range runs from 13% to 39%. At one time the minimum wage rates in Nova Scotia basically recognized that the cost of living was higher in urban centres than in rural areas, and the urban minimum wage rates for Halifax, Dartmouth, Sydney, New Glasgow, Truro, Amherst and Yarmouth were accordingly higher. This distinction was abandoned in the early 1970s, and the legislated minimum wage rate today does not respond to variations in the cost of living from one region of the province to another.

These bleak statistics begin to make sense of the growing number of working people who struggle precariously from month to month in Nova Scotia. An increase in the minimum wage will bring positive benefits to all working people across the province, and Table

3 reveals that such an increase is clearly needed.

Conclusion

After years of decline in the real minimum wage in Nova Scotia, a substantial increase is desperately needed. A rise in the minimum wage will help push up all wages across the province, in particular the wages of the working poor. This will contribute to narrowing the wage gap between women and men. Workers earning low wages know that an increase in wage rates is necessary if they are ever to have a chance to live with dignity. If the minimum wage does not sustain people it must be raised. The solution is simple, and claims that increases in the minimum wage will cause a contraction in the overall number of jobs are as transparently self-serving as they are dubious.

Endnotes

- ¹ During February of this year (2002), the Nova Scotia government posted an on-line survey concerning the minimum wage rates in the province.
- ² Nova Scotia Business Inc 2002. *Nova Scotia: A Quality Workforce*. Available at <http://www.novascotiabusiness.com/nsbusiness/BusinessCase/workfrc.htm>. Accessed April 15, 2002.
- ³ Only Newfoundland's 2002 rate of \$5.50/hr. is lower than Nova Scotia's \$5.80/hr., although proposed changes in Newfoundland will close the gap by November 1 of this year.
- ⁴ Real wages are conventionally calculated by dividing nominal wages by a price index. To calculate the real minimum wage in Nova Scotia in any given year we can divide the nominal minimum wage by the Statistics Canada consumer price index.
- ⁵ Card, D. & A.B. Drueger. 1995. *Myth and Measurement: The New Economics of Minimum Wage*. Princeton, New Jersey: Princeton University Press.
- ⁶ Goldberg, M. & D. Green. 1999. *Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada*. Vancouver, Canadian Centre for Policy Alternatives.
- ⁷ Oren M. Levin-Waldman. 1999. *The Minimum Wage Can Be Raised: Lessons from the 1999 Levy Institute Survey of Small Business*. Available at <http://www.levy.org/docs/pn/99-6.html>. Accessed April 15, 2002.
- ⁸ It is generally recognized that social programs can affect lower wages in a society by providing real choices for working people. Stronger programs drive up low-end wages while weaker social programs help to keep them depressed. In the event of lay-offs, for example, a strong unemployment insurance program can provide workers (such as those in resource industries or construction) with a bridge income that permits them to avoid taking short-term, low-wage jobs. These workers, in effect, are able to approach the labour market with greater dignity and discretion. Scaling back social programs narrows the options for working people, and increases the likelihood that they (or another family member) will have to resort to short-term, low-end employment in any given period, simply to make ends meet.
- ⁹ For example, see Marc T. Law, "The Economics of Minimum Wage Laws," *Public Policy Sources*, 14 (Vancouver: The Fraser Institute, 1999). For the local version of these concerns see Don Cayo, "Low Taxes better than Higher Minimum Wage," Atlantic Institute for Market Studies, *Commentary*, 2000.
- ¹⁰ We use quartiles to get a better understanding of distribution of wage rates in Nova Scotia. A quartile is arrived at by dividing the total number wage earners into 4 groups of equal size (a quartile). The quartiles show the range of hourly wages within that quartile, i.e., from the lowest to the highest wage achieved by workers in the quartile. We assume that the lowest wage in the bottom quartile is the legislated minimum wage, although this is not always the case as some workers are paid on piece work basis resulting in wages lower than the minimum wage.
- ¹¹ This table is based upon 60 hours of work each week among the wage earners of the household, a figure roughly equivalent to one full-time and one half-time job, and a figure that is intended to be sensitive to the balance a family must strike between working hours and child care needs.