The Canadian Centre for Policy Alternatives – Nova Scotia
Raising debate • Creating policy alternatives

March 2, 2009

Mr. Bill Grant

Director, Labour Standards
5151 Terminal Rd., 7th Floor
P.O. Box 697
Halifax, N.S., B3J 2T8

Dear Mr. Grant:

Re: Response to the Minimum Wage Review Committee Report of January 27, 2009

We welcome the opportunity to provide comments on the Minimum Wage Review Committee's report tabled January 27, 2009.

Our main reason for this submission is to provide further evidence to support the MWRC's recommendation for the government to **stay the course** and follow-through on its plans to increase the minimum wage **to $9.65 by October 2010.** We also strongly support the Committee's recommendations to **adopt a consistent formula for increasing the minimum wage** – to annually index the minimum wage to the CPI and index it to the LICO. Though, we also express some key reservations about the decision to use the LICO for communities the size of Sydney, to offer a lower minimum wage to 'inexperienced workers,' and to continue to consider the idea of a tip differential. The attached elaborates on our key points, which are summarized as follows:

In regards to our recommendation that the government stay the course on planned increases our reasoning is two-fold. First, while governments have a critical role to play to stimulate the economy during this economic downturn, employers have a role to play too. **These workers deserve to have more money in their pockets and the rate of return on stimulating the economy by raising these workers wages will be high.** In the good times, businesses, just like many governments in Canada, did not adequately prepare for this economic downturn. Those businesses owners that say they are unable to absorb the costs must be held to account for decisions that were made in the 'good times' that have positioned them to be in hardship and unable to raise their workers' wages now. To do otherwise is to suggest that it is acceptable that the most vulnerable workers should continue to lose ground and pay for a crisis that they did not cause in the first place. Employers cannot continue to exploit low-waged workers in this province.

In the long term, this will work against this province's ability to retain workers in a labour market with wages that need to be trending upward as the workforce ages and retires. Raising the minimum wage helps, in a very modest way, not to reverse, but at least alleviate these trends. The second part of our reason for recommending that the government stay the course is because it is critical to not only consider how to adequately reward workers for their productivity, it is critical to consider the living circumstances of those who earn such low wages.

We therefore **commend the Committee for recognizing that people working full-time for a full year should not be earning an income below the poverty line and that inflation should not erode their wages.** Raising the minimum wage to the LICO and indexing it to CPI is one part of a comprehensive strategy that could help reduce poverty in this province. While the wages themselves are not sufficient to make a significant dent in poverty, they do have positive direct and indirect affects, which are elaborated in the attached. However, we must also take this opportunity to point out that **this wage is still not a liveable one**, and that businesses still continue to rely on their ability to exploit workers by keeping wages very low. Given the growing gap in income and wealth between the rich and the poor, it is critical to reward workers - especially low-wage workers and redistribute a very small part of that income and wealth.

Returning to the committee's specific recommendation to index the wage to the LICO (periodically) and then to CPI annually, we further recommend that **it be indexed to LICO annually** as well (the two do track closely together). **Using the LICO for a community the size of Sydney, does not raise the minimum wage to the poverty line for people living in Halifax.** Lowering the gap between rural, small-town/city and bigger city/urban wages by keeping urban wages lower does not address distinct geographic needs; it only circumvents them on the back of workers.

We **also continue to oppose a lower minimum wage for 'inexperienced workers' and thus do not support this recommendation by the Committee.** This is a form of ageism. It can also result in exploitation of immigrants and refugees who are unfairly considered inexperienced (though often overqualified) because their experience was gained outside of Canada. The other problem of the "inexperienced wage" is that employers can use it as a revolving door; A person gets a job and is paid the lower wage for six months only to be let go and another person hired, again for the "inexperienced wage."

Finally, we see no evidence for a tip differential as the Committee has presented it thus far. There is insufficient evidence to support allowing an exemption from minimum standards for one sector. Any such decision must take into consideration how it fits within legislated labour standards in order to determine the full costs to employers as well as benefits to employees.

The attached elaborates on the need to consider the circumstances of people who are found disproportionately amongst the low-waged and thus, on the benefits of staying the course (and the risks of not doing so) especially during an economic downturn.

Sincerely, **Christine Saulnier, PhD**
Director, Nova Scotia Office, Canadian Centre for Policy Alternatives

Stay the Course, Raise the Minimum Wage
CCPA-NS' Response to the Minimum Wage Review Committee's Report
By Christine Saulnier, PhD

It is important to consider the impact cost of living has had on buying power for minimum wage earners as a further reason to raise the minimum wage. Between 1991 and 2005, inflation rose 28.4 per cent. As for the minimum wage, adjusting for inflation it went from $6.14 in 1991 to $6.80 in 2005 (in 2005 dollars). In 1991, it was $4.75 and in 2005 it was $6.80. This was approximately an 11% increase in real dollars in 15 years. The highest real minimum wage between 1968 and 2005 in Nova Scotia was in 1977 when it was $8.54 (Murray and Mackenzie, 2007). From its peak, it stagnated and declined to $5.96 in 1988. It only started to rise in 2002. For it to reach LICO for communities the size of Sydney, it would have needed to be $9.21 in 2009. These low wage workers have been waiting far too long for a real raise (Jacobs, 2005; Workman and Jacobs, 2002).

The same employers that are using the economic crisis to justify not raising the wages of their lowest paid employees, did not use the economic good times to raise wages adequately when they had the chance.

To stimulate recovery in these bad economic times, we should be boosting the earning power of the lowest paid workers. Part of this stimulus can come from government, but employers have to play their part too. Part of the economic story of the past 15 years is the massive shift of income and wealth from the poorer in society to the richer. Raising the minimum wage helps, in a very modest way, not to reverse, but at least alleviate that trend. Many businesses that pay minimum wage should be paying their workers more. Instead, Nova Scotia has one of the higher rates of workers working at or just above the minimum wage. As the MWRC (2009) points out, 22% of employees (54,000 workers) earn between the minimum wage and $9.99 per hour.

It is not justifiable that business plans are based on paying workers the least that they can possibly get away with paying. It is obvious that employers have not been willing to bring these workers wages up closer to what they are worth - reflecting the value that they contribute to businesses (Dufour and Haiven, 2008). Business plans need to reflect the reality of what it takes to be a productive business, which includes employees who are not stressed about how they are going to make ends meet. These businesses knew about the increases to the minimum wage at least a year ago when the government accepted the committee's recommendations. There was ample time to plan for these increases and to adjust for them given the economic downturn. Moreover, as the committee has pointed out, the long term economic and labour market dynamics remain the same such as the aging workforce and outmigration pressures. The proposed increases in minimum wage are not significant in terms of money in the pockets of workers, but these increases are a recognition that these trends need to be addressed because the longer term labour market pressures necessitate retaining workers in this province. It is in employers' best interest.

As the committee also wisely stated, it is difficult to consider minimum wages in a vacuum and thus to consider the costs faced by NS employers would include examining the full range of costs and benefits balanced with those of workers as well. For example, Nova Scotian workers have fewer paid statutory holidays than all other provinces (resulting in lower costs to employers) –

and many minimum wage workers do not even have access to the ones that are provided because they often are not offered enough hours to qualify for them receiving few if any benefits at all.

Minimum Wages and Living Circumstances

We are told that wages should be (and are) determined based on workers' jobs and not on their living circumstances. A wage should not be assessed for example, by considering its adequacy as a living wage and thus taking into consideration family circumstances or even real costs of living and whether the wage is poverty level. Living circumstances can be used, however, to justify keeping wages low; those who work in these jobs are lucky to have a job and do not really need more money – young people, often students who are living at home. We are also told that these wages are only used for short-term transitional periods and more often for part-time workers. For the part that reflects reality, and following this line of reasoning, this is **all the more reason** to raise the minimum wage. While it is true that young people, students and part-time workers are minimum wage workers, it is also true that students in Nova Scotia have to pay some of the highest tuition fees in the country. Parents and families are being asked to subsidize their wages by providing room and board to adults who should be supported to be more independent. As for the other claims, many of them do not reflect the reality of who is earning a minimum wage. A sizeable proportion of minimum wage workers is in their core working years (25 to 54) and work full time. Some are also the sole earners supporting children (Sussman and Tabi, 2004). In addition, because more women than men earn a minimum wage, keeping these wages low also places them at a disadvantage. These wages are not always short-term transitional wages or only paid to part-time workers.

It is a minimum wage, not a liveable or even a just one

Changes over the last two decades have increased the importance of the minimum wage as a key redistributive policy instrument. Its increased importance speaks to the increasing income gap in our society, and thus the need to consider its role in addressing income distribution and inequality within our society and thus, its fit within a broader strategy related to poverty reduction. When considering the appropriate minimum wage level, we need to consider how far low-waged workers' dollars can be stretched. It is clear that the dollar needs to be stretched very thin. The last decade saw a gradual increase in user fees for many government services, coupled with inflation and increases in the price of necessities –food, oil, housing, and a lack of critical supports such as affordable housing, child care and an accessible public transit system.

The poverty line does not adequately consider the real costs of raising a family, something an actual living wage would do. Instituting a living wage would enable a worker (or workers in a family) to pay for necessities, support the healthy development of their children and participate in the social and civil life of their communities, for example (Richards et al., 2008).

Raising the Minimum Wage –what the research tells us

Employers suggest that they will have to cut hours of work or lay off workers. There is no evidence that lower wages means that employers will hire more workers nor that higher wages means that employers will hire fewer workers or fire employees because of them. Contrary to the opposition that we hear from some members of the business community, the weight of the evidence suggests little or no impact on employment from minimum wage increases (Murray and Mackenzie, 2007). It is important to reiterate the benefits that can come from the recommended increases to the minimum wage. A higher minimum wage has many benefits for the wider community and can positively impact businesses. Higher wages can:

- Increase the independence and self-sufficiency of teens and youth — enabling young adults to leave home, and helping to reduce post-secondary education debt loads.
- Provide a better tax base on which to build healthy communities.
- Inject more disposable income to be spent on consumer goods and services, supporting the local economy. This is especially true since people with marginal incomes are more likely to spend money locally.
- Reduce poverty, which is directly linked with reduced costs to our health care, education and social service systems.
- Result in higher worker productivity.
- Often mean longer terms of employment, meaning less staff turnover, easier recruitment, and a subsequent reduction in the costs of hiring and training new employees.
- Result in better overall employee health, meaning fewer days lost to illness.
- Mean that good employers will find themselves on a more level playing field; Employers who wish to pay their employees a decent wage cannot be undercut by other employers who do not see the benefit of doing so.
  (As summarized by the Murray and Mackenzie, 2007; Public Interest Alberta, n.d.).

References

Dufour, M. & Haiven, L. (2008). *Hard-working province is it enough? Rising profits and falling labour shares in Nova Scotia.* Toronto and Halifax: Growing Gap and CCPA-NS.
Jacobs, J. (2005). *Submission to the Minimum Wage Review Committee*. Halifax: Canadian Centre for Policy Alternatives-Nova Scotia.
Murray, S. & Mackenzie, H. (2007). *Bringing minimum wages above the poverty line.* Vancouver, Ottawa and Toronto: Economic Security Project, CCPA and the Growing Gap.
Public Interest Alberta. (n.d.).*Making a living: Defining a living wage for Alberta.*Edmonton: Public Interest Alberta.; http://www.pialberta.org/content_pdf/makingaliving.

Richards, T., Cohen, M. Klein, S. and Littman, D. (2008). *Working for a living wage.* Vancouver: Canadian Centre for Policy Alternatives-BC.
Sussman, D. & Martin, T. (March, 2004). “Minimum wage workers” in *Perspectives on Labour and Income*. Ottawa: Statistics Canada.
Workman, W. T. & Jacobs, J. (2002). *Undermining Wages in Nova Scotia: The Minimum Wage from 1976 – 2002.* Halifax: Canadian Centre for Policy Alternatives – Nova Scotia.