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Policy Alternatives
Manitoba Office

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A living wage lifts workers and the economy

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As of October 1st, minimum wage earners in Manitoba will earn \$10.70 per hour – just over \$20,800 annually. This leaves a family of four, with both parents working, with an income that is more than \$1,500 below the poverty line. Single parent families are worse off with incomes more than \$8,000 short. It is widely agreed that a job can be the best pathway out of poverty. But this is only true if wages meet basic needs.

Approximately 38,600 Manitobans work for minimum wage and they are not just teenagers looking to earn extra cash. The majority are over the age of 20 and nearly half work for companies with more than 500 employees. Given that so many minimum wage earners are adults, we need to ask why our minimum wage does not provide a sufficient income to raise a family.

The inadequacy of the minimum wage is further demonstrated when it is compared to the living wage – calculated to be just over \$14.00 per hour in Winnipeg. This living wage enables a family of four, with two working parents, to meet its basic needs. It is based on the actual costs of living in Winnipeg. The living wage for a single parent family is even higher.

The living wage is based on a bare-bones budget without the extras many of us take for granted. Costs considered include food, clothing, rent, transportation, child care, health care, adult education, some household expenses, and a small emergency fund. It does not include interest payments, retirement savings, homeownership, savings for children's education, or the costs of

caring for a disabled, ill, or elderly family member.

The Province should be recognized for making regular incremental increases to the minimum wage. There is, however, a long way to go before all minimum wage families can live above the poverty line. But poverty line wages do not build healthy communities and stimulate the economy. The Province should take more aggressive action to close the gap between the minimum wage and the living wage. Critics will argue that higher than inflation increases are excessive. But given that the minimum wage is so inadequate, we need these increases to make the minimum wage a living wage.

Even so, the \$14.00 living wage for a family of four is still not high enough to bring the 2,300 minimum-wage single-parent families in Manitoba above the poverty line. Stronger government social policies and programs that benefit single parent families with low incomes can help fill the gap by shifting certain costs off families' shoulders. For example, a universal provincial child care program would substantially lower the wage single parent families need to meet their needs.

In addition to more generous increases in the minimum wage and stronger social programs, the Province and City should adopt a living wage policy that ensures their own employees, and those of the businesses they contract with, are paid the living wage. Jurisdictions across the world have begun to implement living wage policies and New Westminster,

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IN LABOUR ISSUES

Our tax system does not need to be fixed - the net income of Manitoba's lowest income earners increases as a result of our tax and transfer system.

BC is the first in Canada.

Employers can also demonstrate leadership by paying the living wage now. This can be achieved through wages or a combination of wages and non-mandatory benefits. Living wage employers, such as KPMG, Deloitte, Assiniboine Credit Union and Van City Credit Union can benefit from decreases in absenteeism, higher worker productivity, and better worker retention.

It should be noted that substantive minimum wage increases and living wage policies are much more effective at decreasing poverty than increasing the personal income tax exemption, an approach perennially advocated for by business.

For example, Manitoba Federation of Labour calculations show that a \$1,000 increase in the basic personal tax exemption would save a minimum wage worker \$108, whereas a 50-cent increase to the minimum wage would improve the worker's annual income by \$1,040 per year.

Furthermore, the increase in the basic personal income tax exemption would apply to all Manitobans rich or poor. This and other 'fixes' to our tax system proposed by business would remove millions of dollars from revenues needed to pay for social programs and income transfers that help close the affordability gap low-income Manitobans face as a result of an inadequate minimum wage. Our tax system does not need to be fixed - the net income of Manitoba's lowest income earners increases as a result of our tax and transfer system.

Business will always resist minimum wage increases arguing that they lead to job loss. But, the most robust economic studies show

that the net benefits to low income people and the economy are far greater than any temporary job loss that might result from increasing the minimum wage. Closing the gap between the minimum wage and the living wage is a win-win strategy that provides income security for Manitoban families while stimulating our economy.

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