



# FASTFACTS



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## MANITOBA'S MINIMUM WAGE? BE REALISTIC!

**A**fter five years of annual increases in the minimum wage by 25 cents (two-bits) an hour - from \$6.00 in 2000 to \$7.25 in 2005 - Manitoba's Minimum Wage Board is reviewing government policy to prepare a plan to guide minimum wage adjustments over the next four years.

The Board rejected the idea of hearing directly from people affected by low wages, claiming there was insufficient demand. Yet the Just Income Coalition's Low Wage Community Inquiry hearings conducted in May, 2005, attracted many submissions by low-wage workers in Winnipeg (3 hearings), Brandon and Thompson. The Board's refusal to hold public hearings, and their apparently disingenuous reasons for this decision, ought to be of concern to all Manitobans.

Our view is that this government needs to abandon its "two-bits, middle-of the pack" approach and instead use minimum wage legislation to break the low wage-related cycle of poverty.

### **The Minimum Wage is a Poverty Wage**

Manitobans suffer from lower wages more than the country as a whole according to Statistics Canada data. In 2004, 114,000 Manitoba workers, or almost one in four, earned less than \$10.00 an hour; 85,000, more than one in six, earned less than \$9.00, and 52,000, just over 10%, earned less than \$8.00. These are not just young workers. Almost half (48.3 %) of those earning less than \$10, and almost 40 % of those earning less than \$8, are 25 or older. These numbers suggest that 25% or more of Manitoba's population - those paid the wages and their family members - are affected by low wages.

In 2004, the minimum wage was adjusted to \$7.00. A full-year, full-time worker at this wage would have annual gross earnings of \$14,560. The Statistics Canada Low-Income Cut-Off for single individuals in Winnipeg in 2004 was \$20,337. For an individual to rise above this poverty threshold would have required a minimum wage of \$9.78. In submissions to the Board in December, 2004, many proposed an immediate increase to \$10.00. The advice was ignored in favour of an increase to \$7.25 April 1, 2005. At this rate, the minimum wage would not reach \$10.00 until 2016! In short, the minimum wage is a poverty wage.

### **Food Banks, Homelessness, Loan Sharks**

Ever since the deep recession of the early 1980s, we have witnessed rapid growth in the numbers of people using food banks, living in the streets, and using the 'services' of suspect credit agencies. At the heart of the problem is the lack of growth in real wage rates, forcing low-wage people into food banks, making it more difficult to find adequate shelter, and pushing thousands into a dependence on shady payday loans companies and pawn shops.

At the same time, a recent study by economists Michael Veall and Emmanuel Saez revealed that in 1980 the top 1 % of income earners earned 7.5% of total income; by 2000 their share had risen to 13%, almost back to the 15% earned by the top 1% of income earners in the 1920s and 1930s.

Government policies - including minimum wage policies - have redistributed income and wealth from wage earners to profit recipients, and from people of modest and low



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incomes to people at the top of the income scale. This is a dangerous trend.

### **Flight From Work: The Ruinous Effects of Low Minimum Wages and Aboriginal Peoples in Manitoba**

Low minimum wages adversely affect all wage earners trapped in jobs at or near the minimum. It also adversely affects many people not in the labour market. Many end up rejecting jobs at the minimum wage because it provides no status, no prospects for advancement, no hope, and no future. The minimum wage is not sufficient to support a family. It promotes a flight from work.

Aboriginal people in Winnipeg are involved in many exciting projects aimed at improving their socio-economic conditions. Nevertheless, they face many socio-economic problems and barriers. The incidence and depth of poverty are high, as are rates of unemployment, especially among Aboriginal youth.

This is a problem for us all. Michael Mendelson, in a 2004 study of Aboriginal people in Canada's labour market, said: "The increasing importance of the Aboriginal workforce to Manitoba and Saskatchewan cannot be exaggerated. There is likely no single more critical economic factor for these provinces". Aboriginal employment matters to all of us.

But why would Aboriginal youth in Winnipeg's inner city struggle to overcome the many barriers to work that confront them to get a \$7.25 per hour job - a job likely to be part-time, with no benefits, no security, no union and no opportunities for advancement? Many young people have instead come to believe that they can earn more money and status by joining a gang, dealing drugs, and engaging in crime.

There is, in short, an alternative economy easily accessible to young people and paying more than \$7.25 per hour. It is organized largely by the Hell's Angels through a system of contracting out of the grunt work to Aboriginal and other gangs. The rewards exceed those of minimum wage jobs. The risks are high, but for young people with no hope of getting anywhere in the low-wage labour market, the risks are apparently worth taking.

Evidence from recent efforts in the USA to get low-income people from disadvantaged communities into paid work shows that these efforts only succeed if people are moving toward good jobs - jobs that pay a living wage, provide benefits, and include opportunities for advancement. Only a good job can break the cycle of poverty.

Our research suggests that young people in the inner city

don't have unrealistic expectations. A job at \$10.00 per hour, with benefits and opportunities for advancement, would draw many into the labour force. Such jobs provide dignity and respect. A wage of \$7.25 does not. Nor does it make economic sense. Therefore, far too many people are choosing alternative ways to earn a living, and Manitoba is losing much of its future labour force.

### **A \$10.00 Per Hour Minimum Wage is the Realistic Course of Action**

A \$10 minimum wage in today's terms is needed if we are to break out of the low-wage cycle trapping so many Manitobans, and placing in peril our economic future.

We have no illusions that increasing the minimum wage alone will solve all our problems. It won't. We will need other initiatives as well. Our point is not that raising the minimum wage is a sufficient condition to transform our society, but that it is a necessary condition. Necessary because it establishes incentives and opportunities for young people that could trump the lure of quick bucks in the illicit underground economy. And necessary because it will help break the "two-bits an hour" mentality that impedes our ability to meet our future economic and social needs. We need bold action from the Minimum Wage Board and the Manitoba government to confront this reality.

- Errol Black and Jim Silver

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