



The Canadian Centre for Policy Alternatives – Nova Scotia · PO Box
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Mr. Bill Grant
Director, Labour Standards Division
Labour and Advanced Education
5151 Terminal Rd., 7th Floor
P.O. Box 697
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Dear Mr. Grant:

Re: Minimum Wage Review Committee Report of February 22, 2011

We welcome the opportunity to provide comments on the Minimum Wage Review Committee's report tabled February 22, 2011. We congratulate the committee on its work and note that another raise to the minimum wage is also an economic stimulus; putting more money in the hands of those who need it the most means it will be spent. It will likely be spent locally.

Our specific response to the committee's key recommendations is as follows:

1. We support the committee's recommendation to raise the minimum wage to \$10 per hour effective October 1, 2011. Although, our proposal would see the wage increase to \$11.37 per hour by April 2012.
2. We call for the abolition of the inexperienced rate, which is currently \$.50 less per hour
3. Instead of indexing the wage to LICO, we recommend indexing it to 70% of the median wage.
4. We support the idea that this Committee should continue in its ongoing work to meet annually to review the re-indexing and assess whether any changes are necessary.

Our reasoning is detailed in our full submission.

We want to take this opportunity to commend the thorough analysis that has informed the Minimum Wage Review report. The Committee's report is a very valuable resource document for understanding the situation of the most vulnerable workers in this province.

Sincerely,

Christine Saulnier, PhD
Nova Scotia Director, CCPA

What is the purpose of the minimum wage and how should we determine what is appropriate?

The MWRC has obviously taken some time to consider this question. We agree that it is important to ensure that a person working full year full time should not be earning an income below the poverty line. We also agree that it is important not to permit inflation to erode the wages of our most vulnerable and lowest paid workers. However, we would argue that it is important to go one step further and begin to address the wage gap that exists in our province between the minimum wage worker and other workers. It is time to consider narrowing this gap.

Currently the minimum wage is only 54% of the median wage in the province (\$16.25). This represents a significant gap between workers in the province. There is a significant amount of research that demonstrates the negative effect of inequities and in particular the negative effects of the income gap for society. If we were to seek to have the minimum wage be 70% of median then in NS that would be \$11.37 an hour.

We recommend indexing the minimum wage to the median wage, maintaining it at 70% of the hourly median wage.

Taking into consideration equity gaps when setting them minimum wage is important given the profile of the minimum wage worker; about one third of workers are over the age of 24 and about 60% female. Women face a pay equity gap in our society that needs to be addressed; a higher minimum wage can help decrease this gap as well. In addition, the argument that because most of the other two-thirds are students, many of whom live at home, they do not need the money. However, more minimum wage workers come from low to middle class households who are struggling to make ends meet and frankly to find enough time for their studies. We know student debt load is going up as is household debt load. Their education benefits us all including employers, and they should be supported to attain these skills.

Should there be any wage differentials among minimum wage workers?

We do not support allowing an exemption from minimum standards for one sector or for one group of workers.

Previous MWRC reports had signalled that the Committee was considering the introduction of a tip differential wage. This report had no such discussion, and ***we recommend that there be no further consideration given to the idea of a tip differential wage.***

There is also no evidence that if a tip differential wage was permitted, employers would “share” the wages foregone with other workers.

The training wage is also an idea whose time has come and gone. This wage is a form of discrimination against young people and against new immigrants who are considered inexperienced though usually overqualified (because of a lack of Canadian experience).

Conclusion

Increasing the minimum wage has a positive impact on the economy.

When the minimum wage goes up, it can serve to put pressure on other wages to increase, especially for workers who work near the minimum wage level. This ripple effect is positive for our economy. As the MRWC points out, **Average weekly** at \$770.80, remain well below the national average of \$863.33 and are among the lowest in Canada (p.17).

It is well past time that we get out of the low-wage ghetto. Previous to the recession, we had a period of unprecedented growth in this province where the wage and salary share of the economy was at the lowest it's been in the past generation, while corporate profit share is at an all time high. Our research shows that during the previous 14 years, workers in this province saw a 5 % decline in their wages, when they were worker harder (Dufour and Haiven, 2008).

The MWRC has also shown that subsequent minimum wage increases have not had a negative impact on employed for the inexperienced, low-skilled worker as it claimed. During the time that there have been significant increases, the youth unemployment rate has actually increased except as would be expected as employers respond to normal recessionary pressures (p.16).

The research has not concluded that there exist negative effects of increases to the minimum wage that the market can bear. In fact, some of the research highlights the positive effects – higher worker productivity, easier recruitment, lower turnover and thus lower training/hiring costs (Murray and Mackenzie, 2007). Employers who want to pay their workers a decent wage are not being undercut by those who refuse to do so. Even if there is a slight contraction in hours the increase makes up for that in terms of income for that worker. In addition, because there often is a spill over effect with an increase pressure on wages just above the minimum wage there is still an overall benefit to workers. A higher minimum wage is also an economic stimulus; something that could help us exit the recession.

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.

Minimum Wage Review Committee (2011). *Minimum Wage Review Committee Report*. Halifax: Labour and Advanced Education, Government of Nova Scotia.
<http://www.gov.ns.ca/lae/employmentrights/docs/MinimumWageReportMar11.pdf>

Murray, S. & Mackenzie, H. (2007). *Bringing minimum wages above the poverty line*. Vancouver, Ottawa and Toronto: Economic Security Project, CCPA and the Growing Gap.