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**Submission to the Minimum Wage Review Committee
Labour Standards
Nova Scotia Department of Environment and Labour**

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Submission by

John Jacobs, Provincial Director

Canadian Centre for Policy Alternatives – Nova Scotia

First of all I would like to acknowledge the Department of Environment and Labour's initiative in setting up the minimum wage review committee. This is a good step in making the process of setting the minimum wage rate more transparent and accountable to Nova Scotians.

The Canadian Centre for Policy Alternatives – Nova Scotia

The Nova Scotia office of the Canadian Centre for Policy Alternatives is an independent non-partisan public policy research institute. Our mandate is to produce well-researched publications that address policy issues of importance to Nova Scotians.

One of the key areas that we have examined since the office opened in 2000 is the minimum wage. In 2002 we released "Undermining Wages in Nova Scotia: The Minimum Wage From 1976 to 2002." This report has become a reference point for Nova Scotians working to address poverty in Nova Scotia.¹ We made a submission to the previous review of the minimum wage level in the winter of 2003. We have published three Nova Scotia Child Poverty Report Cards and are working on other reports that address the plight of the poor in Nova Scotia. Our research continues to show that public policy can and should play a crucial role in promoting the public interest and supporting the less fortunate in our province. You can find out more about our work on our website at: www.policyalternatives.ca

Why the Minimum Wage is Important

The minimum wage is increasingly drawing public attention. Most Nova Scotians are acquainted with households struggling to make ends meet. The statistics on the level of child poverty and the dependence of too many working Nova Scotians on food banks make it clear that low-income Nova Scotians need a raise that provides them with a living wage. The lack of a substantial improvement of the minimum wage is an issue of justice in our society that needs to be addressed in a comprehensive manner rather than the piecemeal approach currently in place.

The approach of governments has been to abdicate responsibility to the increasingly unregulated labour market. This market has been steadily becoming polarized with the better-off at one end and the worse off at the other, with a shrinking proportion in the middle. After 20 years of leaving it to the market we find many members of our communities still facing unacceptable levels of poverty. The problem with the approach is that vulnerable Nova Scotians are paying the price for government reluctance to legislate a wage that will help lift low income workers out of poverty.

Minimum wage legislation was developed to protect the most vulnerable workers. In a market-based economy some employers will seek to establish and maintain their economic viability and profitability through paying low wages and providing poor terms of employment. This is a problem particularly in an economy with high unemployment, as is the case in Nova Scotia – where an abundance of workers keeps wages low. Some workers are protected by their affiliation with a labour union that negotiates with employees for improved wages and working conditions. But the unprotected worker faces a hostile labour market.

Governments over the past twenty years have left workers increasingly vulnerable through decreasing regulation of the labour market and workplaces. Public policy has also left workers more vulnerable through decreasing income assistance programs and employment insurance eligibility. Strong minimum labour standards such as health and safety and minimum wage legislation are crucial to protecting vulnerable workers.

Much of the debate about setting the minimum wage tends to focus on employees actually earning the minimum wage. But “[t]he importance of the minimum wage” according to Workman and Jacobs,

“extends far beyond those workers presently working for [the minimum wage] across the province. The minimum wage bears directly on all other wages in an economy. It acts as a benchmark wage. If the minimum wage rises, other wage rates across the province will be pressured to follow suit.

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 social 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.²

If the minimum wage is pushed up it will create an upward pressure on other wages – if the minimum wage is not increased other wages will tend to stagnate, especially those at the lower end of the income scale. The minimum wage is therefore also an important public policy tool in addressing poverty in Nova Scotia.

The Case of Alberta and British Columbia

A comparison of Alberta and British Columbia provides an example of the effect of increasing the minimum wage. Alberta has the dubious distinction of having the lowest

minimum wage in Canada. The minimum wage is \$5.90 and has not increased since 1999. Next door in British Columbia the minimum wage of \$8.00 has been in place since 2001. Alberta has only 1.1% of its workforce earning the minimum wage, but 12.5% of Albertans workers earn \$8.00 per hour or less. In British Columbia only 5.6% earn \$8.00 or less.³

The Alberta and British Columbia economies are comparable in size, the Alberta economy has been buoyed by the oil and gas industry and yet more Albertans work at very low wages. We can draw a couple of conclusions. A thriving economy is no guarantee of higher wages and the minimum wage can play a crucial role in supporting low income workers.

The Current Minimum Wage in Nova Scotia

The minimum wage in Nova Scotia continues to lag behind other provinces (Chart 1). The wage is the 4th lowest in Canada. This is a slight improvement from 2002, when Nova Scotia had the 2nd lowest minimum wage rate in Canada. But a major factor in the change in ranking is due to Alberta not changing its rate since 1999 and now has the lowest rate in Canada⁴.

At \$6.50 the Nova Scotia minimum wage is \$2.00 less than in Nunavut, which has the highest rate.

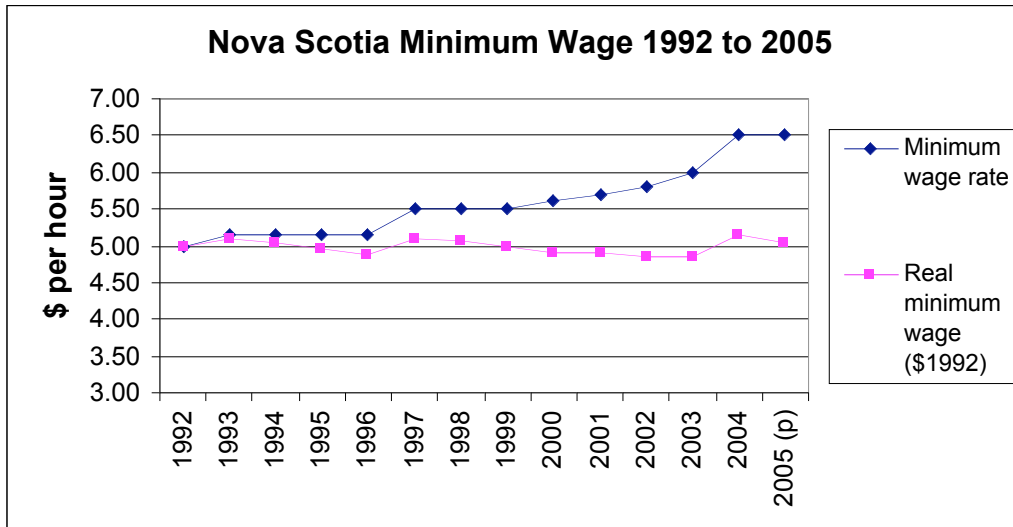
Chart 1



Source: Human Resources and Skills Development Canada

The most recent increases in the Nova Scotia minimum wage have just kept pace with inflation. These changes did nothing to correct a historic trend: in real terms the rate has not increased significantly since the mid 1970s. Chart 2 shows an increase in the real Nova Scotian minimum wage, but this wage if unchanged in 2005 will slip back down due to the effects of inflation.

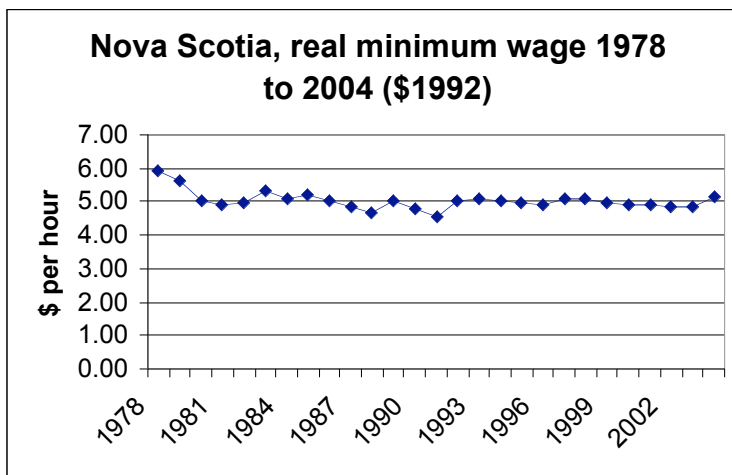
Chart 2



Sources: Human Resources and Skills Development Canada & Statistics Canada & authors calculations, 2005 projected.

We can look at the real minimum wage from another perspective. The minimum wage has declined in real terms from its high point in the mid 1970s. Chart 3 shows the decline and the stagnation of the wage since 1980. This has occurred during a period over the last decade, when the provincial economy has grown and productivity has increased. In fact a recent Statistics Canada study found that the real per capita GDP growth in the Atlantic provinces between 1997 to 2003 exceeded the national average⁵. But as Chart 3 shows no benefits from this growth have gone to minimum wage workers.

Chart 3

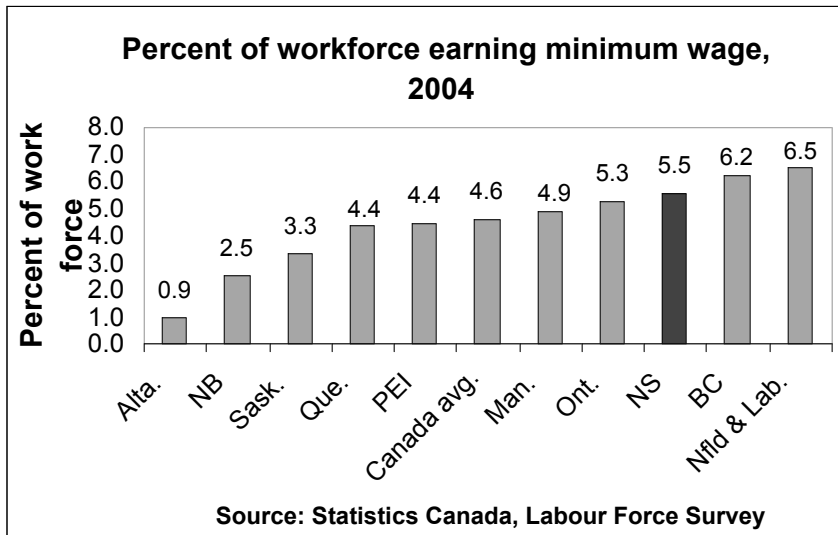


Source: Statistics Canada and Human Resources and Skills Development

Too many Nova Scotians depend on the minimum wage

Another concern is the number of Nova Scotians depending on the minimum wage. In 2004 Nova Scotia had fourth lowest minimum wage in Canada and it had the third 3rd highest percent of its workforce receiving the minimum wage. Put another way 21,200 Nova Scotians are trying to make a living on \$6.50 per hour⁶.

Chart 4



How Adequate is the Minimum Wage in Nova Scotia?

Minimum wage increases that keep pace with inflation are not good enough. The minimum wage is already too low. The recent increases in the minimum wage have done little to improve the lot of the working poor in Nova Scotia. The following tables provide some insight into the plight of the working poor in Nova Scotia.

**Minimum Wages and the Poverty Gap
Single Nova Scotian Working Full-time at Minimum Wage**

Community Size	Low Income Cut-off (LICO) 1 person household	1 Full-time Minimum wage Job	\$ Gap	% Gap
Halifax	\$16,979	13520	\$3,459	26%
Less than pop. 30,000	\$15,690	\$13,520	\$2,170	14%
Rural	\$13,680	\$13,520	\$160	1%

Source: Canadian Council for Social Development LICOs and authors calculations

Minimum Wage and the Poverty Gap

Single parent household, 1 child, 1 Full-time Minimum Wage Job

Community Size	Low Income Cut-off (LICO) 4 person family	Annual Income 60 hours weekly at minimum wage	Poverty Gap \$	Poverty Gap %
Halifax	\$21,224	\$13,520	\$7,704	57%
Less than 30,00	\$19,612	\$13,520	\$6,092	45%
Rural	\$17,100	\$13,520	\$3,580	26%

Source: Canadian Council for Social Development LICOs and authors calculations

Minimum Wage and the Poverty Gap

Four Person Household, 1.5 Full-time Minimum Wage Jobs (60 hrs.)

Community Size	Low Income Cut-off (LICO) 4 person family	Annual Income 60 hours weekly at minimum wage	Poverty Gap \$	Poverty Gap as %
Halifax	\$31,952	\$20,280	\$11,672	58%
Less than 30,00	\$29,526	\$20,280	\$9,246	46%
Rural	\$25,744	\$20,280	\$5,464	27%

Source: Canadian Council for Social Development LICOs and authors calculations

Who works for the minimum wage

Some commentators justify a low minimum wage by the claim that most people earning the minimum wage are teenagers living at home. In 2000 60% of minimum wage workers were living with family or relatives⁷ but the majority (57%) of minimum wage workers are over 20 years of age.⁸ There is some truth to the claim that most are young, but one has to wonder how this justifies paying young Nova Scotians a poverty wage.

Workers are paid based on their job not on their living circumstances. Additionally this argument assumes that young Nova Scotians are not paying room and board to parents and it assumes that young people prefer to live at home, whereas in fact they may be living at home because they cannot afford to move out and get on with their own lives. Parents and family are being asked to, in effect, subsidize the operations of low wage employers by providing room and board at little or no cost.

Additionally some minimum wage earners are paying their way through university or saving for post-secondary education. A low minimum wage means that they will have to work extra hours that they could be devoting to their studies. The high number of

students working for minimum wage is also often presented as a justification for keeping the wage rate low. The high number of students is in fact an argument for increasing the minimum wage. Nova Scotia has the highest tuition fees in Canada and students need higher paying jobs to cover increased tuition costs. Young Nova Scotians are also trying to save money to invest in their future to cover increasingly privatized training programs (such as information technology) and other post secondary education.

Women, the minimum wage and poverty wages

A disproportionate percentage of minimum wage workers are women (63%)⁹. This is confirmed by a Statistics Canada study that found that in 2003, across Canada “women accounted for almost two-thirds of minimum wage earners, yet they make up just under half of employees¹⁰,”

The reality is that women continue to disproportionately make lower wages than men. In 2003, 25% of women earned less than \$8.33, in contrast, 25% of men earned less than \$10.05. Leaving the minimum wage low puts a higher burden on women than on men. Lower wages also leave many women dependent upon the male breadwinners in their households. Add to this the reality that women are also usually responsible for maintaining their households and are the most vulnerable when it comes to getting laid off and we get a picture of the gendered nature of poverty. We also get an indication of the need for an increase in the minimum wage to support low income women and households.

Minimum wage and part time work

Minimum wage workers are more likely to find themselves in part-time employment. In 2000, 57.2% of minimum wage workers worked part-time, while only 18.2% of the overall workforce works part-time. While some workers may chose to work part-time, others can only find part-time work, are often forced to work at more than one job to make ends meet. Part-time employment not only tends to pay less but also does not usually entitle workers to benefits. Another reason for increasing the minimum wage to support part-time workers is that part-time work is often also short term and unpredictable. Part-time workers need a minimum wage high enough to allow them not only to live but to cover costs during the frequent breaks between jobs and during lay-offs.

Is it surprising that so many Nova Scotians are facing poverty?

Increasing the minimum wage is a potent measure that will improve the lot of the working poor. As I have already noted, the legislated minimum wage effects more than only those Nova Scotians working for the rate. An increased rate will put an upward pressure on wages especially for workers earning close to the minimum wage.

Even a family working 60 hrs a week at \$8.00 an hour falls well below the poverty line in Halifax and smaller urban areas in Nova Scotia. While a family living in rural Nova Scotia, where costs such as housing are lower, families fare slightly better they still struggle with poverty.

In 2003, 21,900 (5.8%) of Nova Scotian workers earned the minimum wage but 71,700 (18.9%) earned \$8.00 per hour or less, or put another way \$1.75 above the minimum wage¹¹.

The Monthly Grind for the Working Poor

Four Person Household, 1.5 Full-time at \$8.00/hour (60 hrs.)

Community Size	Low Income Cut-off (LICO) 4 person family	Annual Income 60 hours weekly at 8.00/hour	Poverty Gap \$	Poverty Gap as %
Halifax	\$2,663	\$2,080	\$583	28%
Less than 30,00	\$2,461	\$2,080	\$381	18%
Rural	\$2,145	\$2,080	\$65	3%

Source: Canadian Council for Social Development LICOs and authors calculations

These workers earning less than \$8.00/hr. are among those most likely to benefit from an increase in the minimum wage.

By letting the minimum wage stagnate, successive provincial governments in Nova Scotia have abandoned the working poor. While we do not have access to sufficient data that describes the experience of the working poor we do have some indications as to the consequences of living in poverty. For example, we know that 18.1% of children in Nova Scotia live in poverty.¹²

Further evidence that low income households are facing an uphill struggle comes from a study by GPI Atlantic. It shows that between 1990 and 1998 “[t]he poorest 20% of Nova Scotian households have seen their market income fall by more than 50% in real terms since 1990, the sharpest drop in the country.¹³”

Low wages are often justified by the claim that low wage employment is transitional, that is, workers do not stay in low paying situations long as they move on to better paying employment. A statistics Canada study has drawn this assumption into question. The study found that “[l]ess than one-half of Canadian workers who had a low-paying job in 1996 had managed to climb out of it by 2001.¹⁴” In other words more than half were stuck in a ‘poverty trap’.

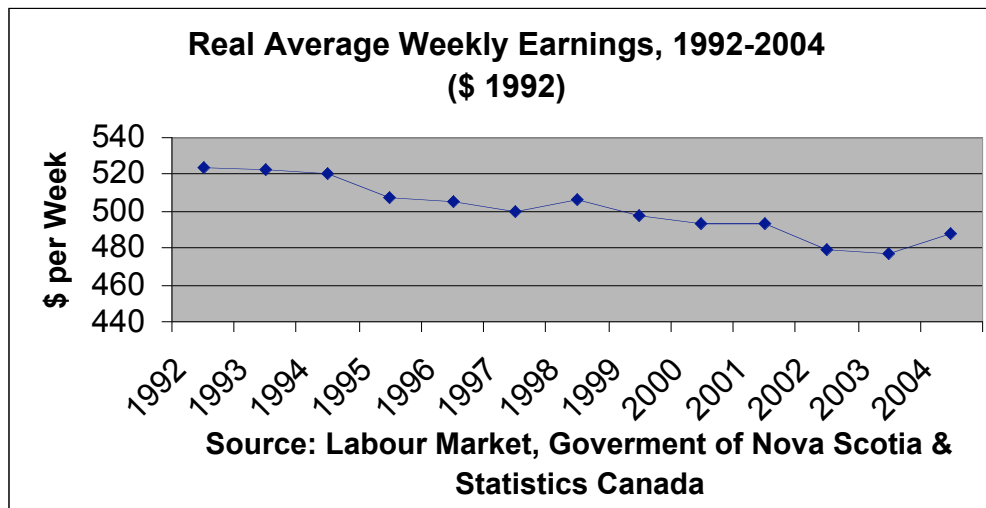
Economic Arguments

Thus far this submission has focused on the social impacts of the minimum wage in Nova Scotia. But there are also economic arguments in favour of increasing the minimum wage.

Atlantic Canada has been producing too many low wage jobs. According to a Report Card by the Atlantic Provinces Economic Council (APEC) “Atlantic employment has grown 19% in low-wage industries but advanced only 7% in high-wage industries.¹⁵” “In

all four [Atlantic] provinces, accommodation and food services – where regional earnings are less than half of the all-industry average – accounted for a rising share of total employment between 1991 and 2002¹⁶.” According to the Caledon Institute’s minimum wage study the accommodation and food services sector tops the list of industries in Nova Scotia that pay minimum wage. In 2000 16.3% of workers in this sector work for the minimum wage (Caledon,101).

Real average weekly earnings have been decreasing in Nova Scotia.



The provincial government is contributing to the development of low wage jobs by not increasing the real (inflation adjusted) minimum wage.

A low minimum wage allows employers to depend upon low wages to maintain their economic viability rather than increasing productivity through investing in training workers and modern equipment and technology.

Higher minimum wages will contribute to increased worker satisfaction and commitment to their job and their employer.

Higher minimum wages also contribute to local economic development as tend to spend increased income on goods and services provided by the local economy. This will stimulate the local economy.

Does an increase in the minimum wage decrease jobs?

Arguments have been put forward that claim that a substantial increase in the minimum wage will have a negative economic impact on employment. This argument claims that an increase in the minimum wage hurts the very workers it seeks to help. A higher wage results we are told in employers hiring fewer workers. These arguments have been put to rest by a number of studies during of the past decade of so.

An often cited study by Card and Kruger in the US found that an increase in the wage had no negative significant impact and indeed contributed to economic growth. The

study found that raising the wages stabilized the industry and attracted more workers.¹⁷ A Canadian study in 1999 came to much the same conclusion – an increase in the minimum wage had negligible, if any, economic impact.¹⁸ The ensuing debate among economists, both those in favour of, and those against, increasing the minimum wage seems to have settled on the point that a increase in the minimum wage had no significant impact on employment.

Other commentators from business advocacy organizations have noted that rises in the minimum wage will hurt small business owners. A substantial increase in the minimum wage will result in an adjustment for some small businesses. Perhaps a change in the wage will decrease the viability of marginal businesses unable to respond to short term challenges through greater innovation. But it is debatable as to whether the minimum wage increase is the cause of the businesses hardships.

There is another flaw in this argument. Not all businesses that pay minimum or close to minimum wages are small, certainly not in the traditional sense. Some of the largest and most profitable companies in the world are choosing to pay minimum wages to their employees. A number of fast food chains come to mind such as Tim Horton's and McDonalds restaurants. In effect a low minimum wage means that their profitability is being subsidized by governments that allow the minimum wage to stagnate. Surely these corporations can afford to pay their workers a wage approaching a living wage, that allows workers to invest in their future and participate in our communities.

For those genuine “small businesses” support can be provided that allows them to be pay a fair wage.

Conclusion

The need for a substantial increase in the minimum wage is clear. Many Nova Scotians continue to live in poverty in the midst of immense wealth being created by our economy. The unregulated labour market has not been able or willing to address the plight of the most impoverished in our communities. It is left to governments to act in the public interest especially for those who have no voice or power over their wages and working conditions.

Recommendations:

General approach to setting the minimum wage

CCPA-NS recommends that:

- Nova Scotia should be a leader in setting the minimum wage rate in the Atlantic provinces, which currently have among the lowest rates in the country.
- Setting the minimum wage should focus first and foremost on addressing the poverty faced by the working poor.
- The long term target in setting the minimum wage rate should be to provide a living wage.
- Overall Nova Scotia needs to review minimum labour standards legislation and adjust it to protect workers in the context of changes to the labour market over the past 25 years.
- Once the LICO is reached Nova Scotia should work with other provincial governments and the federal government to develop a strategy that ensures a living wage for working Canadian.

Minimum Wage Increase

The CCPA-NS recommends:

- The Nova Scotia government immediately develop a strategy that would bring the minimum wage rate in Nova Scotia to \$8.16 per hour. \$8.16 per hour would allow a single person working for the minimum wage to earn an income that would help lift them out of poverty. The \$8.16 recommended rate is based on the hourly wage that is required for a employee working full-time all year to earn an annual wage the reaches statistics Canada's Low-income cut-off (LICO) for Halifax (\$16,979).
- The Nova Scotia government work with the business sector and labour organizations to develop a strategy that would support genuine small businesses that need support to adjust to the increases in the minimum wage. This could include short term tax measures that support investment in equipment and employee training to improve the productivity of small businesses.
- The increase in the minimum wage be implemented through scheduled increases that provide businesses with the opportunity to adjust.
- Once attaining a minimum wage rate that allows workers to reach the low-income cutoff (LICO) the wage rate should be indexed to increase annually to at least keep pace with increases in the cost of living.

Long-term approach to setting the minimum wage rate

CCPA-NS recommends that:

- Once the LICO is reached Nova Scotia work with other provincial governments and the federal government to develop a national strategy that ensures a living wage for working Canadians.
- The Department of Environment and Labour should develop a transparent process of setting the minimum wage that is accountable to those effected by the minimum wage. Such an approach should be based on comprehensive research on the Nova Scotian labour market and social and economic development.
- Overall Nova Scotia needs to review minimum labour standards legislation and adjust it to protect workers in the context of changes to the labour market over the past 25 years.

Endnotes

¹ Workman, W. Thom & J. Jacobs (2002) “Undermining Wages in Nova Scotia: The Minimum Wage from 1976 – 2002.” Halifax: Canadian Centre for Policy Alternatives – Nova Scotia. Can be accessed at: <http://www.policyalternatives.ca/index.cfm?act=news&do=Article&call=28&pA=94761C2A&type=5>

² *ibid.* (page 5)

³ Sussman, D. & Martin Tabi (March, 2004). “Minimum wage workers” *Perspectives on Labour and Income*. Ottawa: Statistics Canada. (page 6).

⁴ Ralph Klein has recently announced that Alberta will increase its minimum wage to \$7.00 per hour. See “Klein takes flak over extra day off” by Dawn Walton. *Globe and Mail Online*, Feb. 11, 2005.

⁵ Baldwin, John R., Mark Brown, Jean-Pierre Maynard and Danielle Zietsma (2004) “Catching Up and Falling Behind: The Performance of Provincial GDP per Capita from 1990 to 2003.” Ottawa: Statistics Canada. (page 5)

⁶ Sussman, D. & Martin Tabi (March, 2004). “Minimum wage workers” *Perspectives on Labour and Income*. Ottawa: Statistics Canada. 2004 data received from author, D. Sussman, on request.

⁷ Battle, Ken (2003). *Minimum Wages in Canada: A Statistical Portrait with Policy Implications*. Ottawa: Caledon Institute of Social Policy. (page 99).

⁸ Battle, Ken (2003). *Minimum Wages in Canada: A Statistical Portrait with Policy Implications*. Ottawa: Caledon Institute of Social Policy. (page 95).

⁹ Battle, Ken (2003). *Minimum Wages in Canada: A Statistical Portrait with Policy Implications*. Ottawa: Caledon Institute of Social Policy (p. 93).

¹⁰ Sussman, D. & Martin Tabi (March, 2004). “Minimum wage workers” *Perspectives on Labour and Income*. Ottawa: Statistics Canada. (page 7)

¹¹ Sussman, D. & Martin Tabi (March, 2004). “Minimum wage workers” *Perspectives on Labour and Income*. Ottawa: Statistics Canada. (page 6).

¹² Raven, P. and L. Frank (2004) 2004 Nova Scotia Child Poverty Report Card. Halifax: Canadian Centre for Policy Alternatives – Nova Scotia.

¹³ Dodds, C & R. Coleman. (2001) *Income Distribution in Nova Scotia*. Halifax: GPI Atlantic. (Executive Summary page iv-v). Can be accessed at <http://www.gpiatlantic.org/publications/socioeconomic.shtml#incomedistribution>. Accessed Feb. 7, 2005).

¹⁴ Janz, Teresa (2004) “Low-paid employment and 'moving up' 1996-2001. Ottawa: Statistics Canada. (Executive Summary).

¹⁵ Atlantic Provinces Economic Council (May 2003) “Report Card: Atlantic Canada: Rising employment but earnings still lag” Halifax: Atlantic Provinces Economic Council.

¹⁶ *Ibid.*

¹⁷ Card, D. and A. B. Kruger. 1995. *Myth and Measurement: The New Economics of the Minimum Wage*. Princeton: Princeton University Press.

¹⁸ Goldberg M. & D. Green. 1999. “Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada.” Vancouver, Canadian Centre for Policy Alternatives.