

Canadian Centre for Policy Alternatives – Nova Scotia
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February 12, 2007

Dear Minister Parent:

**RE: MINIMUM WAGE REVIEW COMMITTEE'S REPORT OF
DECEMBER 21, 2006**

Nova Scotian earning low wages would surely welcome the minimum wage increase being proposed Minimum Wage Review Committee in its recommendation to the Minister of Environment and Labour.

The proposed increase is well above inflation and sets a standard for the Atlantic provinces. But we also need to be aware that the proposed increase, in the absence of affordable housing, child care and post-secondary education, will be inadequate when it comes to making ends meet for the most vulnerable in our communities. An increase of \$18 a week is a start but as the report acknowledges is not, in itself, going to address the poverty that too many Nova Scotians face.

The committee's report is part of an increasing overall recognition within many industrialized countries of the importance of significantly boosting the minimum wage to support most lowest paid and the working poor.

The committee's report is comprehensive and reviews many of the key points that should be considered in setting the minimum wage rate and it recognizes that an increase in the minimum wage benefits all low wage employees not just those earning the minimum wage.

The report helpfully discusses a number of measures that can be used in setting the wage such as increases in inflation, minimum wage compared to average wage, low income cut off measures. All of these aspects of the committee's report display an increasing sophistication in the understanding and setting of the minimum wage in Nova Scotia. This is a welcome development.

The minister should follow the committee's recommendation and increase the minimum wage to \$7.60 on April 1, 2007.

Future committee work

The comprehensive nature of the committee's report raises a number of questions that need to be addressed. What role should the minimum wage play and how should it be set?

The committee's report acknowledges the work of the federal labour code review commissioner, Harry Arthurs. In his report last fall entitled "Fairness at Work" Arthurs concluded that in setting the minimum wage "the government should accept the principle that no Canadian worker should work full-time for a year and still live in poverty." .

The commissioner's report to the federal government finally brought some official recognition of what anti-poverty activists have been pushing for years – the minimum wage must become a living wage.

This should be the task of the committee as it embarks on further review of the minimum wage. The biggest shortcoming of the provincial advisory committee's recommendations is that it does not explicitly recommend a specific method for setting the minimum wage.

Federal commissioner Arthurs recommended that over a "phase-in period ... the federal minimum wage should be raised until it meets the low-income cut-off (LICO) index." Pegging the minimum wage to the LICO, Statistics Canada's measure of low income, concurs with what many anti-poverty activists have been recommending.

But does the Nova Scotia advisory committee agree that the target should be a rate that enables a worker to get out of poverty? And if so what should be the timeline for reach the target? On these issues the committee was apparently unable to reach a consensus.

The committee does acknowledge the LICO as a possible target for setting the minimum wage. The committee's report notes that the average between rural and urban LICOs to conclude that the minimum wage would have to have been \$8.70 in 2005. Given the province's urban and rural composition this would appear to be a reasonable means of setting the target minimum wage for the province. Taking into account increases in inflation since 2005 would put the rate at about the \$9.00 an hour range anti-poverty advocates are pushing for.

But projecting the committee's proposed 6.3% increase as an annual increase and taking into account inflation (2%) it would take at least 5 years for the minimum wage in Nova Scotia to become a living wage (using the average between rural and urban LICO).

We need to move faster. This is not entirely new terrain; we've been there before. In the 1970s workers earning the minimum wage received a rate that was in real terms in the range of \$8.50 an hour today. Thirty years later the Canadian economy is producing much higher levels of wealth and profit, but paying its most vulnerable workers less.

The committee along with the minister and business labour and anti poverty organizations should set about establishing the target minimum wage based on the

method that ties the minimum wage to the low income cut off that is presented in point 7 (page 9) of the committee's report. The committee should explore the experiences of other jurisdictions that have set a living minimum wage such especially European countries.

Please contact me with any questions you may have on this matter.

Sincerely

John Jacobs
Director
Canadian Centre for Policy Alternatives – Nova Scotia