

**Submission to Nova Scotia Department of Environment and Labour
Review of the Minimum Wage Rate in Nova Scotia, February 2003***

**Submitted by: John Jacobs, Director, Canadian Centre for Policy Alternatives –
Nova Scotia**

The Canadian Centre for Policy Alternatives –Nova Scotia

The Canadian Centre for Policy Alternatives – Nova Scotia (CCPA-NS) is a non-partisan, non-profit public policy research organization dedicated to producing and promoting progressive economic and social policy research of importance to Nova Scotians. We are pleased to be able to participate in the Department of Environment and Labour's Review of the Minimum Wage Rate in the province. One factor that has limited our ability to make a submission to the review is the very short time frame provided to assemble and prepare a submission. I would ask that in future the Department consider ensuring a longer period of time is allowed for Nova Scotians to have input.

Introduction: Setting the Minimum Wage Rate in Nova Scotia

In this submission I address the rate of the minimum wage in Nova Scotia by providing some context that is essential if the Department is develop at wage rate that is appropriate to the social and economic development of the province. I first present figures that compare the rate in Nova Scotia to other jurisdictions in Canada and internationally. I then present a case for increasing the minimum wage rate in Nova Scotia. In the course of the submission I address the arguments against an increase in the minimum wage. A case is made for an increase of the minimum wage as an important means to address poverty faced by households supported by workers with low incomes, especially the disproportionate number of women living in poverty.

The Minimum Wage in Nova Scotia Compared

Nova Scotia with a rate of \$6.00/ hour, has among the lowest minimum wage rates in Canada. Until last year the rate was the second lowest in the country. While the rate is comparable to rates in the other Atlantic provinces it is substantially lower than the Canadian average of \$6.60.¹ Nova Scotia's rate is \$2.00 below British Columbia's rate, the province with the highest minimum wage in Canada.

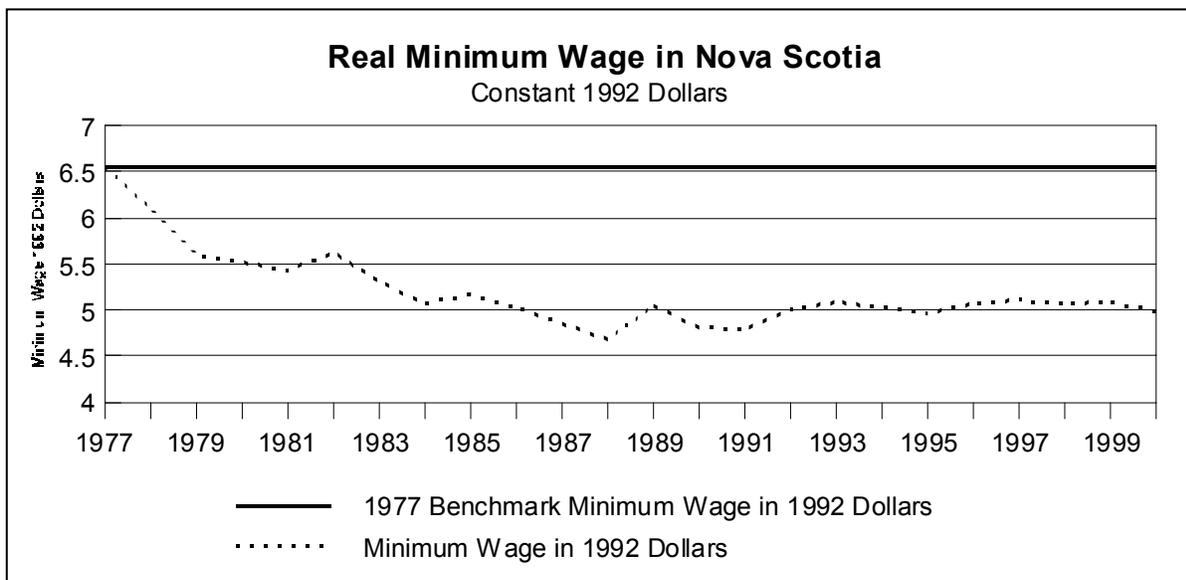
Nova Scotia's rate compares poorly with other industrialized counties. Nova Scotia's rate is lower than the rates in all the US states. When the average minimum wage rate in Canada is compared with other "advanced industrialized countries" (minimum wage as a

* This is an updated version of the a written submission to the Director of Labour Standards, Department of Environment and Labour, Government of Nova Scotia, submitted February 28, 2003.

percentage of average earnings) Canada ranks low, ahead of only the UK, Spain and Japan.²

Historically the minimum wage in Nova Scotia has followed a pattern similar to the rates in other parts of Canada, remaining far below providing a living wage for workers. Over the past 35 years the wage has provided little support to low wage workers seeking a living wage to support their households. During the mid seventies some advances were made in the wage rate (in real inflation adjusted terms), increasing to more than \$8.00/hr. in 1976. Since then the rate has decreased, in real terms by roughly \$2.00 per hour. In effect the minimum wage in 2003 buys 25% less than it did in 1976.

Chart 1



The Role of the Minimum Wage

Workers provide labour/service that is of use to employers and workers deserve a wage that provides them with a living and enables them to participate in their communities. The minimum wage was conceived as a means to provide a floor below which wages would not go. It was to provide support and protection for low-wage workers. The wage level should provide adequate income to workers. The rate should also increase as the cost of living increases and as the average wages of all workers increase.

Minimum Wage Rate and Poverty

The minimum wage in Nova Scotia does not keep workers out of poverty. For example in 2000 the minimum wage for a single person living in Halifax was \$325 monthly less than the Statistics Canada Low Income Cut Off (LICO).³

**Table 1 Minimum Wages and Poverty Gap
Single Person 2000 Halifax**

	Gross Monthly Minimum Wage Income	Statistics Canada Low Income Cutoff (LICO) for Single Person	\$ Gap	% Gap
Single person living in Halifax	\$988	\$1,313	\$325	24.8

Source: Statistics Canada, 75 F002MIE

These findings are confirmed by the Caledon Institute research⁴. In 1977 the income for a single person working full time for the minimum wage surpassed the (LICO) poverty line. This did not last long as the real wage (inflation adjusted) by 1980 had dipped to 80 percent of the poverty line. Currently the income based on full-time minimum wage work sits at about 78% of the low income cut off. The situation is much worse for a single parent with one child. The minimum wage rate currently provides an income that equals 60% of the low income cut off. An increase in the minimum wage would provide long overdue support for Nova Scotians attempting to work themselves out of poverty.

Who Works for the Minimum Wage

Some have justified a low minimum wage policy by the claim that minimum wage workers are typically workers between 15-19 years of age and living at home with their parents. While some workers do live with their parents and some are in their teens, one is left to wonder how this justifies a low minimum wage. Workers are paid for the work that they do, not for our individual living circumstances. And while some workers may live with their families one is left to wonder how this justifies/supports paying all minimum wage workers as if their living costs were subsidized by their living circumstances. Living in a variety of circumstances is typical of all workers. Finally, the low wages paid to minimum wage workers could be the reason that many workers live at home with parents as their income leaves them little choice.

As it stands the Caledon Institute study provides a snapshot of the minimum wage workers in Nova Scotia. Fifty-seven percent of workers earning the minimum wage are classified as “adults” while 43% are between 15-19 years of age.⁵ Many of the teens and young adults depend on their wages from part – time and/or seasonal employment to generate funds for their education. This is an increasingly important source of funds for education for students as grants decrease and tuitions increase – another reason for an increased wage.

The Nova Scotia Labour Standards Branch has recently stated that about 15,000 workers or 3.3% of the workforce, currently work for the minimum wage in Nova Scotia⁶. A recent study has found that a higher number of workers earn the minimum wage. The

study claims that in 2000 17,900 workers worked for the minimum wage or 5% of the workforce⁷.

The Impact of the Minimum Wage Rate on Other Wages

A study by the Canadian Council for Social Development, notes that “[t]he level of the minimum wage is important not only to minimum-wage workers, but also to those whose wage are \$2 to \$3 above the minimum rate. By establishing the level of the bottom rung on the income ladder, the minimum wage greatly influences the levels of the next few rungs as well.”⁸

“[t]he importance of the minimum wage” according to Workman and Jacobs,

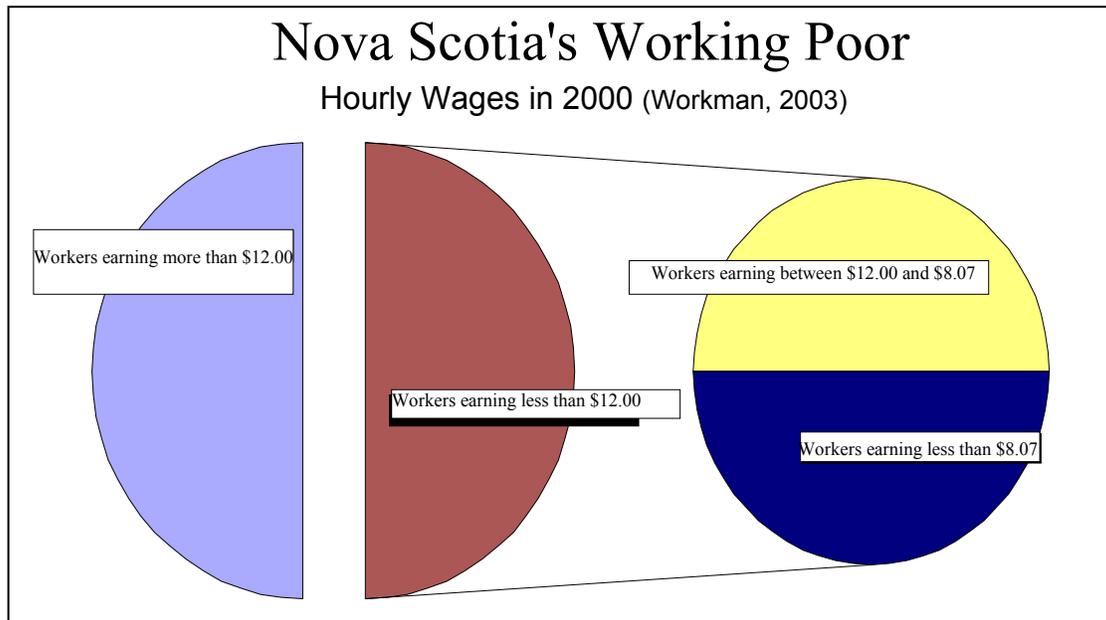
“extends far beyond those workers presently working for \$6.00 per hour across the province. The minimum wage bears directly on all other wages in an economy. It acts as a benchmark wage. If the minimum wage rises, other wage rates across the province will be pressured to follow suit.

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.⁹

The Working Poor, Women and the Minimum Wage

A recent report by GPI Atlantic found that “Nova Scotia’s poor are the poorest in Canada” and that income inequality is increasing¹⁰ – the rich are getting richer and the poor poorer. According to 2000 data, half of Nova Scotians earned less than \$12.00 an hour and 25% earned less than \$8.10 per hour or put another way less than \$2.40 cents above the minimum wage.¹¹ Those making the minimum wage are immediately effected by an increase in the wage rate, but workers earning close to the minimum wage rate (the working poor) also benefit within the short to medium term.

Numerous studies have exposed the gendered nature of poverty in Canada and Nova Scotia, that is, more women live in poverty than men.¹² A majority of workers who work for the minimum wage are women – 62.6% women and 37.4% men.¹³ Not surprisingly women are also disproportionately represented in the low wage category – 25% of women waged workers earn less than \$7.25 per hour whereas 25% of men work for less than \$9.50¹⁴. An substantial increase in the minimum wage rate would go a long way to improving the lives of women living in poverty and it would contribute to closing the income gap between women and men.



Those who dismiss the significance of the minimum wage with the claim that so few workers actually work for the wage rate miss the real impact of an increase in the minimum wage. Contrary to claims of some, an increase in the wage rate affects far more than the 15,000 to 17,000 workers earning the minimum wage. A substantial increase in the minimum wage would therefore improve the livelihood for many Nova Scotian's living in poverty. In 2000 25% of wage earners in Nova Scotia earned less than \$8.10 per hour "or within \$2.40 of the minimum wage."¹⁵ An increase in the minimum wage would in effect over the short to medium term improve the lives of more than 100,000 of Nova Scotia's workforce of 435,000.

The Social and Economic Costs of Low Paid Work

So what are the socio-economic costs of maintaining a low minimum wage and the poverty it spawns? The Canadian Policy Research Networks has identified the following consequences of low-paid work:¹⁶

- "Poverty: Unable to provide for themselves and their families
- Poor health: People who are poor make greater use of the health care system
- Poor child development: more children at risk of health, behavioural, and cognitive problems
- Under-utilization of existing human capital
- Under-development of future human capital

- Lost productivity growth.”

Minimum Wages and Productivity

Increasing the minimum wage can actually contribute to economic growth through increasing productivity. Low wages are likely to lead to low moral amongst workers, this is bound to decrease productivity, according to Black and Shaw, as workers “may become disillusioned and may reduce their work effort” and this may also lead to greater turnover. Low wages also “allow inefficient firms to survive and raise the tolerance for inefficiency in other firms. When minimum wages are kept low, firms are able to defer adoption of productivity-enhancing innovations which would improve their capacity to compete in their particular markets.”¹⁷ Legislating a substantial increase in the minimum wage makes obvious sense as a policy to improve the lives of many Nova Scotians living in poverty and long term social and economic development.

Does an Increase in the Minimum Wage Hurt the Working Poor?

While the case for a substantial increase for minimum wage is strong, one is left wondering why the wage has been allowed to stagnate so long given the potential benefits. The claim is made by some business leaders and business sponsored “think tanks” that the existence of a minimum wage, let alone increasing it, hurts the very people it is claimed to benefit – the working poor. An increase in labour costs will force business to compensate through cutting hours, laying off workers or closing shop. Recent studies have shown that this is not the case. The by now well known comprehensive American study, by Card and Krueger, using data from the restaurant and hotel industry in the US, shows that minimum wage increases in that country did not have the negative overall impact predicted by the minimum wage critics.¹⁸ These finding were confirmed by a study on minimum wages in Canada by Green and Goldberg that again found no overall loss of jobs and a negligible decline in employment for young male workers.¹⁹

This view appears to be shared by some business leaders and businesses. Peter O'Brien, of the Canadian Federation of Independent Business, noted upon the recent increase to \$6.00 per hour, that (according to a Chronicle Herald reporter)

“the wage hike will have no significant impact on members of his group. He [O'Brien] said most businesses in the province pay more than minimum wage, except for bars and restaurants where gratuities supplement workers' pay. "It's not a major thing anymore," he said. "It gives people who are at the lower end of the income scale . . . a little more spending money." He said his only concern was that the province would provide sufficient notice for businesses to make changes.”²⁰

O'Brien’s view is confirmed by “[a] recent survey of small business owners in the United States found that “more than three-quarters of the firms surveyed said their employment

practices would not be affected by an increase in the minimum wage [from \$5.15/hr] to \$6.00", an increase of 16%.²¹

Labour Market Changes and Labour Legislation

One final matter needs to be added to the argument for moving the minimum wage rate up to provide a living wage. An ongoing research project by the CCPA-NS examining the labour standards in Nova Scotia is providing us with some insights into changes in the regulation of the labour market. Changes in legislation have not kept pace with the labour market over the last 25 years. There has been a transition to increasing part-time work and less protection for non-unionized workers as they face less job security and fewer stable employment opportunities. In 2002, 57% of Nova Scotian earning the minimum wage were part-time workers. Some of these workers have more than one part-time job in an attempt to make ends meet. The most vulnerable workers in Nova Scotia are dependent upon strong legislation for protection in a volatile labour market.

Increasing the Minimum Wage is Just Plain Good Public Policy

Nova Scotia should become a leader in setting an adequate minimum wage in Atlantic Canada. The Atlantic provinces currently have among the lowest rates in Canada (only Alberta has a lower rate but a very different labour market in that it has experienced a shortage of workers for much of the past 25 years). No matter how you look at it, increasing the minimum wage is good public policy in Nova Scotia. By cutting transfers, programs and services the government of Nova Scotia has prioritized a market based approach to social and economic development. It prefers the distribution of incomes through the labour market. The setting of a minimum wage rate that meets at least the Low Income Cut-Offs is one key policy tool that allows the government to meet social and economic welfare objectives, with no cost to the provincial government's finances, and stimulates the economy. A failure to set a fair minimum wage in the context of the high unemployment that characterizes the region results in unacceptable poverty and hardship for hundreds of thousands of households in Atlantic Canada. A low minimum wage policy increases costs for social programs that address the needs of the working poor.

Recommendations:

CCPA-NS recommends the following steps in setting the minimum wage rate for Nova Scotia:

- 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.
- The long term target in setting the minimum wage rate should be to provide a living wage. It should soon reach a wage similar to the peak of \$8.00 in terms of 2002 dollars.
- In the short term the rate should at a minimum be increased to the national average of \$6.60 plus the cost of living increases, over the next two years. The rate could for example increase approximately \$6.40 in 2003 and to \$6.60 (+ the cost of living increases) in 2004. It should be noted that these increases will still do little to address plight of the working poor. A more effective approach would

- be to increase the rate to \$6.60 immediately and then to increase it by inflation until a long term strategy is developed.
- The wage should be indexed to inflation once it reaches \$6.60 + per hour.
 - 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 sound research on the Nova Scotian labour market and social and economic development. It should also be based on opportunities for input from all groups affected by the minimum wages, including those making more than the wage.
 - Nova Scotia needs to review over all the labour legislation and adjust it to protect workers in the context of a changes to the labour market over the past 25 years.

¹ See Canadian Minimum wages on Human Resources Development Canada website: http://labour.hrdc-drhc.gc.ca/psait_spila/lmnec_eslc/eslc/salaire_minwage/report2/report2c_e.cfm (Accessed Feb. 26,2003)

² Battle, Ken. *Minimum Wages in Canada: A Statistical Portrait With Policy Implications*, p. 250-1, Ottawa, Caledon Institute, 2002

³ Workman, T. and J. Jacobs. 2002. *Undermining Wages in Nova Scotia: The Minimum Wage from 1976 – 2002*. Halifax: Canadian Centre for Policy Alternatives – Nova Scotia., p. 4.

⁴ Data taken from Battle, K (2002. page 88)

⁵ Battle, Ken (2003) *ibid.* p. 95

⁶ Nova Scotia Department of Environment and Labour (February 14, 2002) *Annual Minimum Wage Review Under Way*, Press Release. Halifax: Government of Nova Scotia.(

<http://www.gov.ns.ca/news/details.asp?id=20030214006>; accessed February 27, 2003).

⁷ Battle, K. (2003) *ibid.* p. 92

⁸ Schellenberg, G. & D. Ross. 1997. *Left Poor by the Market: A Look at Family Poverty and Earnings*. Social Research Series, Paper no.2. Ottawa: Canadian Council on Social Development, p. 41.

⁹ Workman, T. & J. Jacobs (2002) *ibid.* p.5

¹⁰ Dodds, C. & R. Coleman. 2001. *Income Distribution in Nova Scotia*. Halifax: GPI Atlantic. Report abstract available at <http://www.gpiatlantic.org/incomedistsumm.pdf>

¹¹ Workman, T. (2003) *Social Torment: Globalization in Atlantic Canada*. Halifax: Fernwood, p. 93.

¹² See for example National Council of Welfare, 2002, *Poverty Profile 1999*, Ottawa, Minister of Public Works and Government Services Canada.

¹³ Battle, K. (2003) *ibid.* p. 93

¹⁴ Workman, T. (2003) *Social Torment: Globalization in Atlantic Canada*. Halifax: Fernwood, p. 97.

¹⁵ Workman, T. (2003) *Social Torment: Globalization in Atlantic Canada*. Halifax: Fernwood, p. 93.

¹⁶ Maxwell, J., 2002. *Working for Low Pay* Ottawa: CPRN. <http://www.cprn.org/cprn.html> Accessed Feb. 27, 2003, p. 15.

¹⁷ Black, E. & L. Shaw. 2000. “The case for a Strong Minimum Wage Policy” in *Solutions that Work* ed. Jim Silver, Canadian Centre for Policy Alternatives –Manitoba & Fernwood Books: Halifax: p. 79.

¹⁸ Card, D. and A. B. Kruger. 1995. *Myth and Measurement: The New Economics of the Minimum Wage*. Princeton: Princeton University Press.

¹⁹ Goldberg M. & D. Green. 1999. “Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada.” Vancouver, Canadian Centre for Policy Alternatives.

²⁰ Simpson, Jeffrey, 2002 “Minimum wage 'still low': Tories raise rate to \$6 an hour, but workers would like more.” *The Chronicle Herald*. June 8: A3

²¹ Quote in Workman and Jacobs , 2002 referring to study by Oren M. Levin-Waldman. 1999. *The Minimum Wage Can Be Raised: Lessons from the 1999 Levy Institute Survey of Small Business*. Available at <http://www.levy.org/docs/pn/99-6.html>. Accessed Feb. 28,2003.