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March 3, 2008

Honourable Mark Parent
Minister of Nova Scotia Environment and Labour
5151 Terminal Road, 6th Floor
Halifax, NS B3J 2T8

Re: Response to the Minimum Wage Review Committee Report of January 17, 2008

Dear Minister Parent:

We welcome the opportunity to provide comments on the Minimum Wage Review Committee's report tabled January 17, 2008.

First, we urge the government **to accept the recommendations of the Minimum Wage Review Committee as a step in the right direction, with a few reservations.**

Second, we want to specifically draw the Minister's attention to the importance of accepting the Committee's recommendations and **adopting a consistent formula for increasing the minimum wage.** The first part of that formula is to use the LICO to bring wages up to \$9.65 by 2010. The second part of the formula outlined by the Committee should also be adopted: "Once the LICO threshold is reached, we recommend that the minimum wage be indexed to CPI (p.21)." While the Committee plays an important role in the review process, this kind of formula further depoliticizes future reviews of the appropriate level of the minimum wage.

Third, **while the Committee is to be commended for coming close to recognizing that someone working full-time for a full year should not be forced to live in poverty, we argue that there is a need to go further and to more carefully consider geographic differences in the province.** There was a time when the minimum wage rate was set to respond to geographic variations and thus to differences in the cost of living in communities of varying sizes and services. The current recommendation would not bring workers in Halifax even up to the LICO by 2010.

Fourth, when making your decision about whether to support these recommendations, **it is critical that you weigh their importance by considering two things: who the lowest paid members of our workforce are and the right of our workers to a pay increase.**

The lowest paid workers in our province, and thus those who would benefit disproportionately from these recommendations are: women, visible minorities, immigrants, Aboriginal workers

and younger workers. These are the workers with the least bargaining power in the labour market; many of whom face huge barriers to being treated fairly and equitably. Furthermore, an examination of real wages since the 1990s shows that this Committee's recommendations are long past due for the average worker in this province who, has seen their **real wages decrease** over the past 20 years (Dufour & Haiven, Forthcoming Publication). Low paid workers in our province deserve to be better rewarded for their productivity. To this regard, **we see no evidence for a lower minimum wage for 'inexperienced workers' and thus do not support this recommendation by the Committee.**

Lastly, we argue that there is a need for **this government to go further and implement complementary policies and programs to address the needs of the working poor, and indeed, to improve workers' rights in this province.** The fact that the minimum wage has received so much more attention in the last 10 years can be explained by examining the lack of supports for employees who have the least bargaining power in the labour market. Indeed, these are also the same citizens who have the least resources to influence the direction of public policies in this province.

The attached submission further elaborates on this last point and provides some additional background consideration that was not specifically addressed in the Committee's report, including information on who are minimum wage workers, the value of increasing the minimum wage, and the benefits of doing so. We are reserving comment on tip differentials at this point.

The Committee is to be commended for making recommendations that would allow Nova Scotia to take a lead on this issue in Atlantic Canada.

Sincerely,

Christine Saulnier, PhD
Director, Nova Scotia Office

Canadian Centre for Policy Alternatives

Workers Deserve the Minimum Wage Increase; the Community at Large Benefits

Why Workers Deserve the Increase

A significant and meaningful increase in the minimum wage in this province is long overdue. The Committee indicates that “the overall prosperity of Nova Scotians has increased” since the introduction of the minimum wage in the 1960s (see pages 10-11). It is important to look more closely at productivity and earnings, especially since the 1990s. This picture is quite different. In a forthcoming report of the Canadian Centre for Policy Alternatives-Nova Scotia, Dufour & Haiven show that since the early 1990s, real productivity has been rising while real earnings have **fallen** over the same period. They show that from 1991 to 2006 Nova Scotians’ average real earnings declined by approximately 5%, at the same time that real labour productivity increased (by 25% in the same period).

While Dufour and Haiven don’t focus on minimum wage workers but rather on the average worker, we can assume then that if the evidence shows the average worker has not received their fair share of economic growth, then neither has the worker receiving only minimum wage. In terms of productivity, the authors conclude that that the low-wage economy might be partially to blame for the low productivity compared to the rest of the country and that raising the minimum wage can actually increase productivity.¹

The Minimum Wage: From a fair wage to a living wage for whom?

Some would argue that the minimum wage need not be legislated (or increased) because the market ensures that workers are rewarded based on their potential to produce a good or service. “For various reasons, [those who earn the minimum wage] have little education or work experience (dropouts, immigrants, elderly women returning to the labour market, etc.). By definition, these persons are unproductive”². There are a few things to consider before accepting the argument that the market rewards these workers with a fair wage or that these persons are unproductive.

First, there is a lot that can be learned by examining **who is among the lower paid in our society**. In Canada, we know that women and visible minorities fare the worst.

- about 22% of Canadian women were low paid in 2000—compared to only 12% of men.
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- 27.4% of recent (within 5 years) immigrants working full-time are low paid.
- 22.4% of medium-term (6–15 years) immigrants are low-paid.
- 31.1% of visible minority recent immigrants working full-time are low paid
- 24.7% of visible minority mid-term immigrants are low-paid.³

- There is no reason to think that Nova Scotia is not depicted in this picture. We know for example that a disproportionate number (63%) of minimum wage workers are women. We also know that in 2003 25% of women in Nova Scotia received less than \$8.33/hr., while 25% of men received less than \$10.05/hr.⁴

http://www.policyalternatives.ca/documents/Nova_Scotia_Pubs/2005/time_for_a_real_raise.pdf

It is equally important to consider the various reasons that certain groups of people are found disproportionately among the lowest paid in our society and are considered ‘unproductive’.

Women, for example, still do a majority of unpaid labour; they face trying to balance child care and other family responsibilities with paid work. As a result, they are more likely than men to be re-entering the labour market after lengthy periods of absence. Should they be penalized for their important role in social reproduction? As John Jacobs has previously argued, “leaving the minimum wage low is holding back wage increases for women more than for men and this reinforces income inequality between women and men”.⁵

Despite foreign credentials and often lengthy work experience in their home country, immigrants are considered to be inexperienced. We believe that they should not face such insurmountable barriers to the acceptance of their foreign credentials or be penalized because of a lack of Canadian experience.

Aboriginal workers and visible minorities also tend to receive lower wages. These workers should neither be penalized because systemic racial discrimination has meant that they have not been able to attain their potential whether within the education system or in the labour market.

Wages speak to a particular value system that underlies the labour market about who and what is considered productive and thus about the value of a job or a specific skill set and education. It is evident that many minimum wage workers have skills that would warrant a higher level of pay, when we re-consider what kind of work they do and what they bring to the work. For example, 37% of minimum wage workers have education beyond high school.⁶ One group of workers that perhaps exemplifies this value system is child care workers.

According to the Nova Scotia Child Care Association, “approximately 80% of all child care practitioners in Nova Scotia are trained in early childhood care and education. The approximate 1510 child care teachers in Nova Scotia are paid an average of \$7.87 per hour, just a little over minimum wage”.⁷ How do we justify the fact that day care workers (almost all of whom are women) are among the lowest paid workers in this province? Underlying these wage levels are value judgements reflective of societal assumptions that have been based on certain stereotypes about ‘women’s work.’ In effect, those skills and types of work considered feminine, and disproportionately performed by women, such as care giving, are assumed to come more naturally to women and to involve lower-skills, to require less training, to not involve manual labour and to be less risky and therefore worth less. Our society has a long way to go to deal with gender discrimination, racial bias in hiring, promotions, and firing.

The minimum wage was first legislated in order to protect non-unionized workers in unskilled jobs and was applied initially only to women and children because they were perceived to be the most vulnerable and exploited groups of workers. These are the workers with the least amount of power to be able to bargain for better wages. The minimum wage policy still retains this goal.

The minimum wage is one policy instrument that can partially correct for the results of these biases by sending a message that no paid work in this province is worth less than a living wage for the lowest paid workers.

What constitutes a living wage is still up for debate, however. If by a living wage, we mean that people who do paid work full time full year should receive at least an income equivalent to the Low-Income Poverty Line for the community they live in, then what is not considered? By a living wage, do we mean a certain standard of living that allows families to access recreational and cultural programs and activities? To be able to save money for their children's education? To be able to save money for their retirement? This leads us into a debate about items considered as basic necessities? It also leads to a close examination of the outcomes sought from a poverty reduction strategy.

Minimum Wage and Poverty Reduction

Policy changes over the last two decades have increased the importance of the minimum wage as a key redistributive policy instrument. Its increased importance speaks to the increasing income gap in our society, and thus the need to consider its role in addressing income distribution and inequality within our society and thus, its fit within a broader strategy related to poverty reduction.

As the Minimum Wage Review Committee also recognizes, the minimum wage is but one instrument that needs to be used to reduce poverty. It alone won't solve the problems of the working poor in Nova Scotia. While this is true, it is a concrete recommendation that can be enacted now. Given the dearth of supports for the working poor in our society, it does play an important redistributive role.⁸ In other words, there is more pressure to raise the minimum wage right now because of decades of a general under-funding of public goods and services including social programs, as well as an increase in user fees, the growth in low wage work, and pressures such as 'workfare.'

When considering the appropriate minimum wage level, we need to consider what access minimum wage earners have to affordable housing, education, quality childcare, health care, public libraries and efficient public transit. We should also consider the availability of supports including pension plans, child tax benefits, unemployment insurance and of needed programs and services for women, for immigrant groups, for the severely handicapped, for university students.

Legislated Minimum Wage Increases and Working Conditions

“The role of the minimum wage as a counterweight to imbalances of economic power in employment relationships is reflected in the fact that employees whose economic power in the employment relationship is relatively weaker — women, recent immigrants, people of colour — tend to be overrepresented among employees working for low pay. In this respect, minimum wage policy has more in common with other policies that have the effect of altering the balance of power in employment relationships than with policies specifically aimed at alleviating poverty.” (Murray & Mackenzie, p. 41).

In other words, as a policy instrument it was originally designed as a way to address the imbalance of power for the most unprotected workers and thus it should be considered in reference to the state of legislation related to unionization and collective bargaining. The increased importance of raising the minimum wage also speaks to the political context in which these recommendations are being made.

The need for this level of increase in the minimum wage is all the more urgent perhaps because of the results of decades of policy choices that have eroded workers’ rights, working conditions and supports. Nova Scotia, for example, has one of the higher rates of workers working at or just above the minimum wage. We know that in 2003 Nova Scotia had among the highest percent of minimum wage workers in the country at 5.5%.⁹ Further, Nova Scotia is the province with one of the lowest unionization rates in the country at 29% in 2005.¹⁰ In other words, the need for this legislation should also raise questions about the current atmosphere for unionizing work places and allowing for collective workers’ protections.

Workers with the least amount of power to be able to bargain for better wages are also least able to bargain for better working conditions. In addition to a poverty reduction strategy, there is a need to improve workers’ rights more broadly.

Responding to Criticisms and Concerns

Bad for Small Businesses?

Just as the Committee recognizes that raising the minimum wage won’t solve the problems of the working poor, it is important to recognize that this is but one factor to be considered when examining the state of small or marginal businesses. There are some who argue that sectors like agriculture, tourism and food service cannot tolerate this kind of increase. There is definitely more that the government could be doing to address the hardships facing farmers in our province. Small businesses can be supported as well: “This can take the form of temporary tax breaks and funding that enables firms to increase the wages and productivity of workers, such as training and skills upgrading.”¹¹

Should the government choose to implement the Committees recommendations and increase the minimum wage, it should also move forward with a multifaceted rural economic development strategy that facilitates shifting communities away from low-wage sectors of the economy to

more productive high-skilled, well-paid economies. This shift can be facilitated “through training and education programs, through stimulating research and innovation, and through ensuring that investments are made in the machinery and technologies that allow workers and businesses to become more productive”.¹² It must be done in consultation with the affected communities.

Many businesses such as big corporations like Tim Horton’s, McDonalds and Wal-Mart in our province can easily afford to pay their employees more. These are choices that speak to profit margins. Moreover, the status quo means that their “profitability is being subsidized by workers and their families and government.”¹³

Canada ranks third among OECD countries where employment protection laws are **the least rigid** (Elgrably, 2006). Employers are faced with a very flexible workforce and regulations. Initial discussions of flexibility had given some workers –especially women- some hope that the need to balance work and life would be considered in the employment relationship. This hope was quickly dashed when decades of deregulation have instead allowed for labour market flexibility favouring the employer. Indeed, flexibility is a euphemism for the creation of more part-time work or shift work and precarious employment that is often without benefits or permanency.

Benefits of Increases to the Minimum Wage

Finally, it is important to reiterate the benefits that can come from the recommended increases to the minimum wage:

Community Impacts¹⁴

- Increasing the total wage bill for those at the bottom end of the labour market can also lead to positive health outcomes. The broader trend is that poverty increases illness and health costs.
- Higher wages positively affect communities by providing a better tax base on which to build healthy communities.
- A higher minimum wage can increase the independence and self-sufficiency of teens and youth — enabling young adults to leave home, and helping to reduce post-secondary education debt loads.
- Higher wages mean more disposable income to spend on consumer goods and services, supporting the local economy. This is especially true since people with marginal incomes are more likely to spend money locally.
- Reduced poverty is directly linked with reduced costs to our health care, education and social service systems.

Government impacts

- Higher wages provide greater positive incentives to work, often leading to a reduction in social assistance rates and a concurrent increase in the tax base.

- Low-wage workers may currently qualify for social assistance programs. Higher wages may enable greater self-sufficiency and reduce reliance on these programs.

Business impacts

- Higher wages have been shown to be related to higher worker productivity.
- Higher wages often mean longer terms of employment, meaning less staff turnover, easier recruitment, and a subsequent reduction in the costs of hiring and training new employees.
- Higher wages are correlated with better overall health, meaning fewer days lost to illness.
- Employers who wish to pay their employees a decent wage cannot be undercut by other employers who do not see the benefit of doing so. Good employers will find themselves on a more level playing field.¹⁵

ENDNOTES

¹ Mathieu Dufour and Larry Haiven, *The Rising Tide Swamped the Small Boats: Rising Profit Shares and Falling Labour Shares in Nova Scotia* (Halifax: Canadian Centre for Policy Alternatives, Nova Scotia, Forthcoming).

² N. Elgrably, *Economic Note: The minimum wage and labour market flexibility* (Montreal: Montreal Economic Institute, December 2006).

³ Canadian Centre for Policy Alternatives, *Minimum Wage Fact Sheets: Women and Visible Minorities Fare Worse* (Toronto: CCPA, Growing Gap).
www.growinggap.ca/files/Women%20and%20visible%20minorities%20fare%20worse.pdf

⁴ John Jacobs, *Time for a Real Raise: the Nova Scotia Minimum Wage* (Halifax: Canadian Centre for Policy Alternatives, Nova Scotia, June 2005), p. 2.

⁵ Jacobs, 2005, p.11.

⁶ Stuart Murray and Hugh Mackenzie, *Bringing Minimum Wages Above the Poverty Line* (Ottawa: CCPA, March 2007): p.32.

⁷ Nova Scotia Child Care Association, *Facts about Childcare Practitioners*.
<http://www.cccns.org/NSCCA/child%20care%20info.html>

⁸ Nicole M. Fortin and T. Lemieux, "Income Redistribution in Canada: Minimum Wages versus Other Policy Instruments," in *Public Policies in a Labour Market in Transition* edited by W.C. Riddell and F. St-Hilaire (Montreal: IRPP, 2000): 211-247.

⁹ Jacobs, 2005.

¹⁰ Statistics Canada, *Labour Force Historical Review, Union Coverage, All industries, by province* (Ottawa: Statistics Canada, 2005).

¹¹ Jacobs, 2005, p.16.

¹² John Jacobs, *Addressing rural development issues in Nova Scotia* (Halifax: Canadian Centre for Policy Alternatives, Nova Scotia, June 15, 2007).

¹³ Jacobs, 2005, p.16.

¹⁴These are summarized by Stuart Murray and Hugh Mackenzie in *Bringing Minimum Wages Above the Poverty Line* (Ottawa: CCPA, March 2007). Available at www.policyalternatives.ca

¹⁵The government impacts and business impacts are summarized in Public Interest Alberta, *Making a living: Defining a living wage for Alberta* (Edmonton: Public Interest Alberta); http://www.pialberta.org/content_pdf/makingaliving.