



A Submission
to the
Minimum Wage Board
by the
Saskatchewan Federation
of Labour

September, 2004

OPENING STATEMENT

The Saskatchewan Federation of Labour would like to express its appreciation to the Minimum Wage Board for providing us this opportunity to present our position and supporting arguments on the important issue of the provincial minimum wage.

The SFL is the largest labour organization in Saskatchewan, with affiliated unions and membership in every sector of the economy. Our members work in uranium mines in the far north, electrical generating stations near the U.S. border, steel, pulp and paper mills, retail food chain stores and warehouses, government offices, building construction sites, residential group homes, chemical plants and oil refineries, day care centers, correctional facilities, schools, colleges, nursing homes, saw mills and lumber camps, universities, hospitals, hotels, fast food outlets, on trains, planes and buses, in municipal governments, lunch counters, restaurants, financial institutions, grain elevators and terminals, in potash mines, credit unions and book stores, as well as hundreds of other jobs.

The Saskatchewan Federation of Labour (SFL) represents 90,000 unionized workers across the province who are members of some three dozen national and international unions.

The SFL is more familiar with the working people of Saskatchewan than any organization we know of.

It may interest the Minimum Wage Board members to know that organized labour has an extensive record of fighting for a decent income for, not just our own members, but for all working people.

For the past couple years a group headed by former deputy minister of labour Hub Elkin has been researching and writing an account of the working people of Saskatchewan from the fur trade to the present day. This work will become a history book to be published next year, to coincide with the province's centennial.

Those doing the research tell us that for as long as there has been a labour movement in Saskatchewan – and that is well over a century now - it has lobbied and worked and fought for a decent rate of pay for all wage earners, including those working at or near the lowest legal wage rate.

We are proud of that tradition, and take pride too in extending it with this written brief.

The SFL is not just the representative of the organized workforce. We have for many decades now assumed the responsibility of speaking for all workers in the province, regardless of their status as organized or unorganized.

Workers covered by a collective agreement will not typically earn the minimum wage, even as a starting or training rate, but the Federation of Labour recognizes our duty to speak for those thousands of employees who do receive the province's lowest permissible wage.

There are not many issues more important to wage earners than the livelihood they and their families realize from paid employment, and therefore the issue is of primary relevance to the Federation of Labour as well.

SOME BACKGROUND

Our research indicates that a legislated floor for workers' wages has been around for a considerable time. In 1894 New Zealand passed minimum wage legislation, followed by the Australian state of Victoria two years later. In 1909 Great Britain implemented such a law, as did a number of European nations shortly afterwards.

On this continent, Massachusetts set a minimum wage for women and children in 1912. British Columbia and Manitoba, in 1918, and Saskatchewan, in 1920, enacted a minimum wage, which applied to women in certain types of employment. In 1934 the province of Saskatchewan extended the law to cover male employees.

Currently every Canadian province has a minimum wage law, and the earlier provisions, which discriminated on the basis of gender or against rural-based workers, have pretty much disappeared from the statutes.

We recite this background to make the point that there is a long and widely accepted practice of the state intervening in the labour market to protect those who do not themselves possess the economic clout to achieve an acceptable standard of living in a completely unregulated marketplace.

Saskatchewan was not the first to get a law on the statute books, but once we had legislation in place, our minimum wage was often among the highest in Canada.

That was the case following the Second World War and for the next two decades as well.

Again during, the 1970's and early 1980's Saskatchewan's minimum wage was consistently either one of the highest or in fact the highest in the nation.

Minimum wage increases were implemented with admirable regularity. In the period of a little more than a decade between June, 1971, and January, 1982, the minimum wage went up fourteen times and it also almost tripled in value. This period coincides roughly with the Blakeney Administration, which according to our research, had the best record of any government in our province's history of improving the economic lot of minimum wage earners. Governments today would do well to emulate that earlier administration – in respect to bettering the financial circumstances of low income workers.

We recognize and admit that there were some circumstances prevailing in 1970s that are not present today. The 70s saw inflation push the cost of living up by double digits annually, but even when that is factored into the calculations, minimum wage earners did relatively well in that period of time.

A DEPARTURE

The pattern established in the 1970s was unfortunately departed from in the years that followed. There has been an obvious decline in the number of upward adjustments in the minimum wage and the pace at which they have occurred. In addition to that there has been a decline in the relative size of those adjustments, with the result that the real value of the minimum wage to low income workers and families has been badly undermined.

An example of this is the four and a half year period in the late 1980's when the minimum wage was static – no increase at all. This freeze is the longest period without an adjustment since the beginning of the Second World War.

Attached to this brief is a list of minimum wage increases and when they occurred. The Board could examine this appendix and perhaps find there some effective arguments for a return to a more regular pattern of increases.

Note that in the 1971 to 1982 period the minimum wage went from \$1.50 to \$4.25, a difference of \$2.75, or 25 cents per year; this at a time when 25 cents was worth more than it is today.

If the present government had followed that same rather modest pattern when they took office in 1991 the minimum wage would now be \$8.25 per hour – more than a dollar and a half beyond its current level.

The provincial government and Minimum Wage Board managed to implement a very respectable average annual increase in the minimum wage in the 1970's, and our economic indicators were extremely positive throughout that whole period of time – low unemployment, and steady investment.

But with the lack of significant upward adjustments in the last two and a half decades a sizable adjustment in the wage is now needed simply to make up the lost ground.

THE POVERTY LINE

A \$6.65 per hour rate of pay is clearly inadequate to maintain a family or even an individual at an acceptable standard of living.

Statistics Canada applies the terminology “low income cutoff” to the point at which most of a family’s expenditures must be devoted to necessities such as food, shelter and clothing. When those items begin to account for a majority of spending the family is described as at the poverty line.

Employing the Stats Can data we find that a single individual living in a center the size of Saskatoon or Regina in 2003 is considered to be below the poverty line if earning less than \$16,979 annually. A family of four is living in poverty if they earned less than \$31,952.

The Stats Canada poverty line is reduced for smaller communities because certain expenses, such as rents or house prices and mortgage payments, would be somewhat lower. A single person without dependents in Estevan, Yorkton or the Battlefords would be below the poverty line if earning an annual wage of less than \$15,690. With three dependents the figure would be \$29,526. Attached to this brief is the 2003 Statistics Canada low income cut-off figures.

The current Saskatchewan minimum wage of \$6.65 an hour yields \$266 for a 40 hour week, and over the 52 weeks in a year provides \$13,832 in gross annual income.

So, for a person living in Saskatoon or Regina and working full-time, the Saskatchewan minimum wage will put him or her \$3,147 below the poverty line over the course of a year.

Dependents push a minimum wage earner even deeper into poverty. A single parent with one child, living near Pense or Vanscoy, and working full-time for a year at the minimum wage, would end up \$3,268 below the poverty line.

OTHER JURISDICTIONS' MINIMUM WAGES

Other jurisdictions seem to have recognized the need to keep their minimum wage rates at levels which attract people to the workforce rather than alienating them from the prospect of employment.

Manitoba, Ontario, Quebec, British Columbia, the Northwest Territories, Nunavut and the Yukon (with four fifths of Canada's population) all have minimum wages above Saskatchewan's - some well above. A table attached to the end of this brief sets out the current minimum wage prevailing in each province together with announced upcoming increases.

In the U.S. as well a number of states have minimum wages higher than our own \$6.65. And these American wage rates are in U.S. dollars, which is worth almost a third more than our own dollar.

Also there is a growing list of municipal governments across North America which have passed ordinances requiring a decent rate of pay on public construction projects or for work done with city grant money.

These so called "fair wage policies" are aimed at moving low income workers up to, not just some subsistence level, but into the main stream of the labour force. Some of these ordinances have been passed in major U.S. centers such as New York, Minneapolis, Los Angeles, Boston, Baltimore, Philadelphia and many more cities. The fair wage ordinances cover workers employed in a wide range of contractual work and public sector

employment. The rates of pay range up to \$10 and \$11 per hour. Our research indicates a very positive effect for the overall community. The Saskatchewan minimum wage should have the same objective.

OBVIOUS BENEFITS

The Federation of Labour is urging a substantial increase in the minimum wage because it would provide a tangible benefit to the Saskatchewan economy.

Low income working people spend their money locally.

Low income people don't purchase time-share condominiums at ski resorts or holiday at foreign spas. They don't purchase their wardrobes on shopping trips to New York or Montreal. The working poor don't spend money to travel abroad. They spend their money close to home, right here in Saskatchewan stores buying required goods and services.

People on low incomes support their own community businesses out of necessity. When they have a bit more disposable income, delivered to them by way of an increase in the minimum wage, it is spent in local retail and service outlets.

To provide the thousands of Saskatchewan workers earning the minimum wage with a significant increase in their pay would be a guarantee of stimulus to the provincial economy. Far from being any kind of detriment, a

minimum wage increase would be good economic news for the businesses of the province.

WHERE IS THE DOWNSIDE ?

There are opponents to a higher minimum wage and they have a traditional set of arguments, which we should address in a civilized way.

The effect a minimum wage increase has on staffing levels is regularly raised by the business lobbyists. On that issue we tend to agree with the *Globe and Mail* Report on Business article, which came out during a previous round of discussions over raising the Saskatchewan minimum wage. The Report on Business story concluded, and we quote, "the negative impact of minimum wages on employment is overstated." (G&M, Sept.4, 1995)

In fact if there is an impact at all on employment we sincerely believe it is a positive one, for the reasons we've just cited. The spending pattern of low income people is restricted geographically. An increase in income results in an increase in purchases of basic staples at local stores. It's difficult for us to believe that increased sales at retail outlets would lead to fewer staff in those workplaces.

We would remind the Minimum Wage Board as well that during the 1970's when this province had the highest or next to the highest minimum wage in the country, we also regularly recorded the lowest or second lowest unemployment rate among the provinces.

It appears to us that far from being a liability in the quest for full employment, a higher minimum wage is in fact an asset.

An extensive American study by David Card and Alan Krueger, published by Princeton University Press, found that the conventional hypothesis of business lobby groups – that minimum wage increases cause job losses among affected workers - was solidly rejected by the evidence.

The Princeton study found that following a recent round of minimum wage increases the low-wage labour market performed better than it had in decades. So much so, that the study thoroughly refutes those who still try to maintain that higher minimum wages end up hurting the intended beneficiaries. That simply is not so.

These findings were confirmed in a Canadian study by Green and Goldberg, who looked at increases in the minimum wage in this country, and found no overall loss of jobs and a negligible decline in employment for young male workers.

Another American study has addressed the issue of small business being hurt by an increase in the minimum wage.

At the end of April this year the Fiscal Policy Institute released a report focusing on businesses of 50 employees or less in states with minimum wages above the federal level and those other states at or below the federal rate. The report found that between 1988 and 2001 the number of small businesses grew twice as quickly in states with higher minimum wages

(3.1% vs. 1.6%). The report also says that employment grew more quickly in high minimum wage states and average payroll growth was also faster.

In another U.S. study by Waltman, McBride and Camhout published in the *Journal of Economic Issues*, the relationship between higher minimum wages and business failures was studied over the period of 30 years. The research concludes the following, “there seems to be no discernible correlation between minimum wage increases and a rise in business failures, either in the year the increase occurred or in the following year. If anything, the evidence leans the other way” (page 221).

This view is shared by certain business leaders who are willing to display some candor. Peter O’Brien, of the Canadian Federation of Independent Business, commented on the last increase in the Nova Scotia minimum wage in the *Halifax Chronical Hearld*. The story read as follows: “the wage hike will have no significant impact on members of his group. He said most businesses in the province pay more than the minimum wage...” “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.”

That CFIB official’s view is endorsed by a survey of business owners done by academic Oren Levin-Waldman in the U.S. More than three-quarters of the firms surveyed said their employment practices would not be affected by an increase in the federal minimum wage from \$5.15 to \$6.00 – an increase of 16 per cent.

Some opponents of a higher minimum wage suggest that the increase goes to such a broad cross section of the workforce, people in low income families scarcely benefit.

Jared Bernstein, a senior economist at the Economic Policy Institute in Washington D.C. has addressed this concern. His research findings demonstrated that the richest 10 per cent of families tended to acquire 3.4 per cent of minimum wage increases. Meanwhile well over half the benefit of the increase flowed to the families at the bottom 30 per cent of the income scale.

Our experience and some studies indicate that a high percentage of the minimum wage earners are part-time workers (a Nova Scotia study in 2002 found it to be 57%). These most vulnerable, most economically disadvantaged wage earners are very dependent on adequate labour standards protection from the unsympathetic nature of the marketplace for labour.

There are those who attempt to justify a low minimum wage by claiming the recipients of the wage are overwhelmingly teenagers who most often live with their parents. We readily admit that some minimum wage earners are young people living at home, but we are left wondering how this in any way justifies an inadequate payment for the employment in which they are engaged. Surely those performing work are to be compensated for the time, effort, skill and experience they provide, and not on such irrelevant criteria as their family circumstances or living arrangements.

A report out of the Caledon Institute, has found that 43 per cent of minimum wage earners are aged 15 to 19, and the remainder – 57 per cent - are beyond their teen years. Clearly not everyone earning the minimum wage lives at home.

Caledon Institute researcher Ken Battle goes on to point out that a majority of those who work for the minimum wage are women, perhaps as high as 62 per cent. This no doubt contributes to the fact that more women than men in Canada live in poverty.

A sizable increase in the minimum wage would help balance the inequality in wage rates between genders.

A report out of the Canadian Centre for Policy Alternatives has concluded that “the level of the minimum wage is important not only to minimum wage workers, but also to those whose wages 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.”

COST OF LIVING

Since the last adjustment in the minimum wage in Saskatchewan, almost two years ago, the cost of living in the province went up 1.3 per cent in the twelve months immediately after the increase, and at an accelerated pace of 2.9 per cent for the last year according to the Saskatchewan Bureau of Statistics publication *Monthly Statistical Review*.

We note too that in the first week of September 2004 the Bank of Canada increased its lending rate by a quarter percentage point, a measure reflecting the central bank's concern about increasing inflation.

Clearly our current minimum wage has been eroded in terms of adjusted constant dollars from what it was on November 1, 2002. A sizable minimum wage increase is required simply to compensate low income workers for this erosion in the value of their income.

The two increases in the minimum wage in May and November 2002 amounted to a ten per cent adjustment during that year. Subsequent inflation has dissolved away some of that financial gain to workers. But we are more concerned about the loss of purchasing power that occurred in the previous twenty years. It is that ground which must be made up.

According to the National Council of Welfare's report *Incentives and Disincentives to Work* the Saskatchewan minimum wage was worth 118 percent of the poverty line in 1976, but not even two decades later, in 1994, the minimum wage in Saskatchewan had shrunk in value to only 71 percent of the official Stats Canada poverty level.

That was a decline in the real value of the minimum wage of approximately 40 per cent!

This is graphically set out in the text and charts of a book entitled *The Canadian Fact Book on Poverty 2000* written by David Ross, Katherine

Scott and Peter Smith and published by the Canadian Council on Social Development. The book demonstrates how cost of living increases in the 1980s and 90s reduced the real value of Saskatchewan minimum wage still further to 64 per cent of the poverty line.

And it is worth remembering that this is for a single adult. If dependents are involved that low income family unit has descended even further into poverty.

UNDESIRABLE OPTIONS

On the question of differential minimum wages based on geographic area, age, occupation, or level of training, receipt of gratuities or experience, we are strongly opposed to any such options. The same law should apply to workers whether they are young, northern, rural-based, receiving tips, serving liquor, taking educational courses, working part-time and so on.

If you do the work you deserve the pay.

And everyone earning the minimum wage is in need of a significant increase.

We also would recommend that the minimum wage law be applied to all workers without exceptions or exemptions.

ACHIEVING EQUITY

The longstanding policy of the SFL - endorsed regularly at our annual conventions - is that the provincial minimum wage should be set at 75 percent of the average industrial wage and indexed to it. The average industrial wage is currently \$16.06 per hour according to the Saskatchewan Bureau of Statistics.

In accordance with Federation policy the minimum wage should then be \$12.00, a sizable shift from its present \$6.65. However, we would be prepared to endorse a process whereby that level could be achieved in increments to avoid any disruption to the economy.

As an interim measure we are calling for an increase in the minimum wage which would be announced soon, that would be substantial, because that is obviously required by those workers affected, and that would lift workers out of poverty.

For these reasons the Saskatchewan Federation of Labour recommends increasing the minimum wage to \$8.16, which would allow a single person working full-time to have an income at least equal to the poverty line. This is a figure supported by the Living Wage Campaign which is a coalition composed of church group activists, students and the SFL.

We also recommend annual increases until the minimum wage reaches 75 percent of the average industrial wage.

We must have a minimum wage in Saskatchewan that keeps people out of poverty, that provides them with a decent living, and allows workers to support a household.

The Federation would also encourage the Minimum Wage Board to exercise the full jurisdiction granted to you in the Labour Standards Act, section 15.

The Board is granted authority to formally consider and determine matters such as the extent of part-time employment, hours of work, living quarters for workers where applicable, the minimum age of employment, workplace uniforms and clothes, rest periods, coffee breaks, rides home after dark and so on.

The mandate of the Board is really quite extensive, and there are opportunities to apply your discretion and significantly improve the lives of working people.

In conclusion the Federation of Labour wishes the Minimum Wage Board harmony, wisdom and success in its deliberations, and generosity in your recommendations.

We will be of any further assistance to the Board, which you may identify.

Thank you.

Submitted by:

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MINIMUM WAGE LEVELS IN SASKATCHEWAN 1943- 2004

1943	\$14.00 per week in larger centers only
1944	\$16.80/week
1946	\$18.50
1948	34 towns brought under \$18.50 rate
1949	\$21.00/week
1951	\$24.00
1953	\$26.00
1957	\$30.00
1960 April 1	\$32.00
1962	\$34.00
1963 March 1	\$36.50
1964 March 1	\$36.50
1965 May 1	\$38.00
1966 Sept 1	\$40.00
1968 Oct 1	\$1.05 per hour
1969 Oct 1	\$1.25
1971 June 1	\$1.50
1972 Jan 1	\$1.70 per hour for all workers
1972 Julv 1	\$1.75
1973 Dec 1	\$2.00
1974 Julv 2	\$2.25
1975 March 31	\$2.50
1976 Jan 1	\$2.80
1977 Jan 1	\$3.00
1978 Jan 31	\$3.15
1978 June 30	\$3.25
1979 Oct 1	\$3.50
1980 Mav 1	\$3.65
1981 Jan 1	\$3.85
1981 Julv 1	\$4.00
1982 Jan 1	\$4.25
1985 Aug 1	\$4.50
1990 Jan 1	\$4.75
1990 July 1	\$5.00
1992 Dec 1	\$5.35
1996 Dec 1	\$5.60
1999 Jan 1	\$6.00
2002 May 1	\$6.35
2002 Nov 1	\$6.65

Note: Prior to January 1972 there were differential rates applying to workers under 18 and in smaller communities. The above rates are the highest in effect at the time.

Minimum Wage Rates Across Canada

Jurisdiction	Effective Date	Rate
British Columbia	Nov.1, 2001 Nov.15, 2001	\$8.00 \$6.00 for inexperienced workers (500 hrs)
Yukon	Oct 1, 1998	\$7.20 for workers 17 and older
Quebec	May 1, 2004	\$7.45 generally \$6.70 for those workers receiving tips
Ontario	Feb.1, 2004	\$7.15 increasing to \$7.45 Feb '05, \$7.75 Feb '06, and \$8.00 Feb 1, '07 \$6.70 for students under 18 working less than 28 hours a week. Liquor servers \$6.20
Northwest Territories	Dec 28, 2003	\$8.25
Manitoba	Apr 1, 2004	\$7.00
Saskatchewan	Nov 1, 2002	\$6.65
Federal minimum wage	July 17, 1996	same as provincial rates
Prince Edward Island	Jan 1, 2004 Jan 1, 2005	\$6.50 \$6.80
New Brunswick	Jan 1, 2004	\$6.20 \$6.60 during gov't mandate
Alberta	Oct 1, 1999	\$5.90
Nova Scotia	Apr 1, 2004	\$6.50 for most workers \$6.05 for "inexperienced" workers (three months duration)
Nunavut	Mar 3, 2003	\$8.50
Newfoundland	Nov 1, 2002	\$6.00 for workers over 16

These are the general provisions in each jurisdiction. We have not listed all the many variations in rates by occupational group, region, age, experience or student status.

The Poverty Line in Canada 2003

Family size	Rural areas	Towns under 30,000	Cities of 30,000 – 100,000	Cities of 100,000 – 500,000	Cities over 500,000
1 person	\$13,680	\$15,690	\$16,862	\$16,979	\$19,795
2 persons	\$17,100	\$19,612	\$21,077	\$21,224	\$24,745
3 persons	\$21,268	\$24,390	\$26,213	\$26,396	\$30,774
4 persons	\$25,744	\$29,526	\$31,731	\$31,952	\$37,253
5 persons	\$28,778	\$33,004	\$35,469	\$35,718	\$41,642
6 persons	\$31,813	\$36,482	\$39,208	\$39,483	\$46,031
7 or more	\$34,847	\$39,960	\$42,947	\$43,249	\$50,421

The figures in the table above are Statistics Canada's Low Income Cutoffs for 2003, which are commonly used to gauge whether or not people are living in poverty. If annual earnings are less than the amount that corresponds to family and community size the person or family are living below the poverty line.

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