



**Submission to the Saskatchewan
Minimum Wage Board**

Concerning:

1. The Level of the Saskatchewan Minimum Wage
2. Indexation of Saskatchewan's Minimum Wage

Wednesday, January 12, 2011

The Saskatchewan Federation of Labour represents over 98,000 members, from 37 national and international unions. Our affiliate membership is comprised of over 500 locals throughout the province. The SFL has a proud history of providing support for union members and for all workers in Saskatchewan, irrespective of affiliation. We serve as Saskatchewan's "voice of labour" in speaking on local, provincial, national and international issues. The SFL supports the principles of social unionism; therefore, we struggle for social and economic justice for all.

We are extremely pleased to have been offered the opportunity to provide supplementary information to the Minimum Wage Board concerning the minimum wage and its indexation. As a voice for working people in Saskatchewan, we believe that the SFL is uniquely conversant in issues surrounding the minimum wage, and we welcome the opportunity to share our views and recommendations.

Mr. Watts' letter of December 15th, 2010, on behalf of the board, raises a number of questions, some of which seem unintended. The letter, and the request for further information, seems to revolve around two primary points:

- A. "The statistical evidence demonstrates that had the minimum wage been indexed to any one of the Consumer Price Index (CPI), Average Weekly Earnings (AWE), or Average Hourly Wage Rate (AHWR), it would have been lower than it is now," and thereby "less severe on businesses than commonly believed."
- B. "The long-term has generally been an increase in employment even after increases to the minimum wage."

Though we recognize and accept point **(B)** to be correct, based on a variety of sources, point **(A)** raises a number of questions. It may well, in fact, be true that having indexed the minimum wage earlier in the decade, assuming no other increases, it would be lower than it is today. However, it is the position of the SFL that regarding the indexation of the minimum wage as an effective increase to the minimum wage is problematic. The minimum wage was raised systematically between January 2008 and May of 2009 in order to increase the buying power of those making the province's lowest permissible wage. It should be noted that increasing buying power is a different issue altogether than minimum wage indexation. Minimum wage indexation does not increase buying power; it is merely a tool to protect minimum wage earners from losing buying power due to inflation. As an example, though a wage of \$10 per hour paid between 2000 and in 2010 might appear to be a constant wage, the effective buying power of the worker making \$10 per hour in 2010 will be substantially lower due to inflation. Costs for fuel, utilities, food etc. are ever increasing, unlike the wage in question.

The following information is provided in support of a strong minimum wage in Saskatchewan and in support of the indexation of the minimum wage to the Consumer Price Index (CPI).

Minimum Wage Facts

Contrary to what certain individuals and organizations may have presented to the board, please consider the following minimum wage facts.

- Roughly 31,000 Saskatchewan people are paid the province's lowest permissible wage.¹
- Nearly 40% of low-wage earners in Saskatchewan are between the ages of 25 and 55.²
- 78% of low-wage earners in Saskatchewan work in permanent jobs.³
- 60% of minimum wage workers are women.⁴
- Increases to the minimum wage are often followed by an **increase** in employment rates.⁵
- Viewpoints Research found in December 2010 that 71.9% of Saskatchewan people want to see the minimum wage raised.

A Strong Minimum Wage is Good for the Economy

Minimum wage standards were originally implemented in Canada to protect women from exploitation⁶. Devoid of the economic clout of their male counterparts, and without organizations to call their own, women were forced into situations where they were

¹ Sask Trends Monitor, *Saskatchewan Minimum Wage Board 2009 Report*.

² Sask Trends Monitor, *Saskatchewan Minimum Wage Board 2009 Report*.

³ Sask Trends Monitor, *Saskatchewan Minimum Wage Board 2009 Report*.

⁴ Jim Silver and Errol Black, CCPA, "Fast Facts: Raise the Minimum Wage."

⁵ Jim Stanford, CCPA Monitor, "Higher Minimum Wages Boost the Economy, Not Just Workers."

⁶ Michael Goldberg and David Green, CCPA, *Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada*.

working, often in the same jobs that men were, for less. The minimum wage was originally a policy measure, a fairly successful one, to protect women from being exploited as cheap labour. To this day, the minimum wage serves as an important tool for protecting vulnerable workers. Today the minimum wage buoys working people from a variety of backgrounds (60% of whom are still women) and allows them to participate in the wider economy.

For decades myopic business lobby groups have attempted to convince the public that putting money into the hands of the working poor, minimum wage earners, is somehow bad for business. Though contrary research continues to be published frequently, the antiquated line from the business lobby simply does not change. As Jim Stanford writes:

At that time, many economists believed that minimum wages create unemployment, by "interfering" with market mechanisms and preventing "less productive" workers from getting a job. But it turned out those economists were wrong. A new generation of minimum wage researchers discovered that the disemployment effects of graduated minimum wage increases are negligible (even in nasty industries like fast food restaurants). And the spin-off benefits of higher minimums (including stronger labour force attachment by marginalized groups, and pressure on low-wage employers to boost productivity) are considerable.⁷

Michael Goldberg and David Green echo Stanford's comments:

⁷ Jim Stanford, CCPA Monitor, "Higher Minimum Wages Boost the Economy, Not Just Workers."

Our analysis clearly disputes the claim that minimum wages are a major ‘killer of jobs.’ Frequently, increases in the minimum wage have been followed by increases in employment, demonstrating that other trends and movements in the economy influence employment levels to a much greater extent than do minimum wages.⁸

As the board is aware, Sask Trends Monitor has also determined that increases to the Saskatchewan minimum wage have been almost universally followed by periods of **increased** employment. It should by now be clear that clichés about the “harmful” effects of minimum wage increases are absolutely false.

Not only does a strong minimum wage not adversely affect the economy, to the contrary, regular increases to the minimum wage are good for the economy. Minimum wage earners, as dictated by their means, spend their earnings locally. Minimum wage working people do not, for instance, travel to Mexico and spend their money at international resorts. The money that the lowest earners in our society make is spent in local grocery stores, gas stations, corner stores etc. Therefore, all of the money that local businesses pay to minimum wage workers winds up back in the hands of those same businesses. The simple fact is that enabling minimum wage working people to participate in the local economy is good for business. As if the direct benefits were not reason enough to support a strong minimum wage, wages that businesses pay to employees are business expenses and are therefore tax write-offs; the higher the wages that businesses pay to

⁸ Michael Goldberg and David Green, CCPA, *Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada*.

their employees, the higher their tax write-offs at the end of the year. The argument that a strong minimum wage is bad for businesses is misguided at best, and a gross attempt to mislead the public at worst.

It has been suggested that a better policy solution for addressing poverty than to maintain a strong minimum wage is to give out tax cuts or to increase personal exemptions.

Certain business organizations certainly appear to believe that tax cuts are a universal solution no matter how complex the issue in question. Though tax cuts might at first seem like a plausible means to address the poverty issues that plague minimum wage workers, the simple fact is that tax cuts are not an effective solution. First of all, minimum wage working people, many of whom are part-time workers, already pay very little or no tax whatsoever. An increase to the personal exemption will not affect society's most vulnerable part-time minimum-wage-earning working people who already pay no tax whatsoever. The problem is not that too much tax is being extracted from working people earning the minimum wage, it is that people working for minimum wage are simply not earning enough money to make ends meet. Secondly, tax cuts only rob provincial coffers of funds, funds that can ultimately be used to the benefit of society's most vulnerable. Though it seems often forgotten, provincial taxes are the means by which provincial programs are funded (they account for the funding provided for municipalities, for provincial roads, for healthcare, for social assistance programs etc.). Not only do tax cuts not benefit vulnerable minimum wage workers, but they also rob the province of valuable revenue that can be used to address poverty issues.

Not All Minimum Wage Increases are Created Equal

What has been so far discussed is the need of the province to maintain “buying power” on behalf of minimum wage workers. Everyone knows that ten dollars will not go as far today as it might have in 2000 or in 1990. A person with ten dollars has effectively lost “buying power” since 1990 due to inflation. As the prices of food, fuel, utilities, etc. have increased, a ten dollar bill has effectively lost some of its value. Therefore if a person’s wage remains the same for an extended period, or if his or her wage does not increase at the rate of inflation, he or she will have effectively lost buying power. If a person was paid ten dollars per hour in 2000 and continued to make ten dollars per hour until 2010, even though the wage remained the same, the person in question has still gone backwards; his or her wage is worth less.

Because “all provinces [had] minimum wages in 1997 that are substantially below those in the late 1970’s, in terms of purchasing power,” the province made a concerted effort between January 2008 and May of 2009 to increase the buying power of those making the province’s lowest permissible wage.⁹ Because stagnant wages are, over time, effectively wage decreases, and because the minimum wage had remained relatively stagnant since the 1970’s, the province decided to increase the minimum wage beyond the rate of inflation in order to give minimum wage earners more economic clout, more buying power. We view the initiative as an extremely positive first step.

⁹ Michael Goldberg and David Green, CCPA, *Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada*.

Indexation

It should be noted that the indexation of the minimum wage would not constitute a minimum wage increase. Though the minimum wage, if indexed, would “increase,” the buying power of those making minimum wage would never increase because of indexation. Indexation seeks only to prevent inflation from eroding buying power. In essence, indexation is a means of maintaining the minimum wage at the same level – recall that prolonged periods of stagnation of the minimum wage are actually an effective decrease. Prior to the recent minimum wage increases in our province, “the real value of the minimum wage (after inflation)... [had] fallen dramatically from its peak in the mid-1970s.”¹⁰

Because indexation of the minimum wage is merely an attempt to maintain the minimum wage at its current level, in terms of buying power, indexation and minimum wage increases, which increase buying power, should be considered different issues altogether. Because the two issues are distinct, we were concerned by the point in Mr. Watts’ most recent letter (point A above) where he seems to suggest that indexation could serve as a replacement for meaningful minimum wage increases. It is not the position of the SFL that indexation should ever be seen as a substitute for an increase to the buying power of those earning minimum wage. The most recent increases to the minimum wage were positive for the people of Saskatchewan - though in our view not enough of an increase -because they increased buying power and did not simply neutralize the effects of

¹⁰ Michael Goldberg and David Green, CCPA, *Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada*.

inflation, important though that is. We would encourage the board to view, as we do, increases to the minimum wage and indexation as two distinct issues. Though the level of buying power which minimum wage earners hold might well be subject to debate, there should be absolutely no debate that indexation of the minimum wage should be implemented immediately in order to protect vulnerable working people from the erosive effects of inflation. To oppose indexation is essentially to support a lowering of the minimum wage.

Conclusion

The minimum wage is vitally important both to the economy of Saskatchewan and, more specifically, to the working people who earn the lowest permissible wage in our province. As Goldberg and Green describe:

We believe it is appropriate to see minimum wages as one of a set of tools, complementary to others (such as Employment Insurance, child tax benefits, social assistance, and job creation initiatives) in the battle against poverty and excessive inequality. The results of this study indicate that minimum wages can play a useful role in that battle. Minimum wages are one policy instrument for raising the floor for low-income earners. Minimum wages that are set to meet or exceed Statistics Canada's Low Income Cut-Off can help ensure that all workers receive at least a fair and just wage for their labour.¹¹

¹¹ Michael Goldberg and David Green, CCPA, *Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada*.

Beyond the fact that working people should be treated humanely, and compensated at a level that allows them to provide for their families, no matter their occupations, a strong minimum wage is also good economic policy. Instead of continuing to make the tired, blind, and facile assertion that a strong minimum wage is a detriment to business, those interested in a strong economy for Saskatchewan should favour both an increase in the provincial minimum and its indexation.

As a means to address poverty, a strong minimum wage can play a vital role. According to Paul Gingrich, “the latest international research based on United Nations data sources conducted by Richard Wilkinson and Kate Pickett demonstrate that social problems are related to the distribution of wealth in a society not to its overall wealth.”¹² Furthermore, “over the last thirty years, earnings of Saskatchewan families with children have become more unequally distributed – earnings have stagnated or declined for those at the lower end while increasing for those at the upper end.”¹³ As economic power continues to be centralized within the hands of business leaders, it is incumbent upon us to ensure that the most vulnerable workers within our society can meet their needs and participate in the prosperity.

By now the board will be quite familiar with what the Saskatchewan Federation of Labour proposes to do with the minimum wage in our province. The longstanding policy of the SFL – endorsed regularly at our annual conventions – is that the provincial

¹² Paul Gingrich, CCPA, *Boom and Bust: The Growing Income Gap in Saskatchewan*.

¹³ Paul Gingrich, CCPA, *Boom and Bust: The Growing Income Gap in Saskatchewan*.

minimum wage should be set at 75 percent of the national Average Industrial Wage and indexed to the CPI. According to Statistics Canada, the AIW is currently \$20.88 per hour (2009).

In accordance with SFL policy, the minimum wage should then be \$15.66, a sizable shift from its present \$9.25. However, we would be prepared to endorse a process whereby the AIW level could be achieved in increments, to avoid any disruption to the economy. As an interim measure, in addition to the indexation of the minimum wage to the CPI, we are calling for a substantial increase in the minimum wage.

\$9.25 per hour does not afford minimum wage earners enough buying power to meet their basic needs and to become participants in the wider economy. It is therefore necessary first to raise the minimum wage to a more acceptable level (LICO as an interim measure), thereby increasing buying power, and then to index the minimum wage to the CPI, thereby preventing the minimum wage from being eroded by inflation.

According to Macleans, “in the past 12 years, there’s been a 444 per cent salary increase for Canada’s top CEOs.”¹⁴ The concentration of buying power in our society in the hands of the business elite continues to increase year over year. In a province that is expected to lead all of Canada in economic growth, it would be embarrassing to fail to first set the minimum wage at a level at which vulnerable workers can make a living and then to index the minimum wage to prevent its value from decaying.

¹⁴ Macleans.ca, “Cashing in: Canada’s CEO Salary Surge,” May 1, 2009