

The Need for Sustained Increases in the Minimum Wage



**A Brief prepared for
Members of the Minimum Wage Board**

By

**The New Brunswick Common Front
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August 17, 2011

Executive Summary

The Common Front for Social Justice recognizes the important roles played by Employment Standards Act and by the Minimum Wage Board to create good working conditions in N.B. Unfortunately, from 2003 up to now, the facts show that minimum wage trends were less than desirable for our workers. Indeed, our province has lagged behind the Atlantic Provinces' minimum wage average for the past nine years. We now have the opportunity to alter this poor record by implementing the projected minimum wage increase to \$10 per hour on September 1, 2011.

The majority of workers employed at minimum wage, 17,000 in all, are women. Contrary to the public's perception, 60% of them are adults, 20 years of age and older. At the current rate of \$9.50 per hour, thus yielding annual earnings of \$16,087 for 37.5 weekly hours of work, such a minimum wage is considerably below the average income of New Brunswickers in the workforce which is \$37,200 per year. At the current minimum wage, many N.B. households fall below the poverty line. This is definitively the case of part-time workers, of single parents with one or more children as well as of two-parent families with a sole breadwinner. Details on these facts are included in this Brief.

The pressure to delay the projected \$10 per hour minimum wage increase originates mainly from small and medium size business owners. Here, two sectors are concentrated, namely the Accommodation and Food Services and the Retail Trade sectors. It is important for the Minimum Wage Board members to realize that workers in these fields earn unacceptably low wages. As this Brief indicates, the average weekly pay check of employees in the Accommodation and Food Services and in the Retail Trade a hotel amounted to only \$320 in 2010.

The major arguments put forth by small and medium size business owners are that a higher minimum wage will trigger job losses. The numbers presented here seriously question their affirmation. Yes, the accommodation and food service industry has recently lost jobs. Numbers went from 24,000 in 2006 down to 20,800 in 2010. But many other factors besides a minimum wage increase can explain this drop in jobs. First, our tourism industry has suffered a major decline and this fact is documented in this Brief. Secondly, the 2008 economic crisis, also well documented here, has left thousands of New Brunswickers with much less money in their pockets to eat at restaurants, to travel, to buy goods and services, etc. Finally, thousands of high paying jobs have been lost in the forestry industry, impacting negatively again on the accommodation and food service industry.

The role of N.B. government is to manage the wealth of the province in the interest of the common good. Small and medium size business employers already get many advantageous considerations from government. In 2012, their income tax level will drop to 4.5%, with a governmental promise that it will decrease down to 2.5% during the present term of office of the Alward government. Small and medium size business owners also get considerable financial advantages compared to ordinary citizens. Many of them can deduct from their tax report such items as a home office, their electric bill, their travel expenses, etc. Importantly, they get a 100% refund of any GST they have paid. Consequently, they should be able to pay their employees a decent minimum wage. **The Common Front for Social Justice strongly recommends that date of the projected increase to \$10 per hour be maintained.**

1. Introduction

In New Brunswick (N.B.), the Employment Standard Act and the Minimum Wage Board are important to the proper functioning of our society in the sense that they establish minimum standards for all workers. They allow employees to be paid a basic salary and create specific standards for jobs where, often, labour unions do not exist.

New Brunswickers trust that their government will uphold a decent minimum wage salary and increase the hourly rates as the cost of living becomes more expensive. An appropriate minimum wage is essential for workers to meet their basic needs and be active in the economy. The minimum wage has the power to enhance living standards and narrow the income gap between the rich and the poor. For women in the workforce, raising the minimum wage is a positive step toward lifting many of them out of poverty. An adequate minimum wage is an essential tool to reduce the provincial poverty rates. It also creates satisfaction among the work force. Increasing earned incomes means more equality, increased spending power for workers and consequently, more economic growth.

This Brief will address topics related to the N.B. minimum wage trends and its relationship with the Low Income Cut-off published by Statistics Canada. Part of the Brief will focus on workers in the accommodation, food service and retail sectors. Finally, the arguments presented by small business organization against a sustained increase in the minimum wage will be examined.

2. Minimum Wage Trends in N.B.

Since 2003 until now, New Brunswickers working at minimum wage have not fared as well as did other Canadian provinces, especially in the Atlantic region. This information contained in Table 1.

Table 1. Minimum wages in Atlantic Canada between 2000 and 2011¹

(Where two numbers appear in the same cell, two different minimum wages were in place during the year)

Province	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
NB	5.90	6.00	6.00	6.20	6.30	6.50 6.70	7.00 7.25	7.75	8.00 8.25	8.50 9.00	9.50
NL	5.50	5.75 6.00	6.00	6.00	6.25	6.50 6.75	7.00 7.50	8.00	8.50 9.00	9.50 10.00	10.00
NS	5.80	6.00	6.25	6.50	6.80	7.15	7.60	8.10	8.60	9.20 9.65	9.65
PEI	5.80	6.00	6.25	6.50	6.80	7.15	7.50	7.75 8.00	8.20 8.40	8.70 9.00	9.30 9.60
Atlantic Average	5.75	6.00	6.13	6.30	6.54	6.94	7.46	7.96	8.56	9.41	9.69
Atl. average minus NB's min. wage	+0.15	0.00	-0.13	-0.10	-0.24	-0.24	-0.21	-0.21	-0.31	-0.41	-0.19

¹ Source: Human Resources and Skills Development Canada. Hourly Minimum Wage in Canada for adult workers.

Our province started the new century in a strong position but since 2002, our minimum wage was stagnant and lagged behind the average of the four Atlantic Provinces. During the same years, small and medium size businesses profited from this situation as N.B. workers earned between \$0.10 to \$0.41 an hour. Therefore, a sustained increase in minimum wage is essential if the province is to keep up with the Atlantic average.

In November 2009, a group of 50 selected New Brunswickers formally adopted the New Brunswick Economic and Social Inclusion Plan. Both the Liberal and the Conservative parties were at the table when this Plan was accepted. It has, as global objective, to reduce income poverty by 25% by 2015. One of the priority actions written in the Poverty Reduction Plan was “Raise the minimum wage to the Atlantic average by September 1, 2011 and adjust for inflation annually thereafter.” **This was viewed as a priority because it was clear to everyone involved in the consultative process that a decent minimum wage was a sure way, for a lot of N.B. citizens, to move out of poverty.**

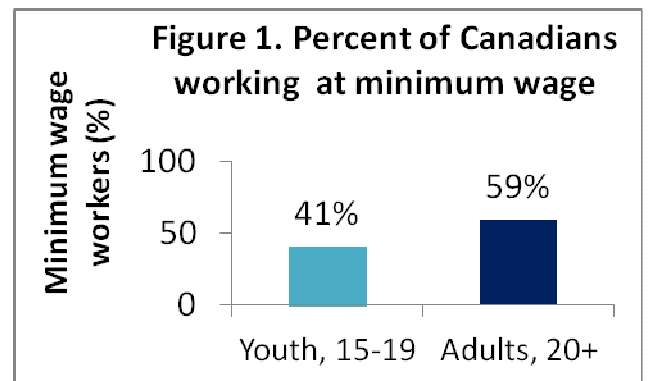
On July 20, 2011, Martine Coulombe, Minister of Secondary Education, Training and Labour issued a press release stating that the projected \$0.50 minimum wage increase scheduled for September 2011 was postponed until April 2012, in response to small and medium businesses’ statements that they did not have the time to adjust to the recent increases. In fact **the small businesses community knew, like everyone else did since it was announced in November 2009 (20 months ago), that the minimum wage would be increasing in September 2011.**

Should the N.B. government maintain its decision to delay the increase in minimum wage until April 2012, this will mean that N.B. workers will have been receiving a lower minimum wage than the rest of Atlantic Canada for a total of nine years.

3. Minimum wage workers: gender, age and comparative income level

In 2009, approximately 17,000 N.B. workers were being paid at minimum wage². In Canada, the ratio of male to female minimum wage worker is 60% women to 40% men³. One can assume that the proportion is relatively similar in N.B. Moreover, many minimum wage workers fall into the category of part time workers. In 2009, there were 57,400 New Brunswickers who were part time worker⁴. In terms of gender breakdown in N.B., 39,500 women worked part-time, compared to 17,900 men. Consequently, part-time minimum wage worker are predominantly females.

It is commonly believed that it is only young people who work at minimum wage. This is a misconception. As Figure 1 depicts, 59% of Canadians earning minimum wage are over 20 years of age⁵. As independent adults, they have to cover their own basic needs. Many of them are the head of a household so



² Statistics Canada – no 75-001-X. Perspectives on Labour and Income. March 2010, p.17.

³ Conseil consultatif sur la condition de la femme – Rapport d’étape 2010, p. 62.

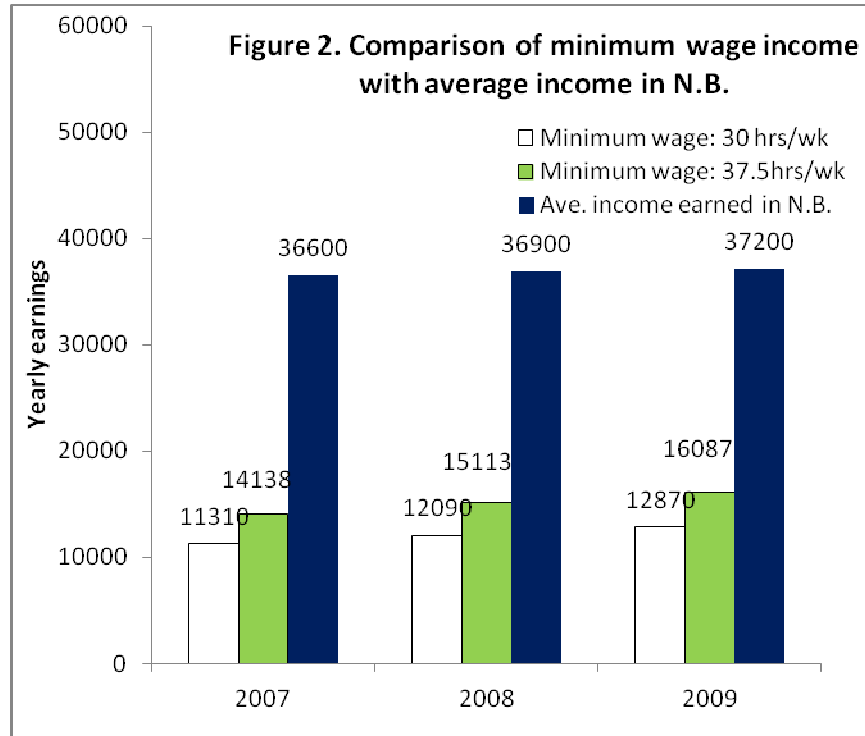
⁴ Conseil consultatif sur la condition de la femme – Rapport d’étape 2010, p. 51

⁵ Statistique Canada. Enquête sur la population active. 2009.

they have to fare for their dependants. This is why a decent minimum wage is critical to keep these people above the poverty line. Their current job is their main source of income and it will continue to be so, for the most part, during the rest of their lives.

Even if there was a gradual increase of the minimum wage since 2008, a wide salary gap still remains between them and what an average worker earns in this province. This is graphically illustrated in Figure 2.

From 2007 to 2009, there was a huge gap in the yearly salary of a person working part time (30 hours) at minimum wage, one working full time (37.5 hours) at minimum wage compared to the average yearly income of a New Brunswicker⁶. These data show that, although individuals working at minimum wage are making slightly more from year to year, they still fall way below the average provincial earnings. In fact, in 2009, a person working 37.5 hours at minimum only earned 43% of the income of an average New Brunswicker. Such a wide gap puts minimum wage workers at risk of poverty.



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4. Minimum wage and coverage of basic needs

It is only reasonable to expect that the salary of a minimum wage worker will cover his or her basic needs. However, to do so, the hourly rate must be high enough to reach the Low Income Cut-off (LICO), generally referred to as the poverty line. Minimum wage must also be indexed so as to keep up with the inflation rate.

The Bank of Canada reports that **the cost of living has gone up by 9.94% between May 2006 and May 2011⁷**, a period of five years, and it continues to do so. During four out of those five years, namely **between 2006 and 2010, the average food cost for a nutritious food basket in N.B. rose by 21%** according to a 2010 survey conducted by the Common Front for Social Justice in 12 N.B. grocery stores⁸. In July 2011, CFSJ repeated the survey, this time in 22 N.B.

⁶ Statistics Canada. Average total income by economic family type, 2009.

⁷ www.bankofcanada.ca/rates/related/inflation-calculator/

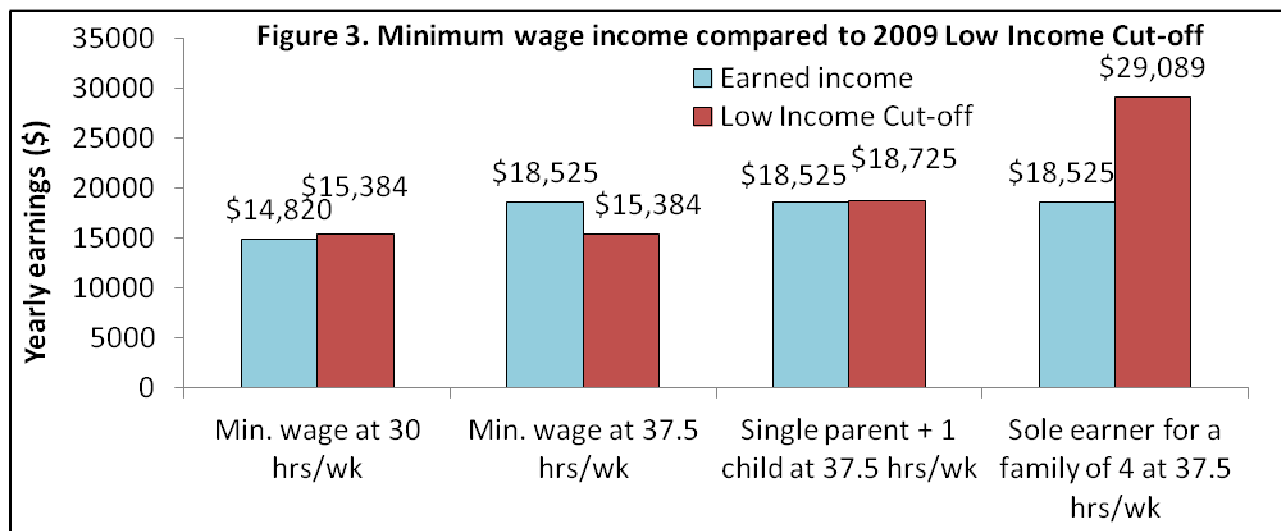
⁸ www.frontnb.ca. Impact of food price increases on low-income New Brunswickers. September 2010.

grocery stores. Analysis of this data indicates that the **cost of a nutritious food basket rose by another 5.74% in one year**, namely between July 2010 and July 2011. **Raising the minimum wage from \$9.50 per hour to \$10.00 amounts to a 5.2% increase, a percentage that is lower than the current impact of inflation on food prices.**

Along with food, shelter is also an important budgetary item in a household. The Canada Housing and Mortgage Corp reports that **the cost of a 2-bedroom apartment has increased by 9% from 2007 to 2010⁹**. Moreover, people who monitor changes in the cost of electricity noted **NB Power rates have increased by 29% from 2008 to 2010**. These major increases in the fixed costs of a household are an indication that a minimum wage above \$10 per hour is necessary in order for an individual or a family to just keep their head above water.

5. Minimum Wage and Low Income Cut-Off (LICO)

Figure 3 presents four scenarios of minimum wage workers: an individual working part time at 30 hours per week, an individual working full time at 37.5 hours per week, a single parent working 37.5 hours per week and the sole earner of a household of four working 37.5 hours per week.



Statistics Canada regularly publishes LICO data but the information is only available one to two years later. Currently, the most recent LICO figures accessible are from 2009¹⁰. However, through LICO data inspection, it can be observed that LICO after tax, for one person, rose by an average \$130 annually from 2007 to 2009; it rose by an average of \$158 for a household of two, by \$295 for a household of three and by \$246 for a household of four¹¹. Keeping in mind that the LICO numbers appearing in Figure 3 are low, one can nevertheless see that a **part time minimum wage earner working only 30 hours per week or less is below the poverty line**. If the estimated 2011 annual value for LICO (\$15,644), is taken into consideration, a worker would need to put in 31.67 hours per week to reach the poverty line. At the current minimum wage of \$9.50 per hour, a minimum wage worker is above the poverty line, provided he or she has no dependants. However, **a single parent with one child is below the 2009 poverty line**. The

⁹ Canada Housing and Mortgage Corp. Rental Market Report, 2010.

¹⁰ National Council of Welfare. Welfare Incomes 2009, 2010, p. A-52.

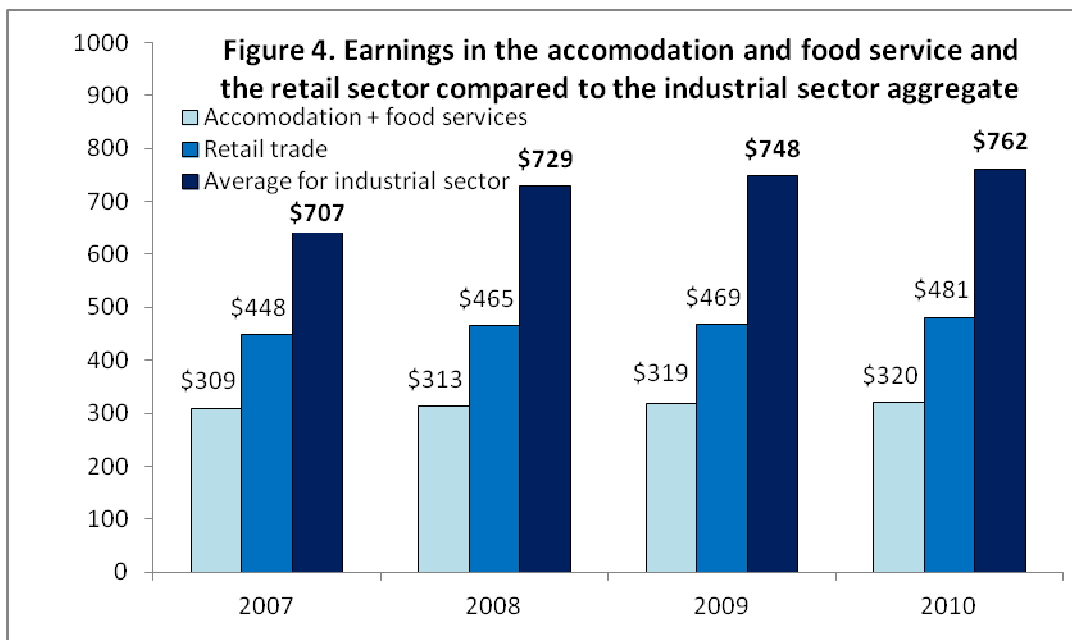
¹¹ Calculations made with LICO, after tax data, for the years 2007, 2008 and 2009 by Auréa Cormier,

estimated 2011 LICO level being \$19,041, this puts a single parent below the poverty line by \$1,722. At \$9.50 per hour, **the sole earner of a household earns \$18,525 which is considerably below the 2009 poverty line set at \$29,089.** The provincial government reported that approximately N.B. 13,500 families earn less than \$20,000 per year¹². Raising the minimum wage to \$10 per hour would certainly be welcomed by these families if they are in the workforce.

6. Workers in the accommodation, food service, and retail sectors

In Canada, of the employees working at minimum wage in 2009, 92% of them were employed in the service sector, mainly in the retail sector and the accommodation and food service industries¹³ where a very large percent of people work at minimum wage.

Figure 4 shows that **N.B. workers in the accommodation and food service industry and in the retail trade earn very low wages compared to the average of the entire industrial aggregate.**



In four years, the average weekly earnings in the Accommodation and Food Services remained the lowest of all the industries. In 2007, it was a measly \$309 per week, and in 2010, it was only \$320, an increase of only \$11 in four years. The Retail Sector is the second lowest paying sector, with average weekly earnings of \$448 in 2007, moving slightly up to \$481 in 2010. This is only an increase of \$33 in four years. In contrast, the industrial aggregate, in terms of average weekly earnings stands at \$761.70 in 2010. One argument made by many people is that wages should be determined on the value of a worker's job and not on certain circumstances like family status or the real cost of living. But employers do often use these circumstances to justify keeping wages

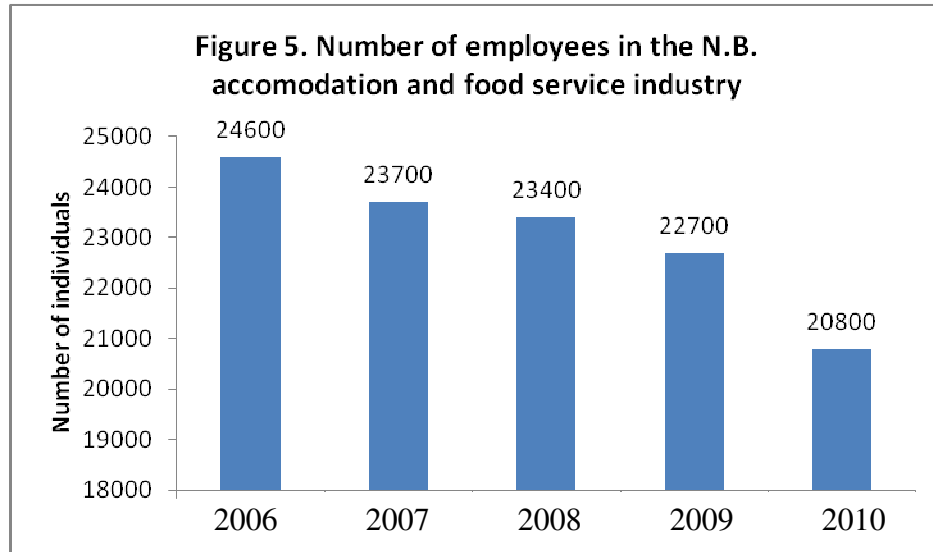
¹² Lacelle, P. Acadie Nouvelle. August 6, 2011, p. 4.

¹³ Statistics Canada –no 75-001-X, Perspectives on Labour and Income, March 2010, p.17.

low. For example, some employers, notably in the restaurant industry, justify keeping minimum wage low because their employees are predominantly young people¹⁴.

7. Arguments put forth by small and medium size business owners to oppose minimum wage increases

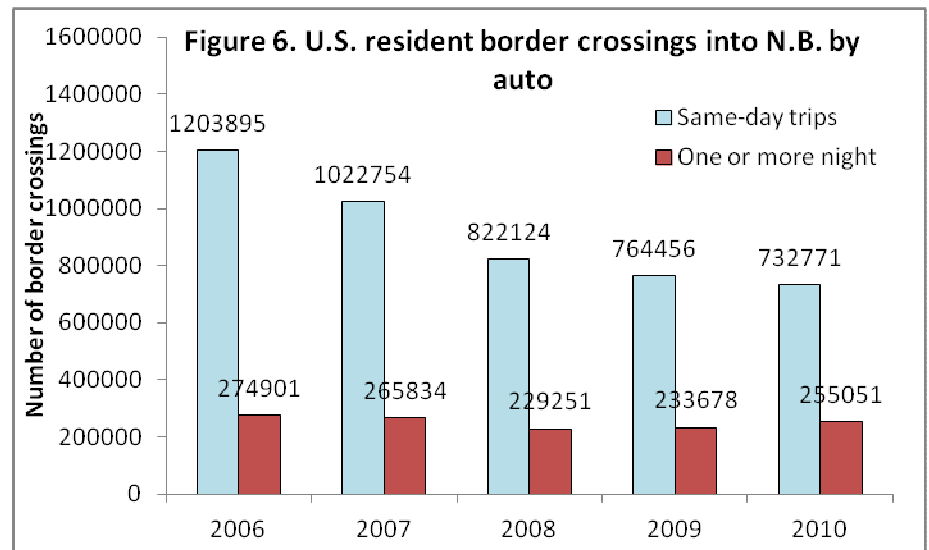
Business owners claim higher wages will mean fewer jobs. Numbers do indicate that the number of New Brunswickers working in the accommodation and food service have declined between 2006 and 2010. This is illustrated in Figure 5.



Several very important factors explain the gradual decline in the number of workers the Accommodation and Food Service sector, where many employees are paid at minimum wage.

a. Decline in demand in the tourism industry

A large part of the decreased employment opportunities in the accommodation and food service sectors in the N.B. are due to the marked decrease in the number of American tourists crossing the border into NB throughout the years 2006 to 2010. The N.B. Department of Tourism and Park has published a report which confirms this decline¹⁵. The very steep decline in tourism is illustrated in Figure 6.



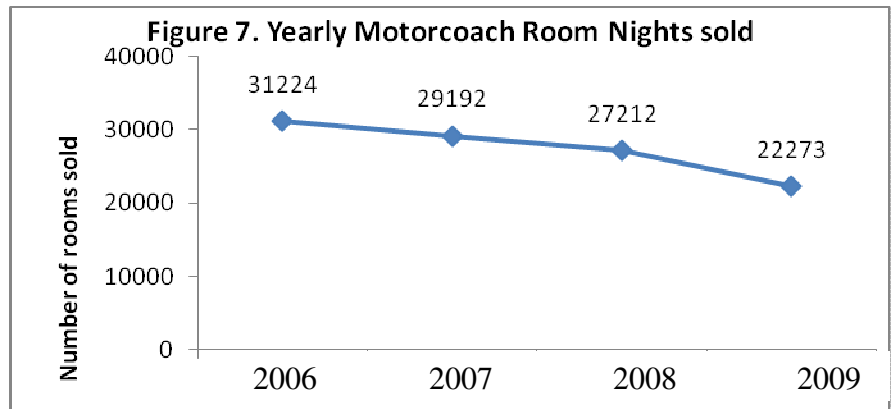
¹⁴ Saulnier, C. 2009. Minimum wage:

Staying the course right decision. Canadian Centre for Policy Alternatives, Halifax Office.

¹⁵ New Brunswick Department of Tourism and Park. New Brunswick Tourism Indicators Summary Report 2010-2011.

Between 2006 and 2010 there was a **39% decline** in the number of Americans crossing the border into N.B. In the case of those who came, there was a **7% decline** in the number of those who stayed for one or more nights.

Other statistical information released by the N.B. Tourism and Park Department is the one related to motor coaches. There has been a steady decline from a high of 31,224 yearly motor coach room nights sold in 2006 to a low of 22,273 in 2009, a decline of 8,951 in just four years. This information is presented in Figure 7.



Part of the decline in tourism can also be related to the strength of the Canadian dollar¹⁶. In 2006, one U.S. dollar was exchanged at the rate of \$1.35 Canadian dollar. In 2010, the exchange rate was much less favourable since one U.S. dollar exchanged at the rate of \$1.03 Canadian dollar. The present government's addition of a gasoline tax has certainly not helped to bring in more tourists in the province. All these factors have turned a large number of Americans tourists away from Canada, including from N.B.

b. The 2008 Economic Crisis

The 2008 global economic crisis affected the spending pattern of many people internationally, nationally and provincially. The 2008 economic crisis resulted in many job losses in the United States, throughout Canada and also in N.B. Hundreds of thousands of workers lost their job. A high number of these had to work part-time. Some did not qualify for Employment Insurance. This had an impact on many families and on entire regions. People had less money to travel, eat at restaurants, buy gas, sleep in hotels or motels, etc. With fewer people consuming and travelling, this led to job losses for those working in the service sectors. **The 2008 economic crisis consequences are still felt today and are certainly responsible for a lot of job losses in the accommodation and food service industry.**

As Table 2 shows, the NB job situation has deteriorated since the 2008 economic crisis. We have experienced a major loss of 3,100 full-time jobs between July 2008 and July 2009 and an 10,100 full time job loss between July 2010 and July 2011. The part time job situation did not fare much better. Since 2008, our province has lost a total of 11,200 jobs. **It is therefore wrong to assume that the catching up of our minimum wage with the other Atlantic Provinces is a major cause for job losses and consequently, that it is bad for our economy.**

¹⁶ www.irs.gov/businesses/small/international/article/0,,id=206089,00.html

Table 2. Changes in the labour force in New Brunswick, seasonally adjusted, during four successive years (2007-2008 to July 2010-2011)¹⁷

	July 2007-08	July 2008-2009	July 2009-2010	July 2010-2011
Employment changes	+2,700	-2,000	-2,100	-7,100
• Full Time Jobs	+2,700	-3,100	+500	-10,100
• Part Time Jobs	0	+1,000	-2,600	+3,000

c. Crisis in the N.B. forestry industry and job loss

In N.B, as well as in other parts of Canada, we have experienced major re-organizations in the forestry sector. This sector of the economy was, for a long period of our history, a major contributor to the economy of entire regions, namely in Miramichi, Bathurst and Dalhousie. Today, they have simply disappeared. Three pulp mills in Miramichi (740 workers), one in Bathurst (200 workers) and one in Dalhousie (350 workers) have simply ceased to function.

With the decline or closure of the many companies listed in table 3, thousands of workers were without a job. **Connected businesses, including restaurants and hotels, lost good paying customers.** The provincial government also lost tax revenues as a result.

This is just one portion of a very dim employment picture since Table 2 only lists workers who were unionized and affiliated with the Communication, Energy and Paper workers Union. The overall employment situation was certainly worse. What is particular is the fact that the great majority of these jobs were in the North of the province (2,178 jobs) compared to the south (228 jobs). Most of these jobs were good paying jobs with benefits. **These workers and their family were contributing financially to our economy and certainly to the retail as well as the food and accommodation sectors. The disappearance of 2,406 jobs in our economy has had a major impact on small and medium businesses more so than a small \$0.50 increase per hour in the minimum wage.**

¹⁷ Statistics Canada, CANSIM, table [282-0087](#) and Catalogue no. [71-001-XIE](#). Last modified: 2011-08-05. Note that these statistics are for the population 15 and over.

Table 3. Closures and temporary layoff of workers affiliated to the Communication, Energy and Paper workers Union in New Brunswick (2007 to 2009).

Local N°	Company	Location	N° of members affected	Status of closure
36-G	Unipress Limited	Fredericton	5	Permanent closure
70	Uponor	Saint John	46	Permanent closure
102	Fornebu Lumber - Bathurst Sawmill	Bathurst	10	Temporary layoff
104	Grand Lake Timber	Chipman	30	Temporary layoff
113	J.D. Irving, Limited – Sawmill	Kedgwick	15	Temporary closure
117, 146, 164 and 263	Abitibi Bowater	Dalhousie	350	Permanent closure
120	Smurfit-Stone	Bathurst	200	Permanent closure
144	UPM Kymmene – Blackville Sawmill	Blackville	65	Permanent closure
153	Shermag Inc.	St-François	188	Permanent closure
166	H.A. Fawcett & Son Ltd – Sawmill	Petitcodiac	97	Permanent closure
181	Weyerhaeuser Canada	Miramichi	140	Permanent closure
188	Certain Teed Gypsum	McAdam	15	Temporary layoff
208	Atlantic Yarns Inc.	Atholville	180	Permanent closure
243	P.C.I. Chemicals	Dalhousie	40	Permanent closure
248	Pattison Signs	Edmundston	25	Temporary layoff
249	Atlantic Fine Yarns	Pokemouche	200	Permanent closure
678-N	UPM Kymmene – Greenwood	Miramichi	100	Permanent closure
689	UPM Kymmene	Miramichi	500	Permanent closure
825	J.D. Irving, Limited – Sawmill	Clair	60	Temporary layoff
1309	J.D. Irving, Limited – Sawmill	Sussex	50	Temporary layoff
1532	Shermag Inc.	Edmundston	90	Permanent closure

8. Small and medium sized businesses' assistance from government

The 2011-2012 provincial budgets announced the government's commitment to providing a tax break to small businesses. The province will reduce the small business corporate income tax rate from 5% to 4.5% effective January 1, 2012. To receive the full benefit of small business corporate income tax rate, corporations must have less than \$10 million in capital¹⁸. At the end of the present government mandate, small and medium sized businesses tax rate will be reduced **by 50%, that is, from 5% down to 2.5%**.

In addition to a low taxation level for small businesses, the government of N.B. also provides them with some financial assistance. One of these is the *Small Business Loan Guarantee Program*, which helps to increase access to credit by small and medium sized businesses. Another one is the *New Brunswick Growth Program*, which helps businesses sustain employment opportunities by providing support within target sectors of the economy. This program also helps small businesses start-up, expand, and become more innovative and productive.

Small business owners also have many way of paying fewer taxes than the ordinary citizens. They can deduct, on their income tax report, an amount for an office in their home, do the same for their electric, telephone and heating bills. Moreover, they can deduct part of their travel expenses, car expenses and restaurants spending. All of the GST which they pay is reimbursed. No other citizens can do the same.

The government is willing to help small and medium sized businesses and already has a number of programs in place to do so. With tax breaks and governmental support, small businesses should be able to thrive in our economy. **They should be able to pay their employees a decent minimum wage.** In the end, the underpaid workers are those that are suffering the most. They are at the bottom of the ladder, earning the lowest wages. They will be the ones who will be the most disappointed should the N.B. government decide to postpone the increase in the minimum wage in September 2011.

9. Conclusion

Increasing the minimum wage means that workers are more likely to keep their job, thus creating a lesser need for training by employers, less administrative costs, and more productivity. This also means that better paid minimum wage workers can make a larger contribution to the economy by consuming more goods and services. With better living standards, they will pose less strain on the health care system.

¹⁸ N.B. Government. *Small Business Corporate income Tax Rate Reduction* - Fact Sheet. "The small business corporate income tax rate currently applies to the first \$500,000 of active business income earned by Canadian-controlled private corporations. To receive the full benefit of the small business corporate income tax rate, corporations must have less than \$10 million in capital. The benefit for small business corporate income tax is phased out for firms with taxable capital between \$10 million and 15 million. This tax benefit is intended for small businesses with taxable income of between \$10 million and \$15 million."

Minimum wage is an important aspect of a vibrant economy, providing decent wages and protecting employees. However, when a minimum wage is no longer able to sustain individuals and their family, it is no longer fulfilling its duty to protect and provide a decent standard of living.

As has been demonstrated in this Brief, the current minimum wage in N.B. is insufficient. It has been lower than the Atlantic average for nine years. In fact, increasing minimum wage was a key component and an integral part of the government's Poverty Reduction Plan that was put in place in efforts to eliminate poverty. An increase is very much needed. The projected increase of the minimum wage to \$10.00 for September 2011 must be maintained.

In response to the small and medium sized businesses, the government decided that increasing the minimum wage to \$10 could wait in order to allow these businesses to adjust to the rapid increase in minimum wage that was seen the past two years. **But can workers at the bottom end of the salary scale really wait?** Haven't they been waiting long enough? Nine years of a lower than average Atlantic minimum wage is unacceptable in a society where the cost of living is very much on the rise. People working full time at minimum wage should earn enough money to lift themselves and their family out of poverty.

The Common Front for Social Justice is worried about the possible delay in bringing the minimum wage up to \$10, as was recently announced by the N.B. government. This would have an extremely negative impact on the working poor. With the cost of basic necessities such as shelter, food, electricity and home heat heating, one wonders how these people will survive the hardships of winter.