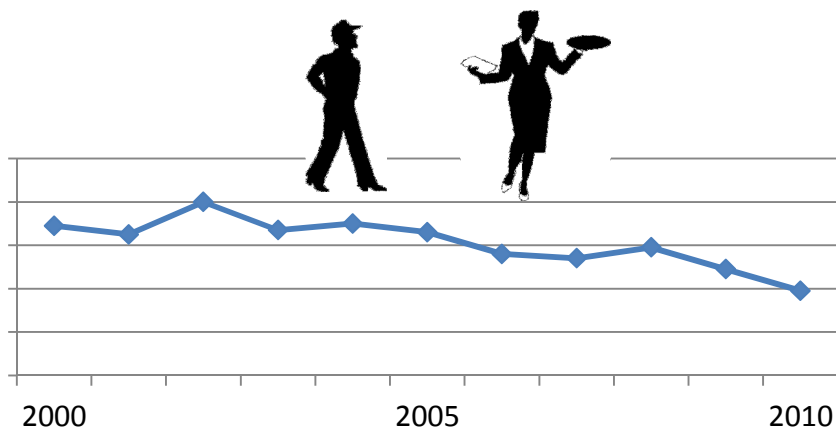


Minimum wage is keeping thousands of workers in poverty



SUMMARY

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MINIMUM WAGE IS KEEPING THOUSANDS OF WORKERS IN POVERTY¹

The New Brunswick Common Front for Social Justice Inc. (CFSJ) is working to eliminate poverty in this province. One of its priorities is the improvement of conditions for people living in poverty despite the fact that they are part of the work force. The issue of minimum wage is central to this improvement.

The 2006 census in N.B. reported more than 100,000 people living below the low income threshold, which translates as a bit more than one person in seven. Who are these poor persons? **Low income workers**, individuals and families who depend on income assistance and seniors receiving the guaranteed income supplement. A large proportion of these poor persons are women. The CFSJ believes that minimum wage incomes should at least match the level identified as the poverty line. We also consider that government should seriously study the option of a guaranteed annual income.

Wage trends in Canada

Between 2000 and 2010, the average weekly earnings in constant dollars increased in every Canadian province; in N.B. they rose from \$585.54 in 2000 to \$769.30 in 2010 (see Table 1) ².

Table 1. Increase in average weekly earnings in \$, from 2000 to November 2010.

Year	B.C.	Alb.	Sask.	Man.	Ont.	Qc	N.B.	N.S.	P.E.I	N.L.
2000	662,72	663,09	586,47	584,42	700,02	616,25	585,54	562,22	522,77	594,18
2001	658,04	676,10	597,08	587,34	695,23	622,83	589,34	575,09	527,82	592,92
2002	671,01	693,40	611,08	607,60	710,43	639,04	603,71	596,04	554,99	609,23
2003	686,51	717,30	636,88	623,61	727,69	656,64	618,63	611,92	568,41	639,38
2004	698,67	741,10	656,15	641,83	748,48	673,69	626,68	626,78	584,04	655,23
2005	724,20	784,15	684,18	671,11	775,96	695,58	651,29	658,41	604,78	681,93
2006	745,38	823,48	710,98	690,55	788,41	708,27	672,37	674,72	625,27	705,97
2007	769,95	871,27	749,84	731,21	819,12	738,73	706,65	695,82	647,65	735,95
2008	791,05	929,41	785,75	750,84	837,54	751,19	729,30	713,99	661,60	766,45
2009	797,13	950,19	805,18	771,55	849,57	759,42	747,60	730,63	690,01	798,82
2010	829,38	1016,27	862,83	798,58	891,42	795,46	769,30	769,59	730,07	854,73
Increase*	166,66	353,18	276,36	214,16	191,40	179,21	183,76	207,37	207,30	260,55

* The last line indicates the increase in average weekly earnings between 2000 and 2010.

¹ Read complete submission on the CFSJ website: www.frontnb.ca.

² Statistics Canada. CANSIM: *The Daily*. Average weekly earnings provided by the *Institut de la statistique du Québec* – *Secrétariat aux affaires intergouvernementales canadiennes, Tableau statistique canadien*.

The province of N.B. experienced a \$183.76 increase over ten years. Comparing this to increases in other provinces for the same period, we see that the only provinces who had a lower increase than ours are British Columbia and Quebec. Among the Atlantic Provinces, we come in last.

Minimum wages in Atlantic Canada

Table 2 shows that for 7 years out of the last 10, N.B. has trailed behind the other three provinces when it comes to minimum wage. Indeed, between 2003 and 2010, the gap between N.B.'s minimum wage and the average minimum wage for Atlantic Canada has continued to widen. In 2010, the gap amounted to \$0.41 per hour. In 2011, with the projected increase, N.B.'s minimum wage will be above that of the other Atlantic Provinces if they do not raise theirs.

Table 2. Minimum wages in Atlantic Canada between 2000 and 2010³

Province	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
N.B.	5.75	5.90	6.00	6.00	6.20	6.30	6.50 6.70 ^a	7.00 7.25 ^a	7.75	8.00 8.25 ^e	8.50 ^b 9.00 ^e
N.L.	5.50	5.50	5.75 ^c 6.00 ^g	6.00	6.00	6.25	6.50 6.75 ^d	7.00 7.50 ^f	8.00	8.50 9.00 ^a	9.50 10.00 ^a
N.S.	5.70	5.80	6.00	6.25	6.50	6.80	7.15	7.60	8.10	8.60	9.20 ^b 9.65 ^f
P.E.I.	5.60	5.80	6.00	6.25	6.50	6.80	7.15	7.50	7.75 ^c 8.00 ^f	8.20 ^d 8.40 ^f	8.70 ^d 9.00 ^f
Average in Atlantic	5.64	5.75	6.00	6.13	6.30	6.54	6.94	7.46	7.96	8.56	9.41
Difference*	+0.11	+0.15	0.00	-0.13	-0.10	-0.24	-0.24	-0.21	-0.21	-0.31	-0.41

* Difference: represents comparison between value of minimum wage in N.B. and average of minimum wages in the four Atlantic Provinces (N.B., N.S., P.E.I. and N.L.).

Superscripts ^a to ^g indicate the month of the year when the minimum wage rose: ^a July; ^b April; ^c May; ^d June; ^e September; ^f October; ^g November.

The poor are getting poorer and the rich are getting richer

From 1989 to 2005, the average income of the poorest families with children (0 to 10%) went from \$15,782 to \$15,504, or a **\$278 decrease**. Families in the 10th to the 20th percentile gained \$701, but the largest decrease was for families in the 20th to the 30th percentile. These families went from \$37,485 to \$35,077, which represents a **\$2,408 loss in income**. On the other hand, in the richest segment, from the 90th to the 100th

³ <http://srv116.services.gc.ca/dimt-wid/sm-mw/rpt2.aspx?dec=5>.

percentile, average income rose from \$120,863 in 1989 to \$172,050 in 2005, which is a **\$51,187 increase** (Details are illustrated in a histogram in Appendix A).

Food insecurity for low income workers

Between 2008 and 2010, food bank use rose by 18% in N.B., yet another sign that the gap between rich and poor is increasing. One fact is very striking: **by themselves, workers and unemployment insurance recipients who use food banks make up nearly one quarter (22%) of food bank clients.** (See Appendix B for a graphic representation).

In February 2011, the price of milk increased by 2.7%⁴. A 5% increase in the price of food is predicted for Canada in 2011. Considering that the right to food is part of human rights, minimum wage must be increased if we wish to prevent workers from having to depend on food banks.

Earnings of minimum wage workers

In February 2011, an individual working 40 hours per week at minimum wage earns \$18,720 per year which places this worker **above Low-income cut-off after tax, estimated at \$15,814 in 2010**⁵. However, this worker is **below the Low-income cut-off** if he or she is a **single parent with one child** (Low income cut-off estimated at \$19,244). If the individual is the **sole earner and has a partner and two children, that person is significantly below the Low-income cut-off** (Low income cut-off estimated at \$29,455).

A large number of people are being paid minimum wage in N.B. A study by Statistics Canada shows that in 2009, 17,100 workers, representing **5.3% of N.B.'s active population were being paid minimum wage**⁶. Of these workers, 92% were employed in the service sector, specifically in retail businesses, hospitality, and food service.

Low income cut-off for part-time workers

In 2009 in Canada, it is important to note that, contrary to what some employer organizations would want us to believe, part-time workers include more than young people. In fact, an important proportion, namely 32% of them are people aged 25 to 54 and 9% are over 55 (See Appendix C).

⁴ N.B. Farm Products Commission. Feb. 5, 2011. News Release. Milk Prices to increase Feb. 1.

⁵ www.statcan.gc.ca/pub75f0002m2009002/tbl/tbl-2-eng.html. Given that the 2010 Low-Income cut-off (LICO) is not yet published, it was estimated by adding, to the 2009 LICO value, the observed increase from the previous year.

⁶ Statistics Canada — no 75-001-X, Perspectives on Labour and Income, March 2010, p. 17.

The National Council of Welfare publishes an annual report on the income of socially assisted individuals, with an income analysis for a single employable individual, a lone parent with one child (2 persons), and a couple with two children (4 persons).

Based on household types as defined by the National Council of Welfare, Table 3 shows the income considered as the low income cut-off (LICO) line for households comprised of one, two, and four persons, where a single wage-earner works part-time for 25 or 30 hours per week. In the case of a 25 or 30 hours work week, a \$10 minimum hourly wage **does not allow** the wage-earner to rise beyond the poverty line. Minimum wage must be \$13 an hour for a person working 25 hours per week to reach the Low-income cut-off if they have one or more dependants.

Table 3. Capacity to reach Low-Income Cut-Off (LICO) for persons working 25 and 30 hours per week in 2010

Hourly wage	Wages for 25 h/week	Wages for 30 h/week	LICO for 1 person	LICO for 2 persons	LICO for 4 persons
\$10	\$13 000	\$15 600	\$15 814	\$19 244	\$29 897
\$11	\$14 300	\$17 160	\$15 814	\$19 244	\$29 897
\$12	\$15 600	\$18 720	\$15 814	\$19 244	\$29 897
\$13	\$16 900	\$20 280	\$15,814	\$19 244	\$29 897

Looking at the figures in Table 3, it can be seen that at less than \$13 an hour, conditions for people working **only 25 hours per week** are devastating:

- **At \$10, \$11 or \$12 per hour**, a single person, a two-person household and a four-person household all continue to fall under the low-income cut-off line.
- **At \$13 \$ per hour**, a single person reaches the low-income cut-off. Meanwhile, two-person and four-person households are still below the low-income cut-off line

To sum up, when the number of hours worked is smaller and the number of people in the household is larger, the gap between the low-income cut-off line and the income earned increases. For this reason the province of N.B. must continue to increase minimum wage and index it to the cost of living, so that despite inflation, a minimum wage will provide decent support for individuals and families.

Some proposals are raising concerns

A certain number of business employers are presently putting pressure on the N.B. government, asking for changes with regards to the minimum wage. If we were to adopt the three following proposals put forth by these employers, the poverty situation would worsen for thousands of workers. Moreover, some proposals would introduce discrimination based on age.

Proposal for a lower minimum wage for workers under the age of 18. In Canada, 41% of workers between the ages of 15 and 19 are paid minimum wage. We can assume that this is also the case in NB. These young people are in the work force for a variety of reasons but their salary should be the same as that of older workers doing the same job. And rightfully so. What is the difference between a 19-year-old and an 18-year-old youth cooking hot-dogs in a restaurant? Between a teen-ager and an older woman selling clothing in a store? **Wages must be the same for work of equal value, not tied in with the age of the person performing the work.**

Proposal for a different minimum wage for workers in training. In Canada, and probably also in NB, sectors of the economy where minimum wage workers are most numerous are agriculture (14.3%), retail selling (12.3%), and hospitality and food service (22.5%). How many hours of training do workers need to learn how to grow carrots, sell clothes in a mall store or serve customers in a restaurant? Hours of training actually needed are no doubt quite minimal, so using training as an excuse for a lower minimum wage is only a roundabout way of exploiting workers and keeping them in poverty. If training is truly a burden for employers, something which has yet to be proven, reducing minimum wage is certainly no way of addressing the issue. Reducing minimum wage will surely increase poverty. One solution might be a contribution by all employers in the province to a provincial fund earmarked for training, to assist employers who need it to train their future employees.

Proposal for a lower minimum wage for the food service sector. The argument put forward to justify establishing a lower wage in the food service sector is linked to tipping practices, which can sometime bring in more money than the actual wages, according to industry spokespersons. But here are some basic elements that must be considered:

- The amount of money that an employee earns through tips depends on the type of establishment, on its location and on population density in the area.
- Some work environments have developed a practice of pooling tips received by servers and sharing these with kitchen employees. In fact, this practice lowers the servers' wages.
- On their income tax return, people who work in an industry where tipping occurs must include their entire income, and pay taxes on all of it.

Minimum wage workers often face other working conditions that lead to even greater instability:

- **Seasonal work.** Part of their income is provided by unemployment insurance, which only amounts to 55% of their salary. These people do not earn a large income.
- **Split shift work.** These people may need to work a few hours in the morning, return home, and then come back to work for noon or in the evening.
- **Unpaid waiting time.** Workers may need to wait on the work premises for an hour or two, **without pay**, before they can find out if they will be working in the coming hours, or if they will simply be told to return home.

Looking at the average weekly earnings in N.B. in the retail sales sector (\$468.66) and in the hospitality and food service sectors (\$319.09), we have to realize that these two sectors are those where minimum wage is the most prevalent. These workers are right at the bottom of the barrel. From 2005 to 2009, the retail sector increased its weekly pay by only \$34.28. Weekly pay for the hospitality and food service sectors increased by \$42.65. These are the sectors that experienced the lowest wage increases in N.B.'s economy, except for the wood product manufacturing sector (devastated by recession and a strong Canadian dollar). By contrast the Retail business sector has increased its earnings each and every year since 1991. From 2005 to 2009, their earnings rose by \$1.75 billion dollars!

Conclusion

The Common Front for Social Justice is especially concerned with propositions made by several organizations from the business community who are suggesting not only to freeze minimum wage without giving any consideration to average wages and cost of living, but to reduce minimum wage for some groups of workers, among the most vulnerable in our society. Their demands will have disastrous consequences for our community's economy, and on the health and dignity of workers and their children. Government must also close the door on any proposal leading to a two-level minimum wage.

Minimum wage must be able to provide workers and their families with an income that allows them to reach the poverty line, at the very least. Any attempt by government to reduce minimum wage gives legitimacy to undue exploitation by employers.

Appendix A

The poor are getting poorer and the rich richer

Data from the Canadian Centre for Policy Alternatives shows the evolution of income by 10% segments of NB's population, from the poorest to the richest decile. The following graph illustrates the income difference between rich families and poor families between 1989 and 2005. Figures for 2005-2010 are not available to us but it would seem that the gap between the rich and the poor has continued to widen.

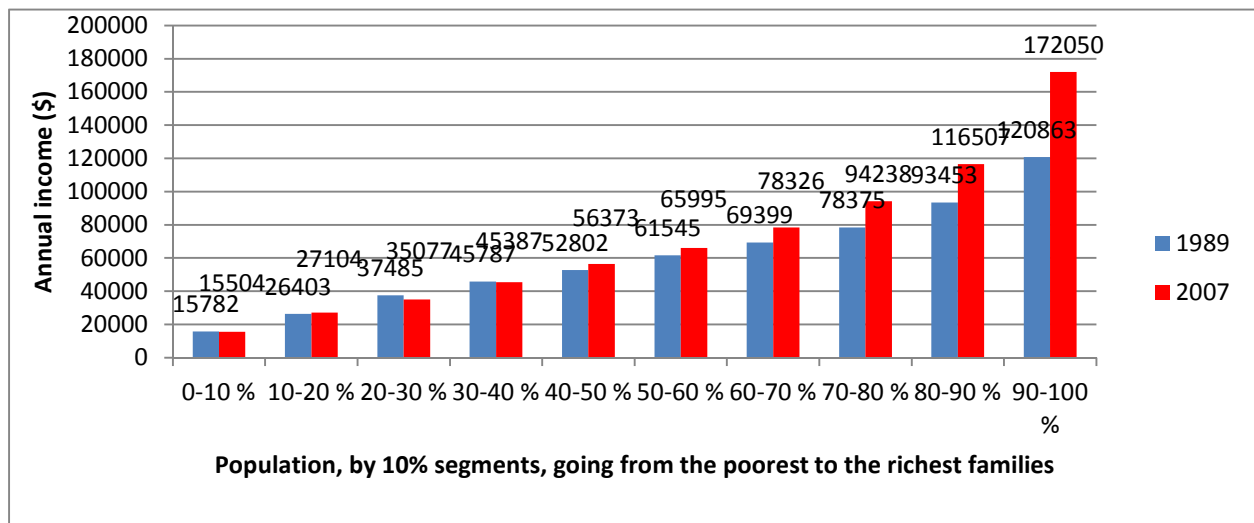


Figure 1. Changes in total income between 1989 and 2005 for New Brunswickers with families.

¹ Yalnyzyan, Armine (private communication). Median income by Decile – 1976-2005 – Economic Families in N.B. Ms. Yalnyzyan notes that these income distributions per Decile are based on a limited set of data.

Appendix B

Food insecurity of low income earners

Figure 2 shows that 22% of food bank users who work or are dependent on the reduced income provided by unemployment insurance.⁷

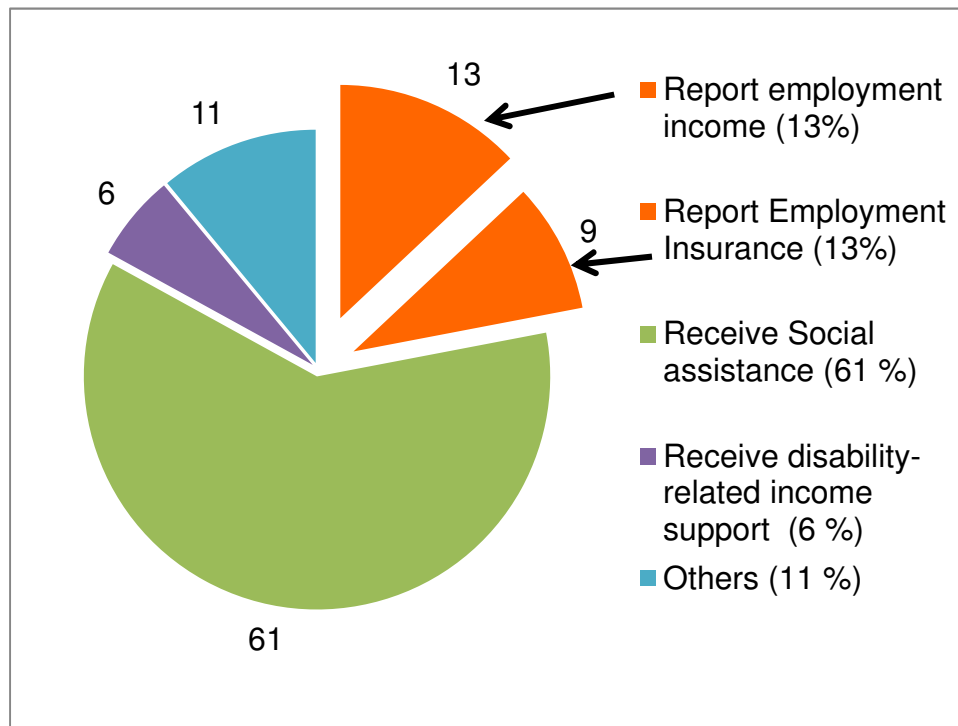


Figure 2. Percent of food bank users in N.B. in 2010 by income category.

⁷ Food Banks in Canada. 2010. Highlights of New Brunswick Data

Appendix C

Percent of people working at minimum wage on 2009

As indicated in Figure 3, young people fall in the age category most often hired at minimum wage. However, men and women in the age bracket of 25 to 54 years represent 32% of minimum wage workers. Nine percent of minimum wage workers are 55 years old and over.

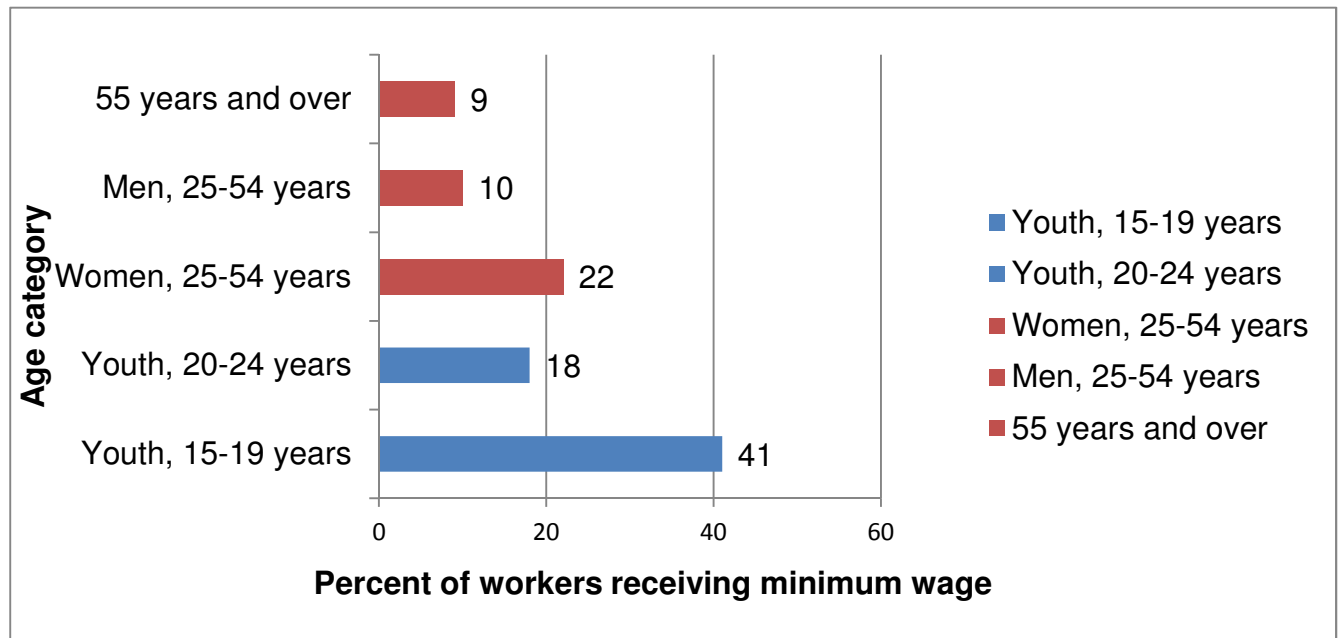


Figure 3. Percent of Canadians working at minimum wage in 2009⁸

⁸ Statistique Canada. Enquête sur la population active, 2009