

## **MAKE WORK PAY**



### **Presentation to the Minimum Wage Commission**

**Chair: Mary-Eileen Flanagan**

#### **Employer representatives**

Frank Scott  
Daryll Stothart  
Jane A. Higgins  
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#### **Employee representatives**

Ron Oldfield  
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## Introduction

We are pleased with the scheduled increases to the New Brunswick (N.B.) minimum wage. We are here to reinforce our message that wages must provide revenue above the poverty line. Our government has the mandate to manage political affairs in the interest of the common good.

## Why is Minimum Wage Important?

The minimum wage is important for protecting and improving incomes of workers throughout the lower segments of the labour market, not just those employed at the legal minimum.

Minimum wage is an important part of the public policy mix aiming to improve and enhance living standards, to narrow the income gap, especially between women and men, to tackle poverty, to eliminate social exclusion that results from poverty and to enhance equality in our society. A just minimum wage is also great for the local economy. When people with low incomes get a raise, they spend it on goods and services provided by local businesses, not to go south in the winter time. They are not snowbirds as many wealthy Canadians and a lot of members of the business community who go south when the cold weather steps in.

## Where are minimum wage workers concentrated?

In Canada, workers at minimum wage are concentrated in mainly three areas: , hotels and restaurants, agriculture and commerce and the situation is probably similar in N.B. One in seven workers are in Agriculture, one in eight in Commerce and one in five in hotels and restaurants<sup>1</sup>. If we take a look at the average weekly earnings for these sectors, we find out that they are at the bottom of the pack. In 2009, the average weekly earnings for New Brunswick's retail trade were at \$468.66 and for the Accommodation and Food Services, it was at \$319.09, both well below all other sectors<sup>2</sup>.



<sup>1</sup> Statistics Canada, Perspective, March 2010, p. 21.

<sup>2</sup> [www.gnb.ca/0160/Economics/AverageWeeklyEarningsf.html](http://www.gnb.ca/0160/Economics/AverageWeeklyEarningsf.html).

The workers in these sectors are most of the time not unionized, have low income, almost no benefits plans (dental, eye, sick leaves, etc.) and no pension plan to talk about.

In March 2011, in our province, someone who works 40 hours a week for 52 weeks brings home a gross income of \$18,720, which presently allows him to be above the poverty line. But this same worker is below the poverty line if she is a single mother or a couple with children.

The sad part of low income from work is the fact that 22% of all users of food banks are either workers or people laid off and receiving employment insurance. It means that working, especially at minimum wage, is not even enough for a lot of employees to be able to feed themselves properly so they have to rely on food banks in order not to go to bed hungry<sup>3</sup>.



### **Who makes minimum wage in New Brunswick?**

According to Statistics Canada, 5.3% of the N.B. labour force earned minimum wage in 2009 or 17,100 workers<sup>4</sup>. The majority (63%) of minimum wage jobs are held by women<sup>5</sup>. They are heavily concentrated in certain areas of the economy as they compose 66% of the food & beverage sector and 67% retail sector but in both sectors, they make a lower hourly wage than men<sup>6</sup>.

### **Counter arguments to the statement that increasing minimum wage will cost jobs**

There is a perceived notion that if the province increases the minimum wage, jobs will disappear. We don't believe this is the case. First of all, we don't believe that employers are keeping workers on their payroll because they don't need them. If employers have employees, it is because there is work to be done and profits to be made. If an employer has to raise its wage by \$0.50 an hour this means only \$1,040 a year for a full-time worker at 40 hours per week. A large number of employees in the retail and service industries are not working full-time so the increases for the employers would not be even this much. We don't believe that many employers would lay-off workers based on this.

<sup>3</sup> Food Banks Canada. 2010. Highlights for New Brunswick, p. 32.

<sup>4</sup> Statistics Canada, March 2010. Perspective, p.18.

<sup>5</sup> Statistique Canada, n° C75-001-X-Perspective, mars 2010, p.19.

<sup>6</sup> New Brunswick Advisory Council on the Status of Women – Status Report 2010, p. 60.

If we look at workers employed by industry in N.B. between 2006 and 2010, we observe that in the Trade sector there has been almost no change in the number of workers employed. There was a decrease in the Accommodation and Food Services but there are at least three reasons for this: (1) the Canadian dollar was still comparatively strong compared to the U.S. dollar<sup>7</sup>, thus bringing a lot less tourists to N.B.; (2) the 2008 economic crisis forced many businesses and government departments to cancel meetings and cut travel expenses; (3) the economic crisis also forced families and individuals to travel less, reduce their purchase of costly items and eat at home instead of in restaurants.

### Minimum wage workers are not all young people

One of the arguments for not increasing the minimum wage is that most of workers at that salary are young, in school and living with their parents. So, in effect don't need the revenue to survive.

Yes, there is a high percentage (41%) of 15-19 years old working at minimum wage but there is also close to one fifth (18%) that are between 20 and 24 years old, of which a good number do not attend university or college, but are part of the workforce and their job is their main revenue.

More importantly, there is the fact that 32% of all minimum wage workers are between the ages of 25 and 54 (22% are women and 10% are men). This is a big chunk of workers who are certainly not students and living at home. They are in the labour force because they need to earn a living. Finally, close to one in ten minimum wage earners are workers above the age of 55<sup>8</sup>.



So the notion that workers at minimum wage are just young people in school, staying with their parents, and working just for pocket money, **is not the real picture.**

### Two-tier minimum wage proposals and our position on each

Some employer organizations are presently putting pressure on the N.B. government to bring changes to the minimum wage. If the three following

<sup>7</sup> [www.bankofcanada.ca/en/rates/exchform.htm](http://www.bankofcanada.ca/en/rates/exchform.htm). Value of Canadian dollar compared to the US dollar on March 31 of the year: in 2006, \$1.17 Canadian for \$1 US; in 2007, \$1.17 Canadian for \$1 US; in 2008, \$1.15 Canadian for 1 US \$; in 2009: \$1.26 Canadian for \$1 US.

<sup>8</sup> Statistics Canada. Perspective, March 2010, p. 20.

proposals were put into application, as proposed by these employers, impoverishment would increase for thousands of working men and women.

### 1. Proposal for a lower minimum wage for workers under the age of 18

First, this proposal would institute discrimination based on age. Secondly, 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 adult 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.**



### 2. Proposal for a different minimum wage for workers in training

In Canada, 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. 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.

### 3. 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 there are basic elements that must not be forgotten:

- The amount of money that an employee earns through tips depends on the type of establishment, on its location and on the population density in the area.
- Some work environments have developed a practice of pooling tips received by servers and sharing a percentage



of 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 it as required.

Workers receiving minimum wage often face other working conditions that increase income instability. Firstly, a good percentage of them work in seasonal industries, be it food service, tourism-oriented retail businesses, fishery, agriculture, and so forth. These workers do not work year round, and work fewer than 40 hours per week as well. Part of their income is supplied by employment insurance, which only covers 55% of their original salary. Therefore these individuals do not have a large income.

In addition, another percentage of workers have to work split shifts. They may have to work a few hours in the morning, then go back home, only to return to work at noon or in the evening. This is certainly a source of problems for people with a family and children, not to mention extra costs for their transportation.

For still another percentage of workers, work hours depend on the presence of customers. When these workers show up for work, there is no guarantee they will work. As a result, a worker may have to keep waiting for an hour or two in the workplace, **without pay**, before finding out whether he or she will work over the next few hours or simply be told to return home.

For the many reasons mentioned, establishing a different minimum wage for the food service sector means that these employees, women for the most part, would be directly subsidizing their employers.

## Conclusion

The N.B. Federation of Labour and the Common Front for Social Justice are totally opposed to the introduction of a two-level minimum wage in our province.