



Nova Scotia
Federation
of Labour, CLC

March 3, 2008

Mr. Bill Grant
Director, Labour Standards
5151 Terminal Rd., 7th Floor
P.O. Box 697
Halifax, N.S., B3J 2T8

Dear Mr. Grant:

We would like to thank you for the opportunity to respond to the latest report of the Minimum Wage Review Committee; which is a multi-year report, from May 1, 2008 to March 31, 2011, recommending a number of timed increases during this period.

This report and recommendations had been discussed at our Officers and Executive Council meetings held February 21st & 22nd, 2008, where it received considerable review and discussion, some of which will be reflected in this response.

First we would like to make some general comments on the Report and process as well as on some views heard and read in the media concerning same.

Initially we had and have some concerns with a multi-year proposal; primarily out of concern that the Minimum Wage may again fall behind just when gains are being achieved. However, we do understand the reasoning for this recommendation and we are aware the Minimum Wage Review Committee will be monitoring this possibility during this period and we therefore can accept this direction and multi-year report.

As you have heard from others as a part of their response to this Report, the general goal within the Labour Movement is to achieve a minimum wage rate of \$10.00 at the earliest possible opportunity and although that is our goal as well, we can accept the multi-year approach of the committee which achieves near the Low Income Cut Off (LICO) with the last recommended increase in October, 2010.

However, it would clearly be preferred that the LICO be reached or surpassed at the end of this period bringing our minimum wage rate at or beyond \$10.00 per hour.

We must state that we are very encouraged and pleased to hear, publicly and in meetings, no less than four Ministers and the Premier speaking favourably of the Report and recommended increases - this is a very positive message of support for the report and for the minimum wage workers of the province.

Unfortunately we have also heard from a number of employers and/or their organizations who trot out the old and unsubstantiated claims that progressive increases to the minimum wage rate is unfair, will hurt business and will retard investment, among other unfounded catastrophe fears.

If one point became abundantly clear after hearing and reading some of these comments; very few if any of these opponents to the Report and its recommendations had actually read the report, for many of their issues had been addressed through research, studies and facts - not hysteria.

We have long been on recording promoting the fact that Nova Scotia has a lot of good employers, large and small, many of whom currently pay above the minimum wage, some also providing benefits.

Unfortunately there are employers, very profitable ones, that exploit their workers and the minimum wage, paying their employees at or near the minimum wage, despite the fiscal ability to pay more, thus contributing to the well-being of their employees and to local economies.

Perhaps the Minimum Wage Review Committee should consider a higher minimum wage for high profit exploiters of the intent of the minimum wage.

Although it might be viewed the above comment is far from the intent of the Report, but we think not, for if those highly profitable corporations paid a living wage to their workers they in turn would have more resources to spend in their local communities thus contributing to and taking some of the economic pressure off our small business sector.

The support provided to the Committee has apparently been of great assistance to the Committee in their work, as reflected by their acknowledgement on page 3

of their report and we wish to commend the Department for providing this support with the hope such support continues to enable the committee to effectively carry out the task before them. It is clear from the calibre of the report having the tools and support better prepared the committee to carry out their responsibilities.

Rather than generalize on the report and recommendations we will focus on some key statements/recommendations, adding our comments following the appropriate section:

Committee's Recommendation:

The Committee would like to see the LICO target met by the end of 2010. This would be in line with several other Provinces. Small employers need more time and assistance to reach the goal, especially those in the restaurant and food services, tourism and retail sectors. As a result, the Committee's recommendation is back loaded and sets out a realistic timeline and pace of change. This is important, especially when tax and budget measures to assist these employers are not in place.

The Committee's recommendation complies with the Minister's request to develop a formula that would outline the future increases over a 3 year period. This proposal notes that increased wages tend to allow for increased expansion and spending in the economy, which is an important factor in setting the minimum wage.

If our recommendations are accepted, by the end of 2010, the minimum wage at \$9.65 would be very close to the LICO line for a single person working full time in a community the size of Sydney, and could be adjusted accordingly. The rate for inexperienced workers would increase proportionately and would be 50 cents less than the minimum wage rate.

Comment:

- **As previously stated, we can support the Committee's recommendations for a multi year approach with a goal of achieving LICO by the end of 2010; however we would encourage that consideration be given to set this rate no less than \$10.00 per hour at the end of 2010.**
- **Although we naturally support the recommendation that the rate of pay for inexperienced workers keep pace with these increases by maintaining the 50 cents gap of the minimum wage rate.**
- **However we would recommend that the Minimum Wage Review Committee consider if there is justification of having an inexperienced rate and if so, perhaps the duration of this period should reduced.**

The Committee has focused on several key issues in making its recommendations:

1) Whether there should be a separate minimum wage set for employees in the hospitality industry who serve liquor, and earn tips in addition to wages. There will be a report completed in 2008 by Professors Larry and Judy Haiven of Saint Mary's University that may assist the Committee in reviewing this issue. This independent study is using focus groups of workers in the restaurant and food services industry, as well as an on-line survey, to review issues of wages and job security in the food service industry. This study may provide information that could be extrapolated to the issue of tip differentials, and the Committee will continue to review this issue in 2008.

Comment:

- **We realize this is not a recommendation but more of a statement of matters currently under review; however this is a matter that has received a fair amount of discussion within the Labour Movement and at our meetings.**
- **The proposal to establish a lower minimum wage for this group of workers goes against the basic premise of a minimum wage, being the lowest rate of pay an employer can pay to an employee for their labour. If an employee receives a tip or any other show of gratitude for services it should have no bearing on the responsibility of the employer to meet their commitment to pay the minimum wage to this employee. One would think, if the customer is so pleased to reward a tip for good services the employer would want to reward this employee as well, rather than proposing to reduce their minimum wage rate. Government should never consider an action that reduces the earning capacity of workers; any extra these workers earn goes back into the economy or perhaps towards student debt.**
- **We do not believe establishing a tip differential is either fair, warranted or justified and we are hopeful serious consideration is not given to this proposal. All the information we are receiving from those who must work under this unfair formula; which some label as discriminatory, is that it causes a lot of dissatisfaction, generally aimed at those responsible for allowing it to happen.**
- **Establishing a tip differential rate of pay would in essence create yet another exclusion to the Minimum Wage Order at a time when the current provisions for exclusions is being challenged. We would recommend and urge the Minimum Wage Review Committee review this list of exclusions to determine if it is warranted in this time**

and age; particularly when the province is focusing on a poverty reduction strategy.

3) Demographic change is having a significant impact on the Nova Scotia labour force. The results are an aging work force, increased demand for workers in Nova Scotia, particularly in the skilled trades; and a trend toward out-migration to the western provinces in response to severe labour shortages there. The Committee heard from the NS Department of Economic Development that the labour market is shrinking, and that the demand for workers is increasing. This trend will continue into the future and by 2016, it is forecast, there will be a province-wide shortage of labour in many occupations. The labour shortage puts upward pressure on wages. In response a number of minimum wage employers have been offering higher wages in order to recruit and retain employees.

Comment:

- **Again although this is more an observation than a recommendation, however it is indeed a valued observation, for if collective action, including efforts and actions that make Nova Scotian workplaces more attractive to workers at home and those we wish to attract, this problem will only get worse.**

6) The Committee reviewed the issue of statutory holidays, which vary widely across the country. NS employers benefit by having the lowest number of paid statutory holidays in Canada – approximately three fewer than most provinces. According to the study completed for the Committee by Halifax Global Consulting, the corresponding cost to employees and savings to employers is over \$ 304.00 per employee for the 3 fewer holidays.

Comment:

- **What is missing from this statement is the point that very few minimum wage earners actually receive the benefits of the few statutory holidays Nova Scotia provides. This is due to the rigid qualifying requirements coupled with the unsavoury trend of employing minimum wage workers on a part time/casual basis, working at or less than 20 hours per week for any one employer. We would urge that action be taken to right this wrong.**

3. Purpose of Minimum Wage and Its Impact on Poverty (in part)

The purpose of minimum wage legislation is to guarantee a minimum standard of pay. Traditionally, minimum wage legislation forms part of the response to the problem of low pay, and was developed to protect the most vulnerable workers.

Committee members agree that minimum wage alone cannot fix the problems of the working poor. The cost of necessities and utilities, tax on these items, an increase in precarious employment (casual, part-time, self-employment), lack of well paid jobs, and the high cost of post-secondary education contribute to the concerns of the working poor. In addition to minimum wage, other strategies can help alleviate poverty: increases in the basic personal income tax exemption to put more money in the pockets of low income earners; education subsidies; affordable transportation, housing and child care.

It is widely accepted that the minimum wage alone cannot effectively address the problem of poverty. However, it is one tool, the only one within the Committee's mandate. As the Committee noted in its 2006 report, a committed and multi-focused approach is required to effectively combat poverty, similar to the approach taken by government with respect to deficit and debt reduction. The Committee was happy to learn that the province is developing a Poverty Reduction Strategy.

Comment:

- **We also had been pleased to learn that the province is developing a Poverty Reduction Strategy and although we realize that endeavour is taking place elsewhere we believe there is action that can be taken within the Labour Standards Code that can contribute to this strategy. We are referring to the increase in the use of precarious employment and of its negative impact on workers and their families. As mentioned previously regarding statutory holidays where those employed at precarious employment generally work 20 or fewer hours per week for a given employer and therefore receive no or few benefits.**
- **If we truly wish to help those who toil at or below poverty level wages, the Labour Standards should be reviewed and amended to ensure benefits are prorated to hours worked and perhaps we can begin to end this process of exploiting workers to avoid paying or providing benefits.**

The Federal Government also announced that corporate taxes would be cut — by \$14.1 billion over the next five years. The corporate income tax rate will drop by an additional percentage point to 19.5 per cent in 2008, falling in steps to 15 per cent by 2012. By that time, Canada will have the lowest corporate tax rate among the major industrialized economies. The scheduled cut in the federal government's small business income tax rate to 11 per cent will be brought forward to Jan. 1, 2008, from 2009.

The Committee recognizes these tools will be somewhat more effective to combat poverty among low income earners, and that reduced taxes, especially the small business tax rate will help businesses pay for increases in the minimum wage.

Comment:

- **Although we do not necessary support the action the Federal Government has taken with these tax cuts, for it is taxes that provide revenue for the services to the public and quite clearly these cuts will come with a cost; it is clear there will be economic benefit for large and small employers. And we hope this is considered when balancing their 'woes' over an increase in the minimum wage v/s the benefit to workers, their families and their communities.**

Once the LICO threshold is reached, we recommend that the minimum wage be indexed to CPI. The Committee will review the indexing formula prior to and once the LICO is met in order to ensure that the level of minimum wage correlates to any changes in the economic and social circumstances of NS.

The graphs show that although the overall prosperity of Nova Scotians has increased very significantly since the 1960s, the minimum wage has remained almost completely static. It is only in the past 5 years that minimum wage has begun to exceed the inflation rate. In fact, from 1965 to 2006, the minimum wage worker's real income when adjusted for inflation increased by 5%. During the same period, the wage for the average worker adjusted for inflation increased by 88%. For this reason alone, it is fair and reasonable to increase the minimum wage substantially and quickly to make up some of this lost ground

Comment:

- **We have some reservations or concerns of solely indexing the minimum wage to the CPI once the LICO threshold is reached for fear of seeing the minimum wage falling behind as seen in the past.**
- **Although there is reference and recommendations for the Committee to review the process yearly to ensure the minimum wage formula remains relevant to changing conditions; we are hopeful this recommendation also applies to the proposal of indexing the minimum wage to the CPI and would recommend this action.**

We again thank you for the opportunity to participate in this process and to respond to the report and should you have any questions or concerns please feel free to contact us at any time.

We would also like to congratulate the province for establishing this Minimum Wage Review Committee and to congratulate the committee on their report.

Yours truly,

A handwritten signature in black ink that reads "Rick Clarke". The signature is written in a cursive style with a large initial "R" and a long, sweeping underline.

RICK CLARKE

President

RC/jw/CAW Local 4005

