

Low-income earners need a big raise

By John Jacobs
and Stephanie Hunter

IT'S TIME for Nova Scotians working for the minimum wage to get a big raise. A substantial increase in the wage will go some way to addressing poverty experienced by low-income workers and households. It would stimulate the provincial economy and contribute to productivity growth at no cost to the province's finances.

The provincial government is conducting its annual review of the minimum wage rate in Nova Scotia. At \$6 per hour, the rate is in line with the other Atlantic provinces, but far below the \$8 per hour in British Columbia and 60 cents an hour below the national average.

When adjusted for inflation, the minimum wage rate has fallen dramatically since 1977, buying 25 per cent less today than 25 years ago. To have the same purchasing power as it had at its peak in 1976, the current rate would have to increase by more than 30 per cent to \$8.

A full-time worker in Halifax making minimum wage ends up with income that is 22 per cent below the poverty line. A couple with two children depending on 60 hours of minimum-wage work a week earns an income that is almost 40 per cent below the low-income cut-off.

Some commentators have claimed the minimum wage only affects a small portion of workers and that most minimum-wage workers are teenagers. In fact, most minimum-wage workers in Nova Scotia are women (63 per cent), over 19 years old (57 per cent), and working in part-time jobs (57 per cent).

The benefits of increasing the minimum wage extend far beyond those currently working for \$6 per hour. The minimum wage bears directly on other wages in the economy, as noted by the Canadian Council for Social Development: "The level of the minimum wage is important not only to minimum-wage workers, but also to those whose wages are \$2 to \$3 above the minimum rate. By establishing the level of the bottom rung on the income ladder, the minimum wage greatly influences the levels of the next few rungs as well." If the minimum wage rises, other low wages across the province will be pressured to follow suit.

A substantial increase in the minimum wage would therefore improve the livelihoods of many more Nova Scotians than the 15,000 currently working for the minimum rate. In 2000, 25 per cent of the waged workforce in Nova Scotia worked for less than \$8.10 per hour. An increase in the minimum wage would stand to improve the livelihoods of more than 100,000 of Nova Scotia's workforce of 435,000. It would also contribute to closing the gap between the wages men and women earn. Research repeatedly shows that more women in Canada live in poverty than men. Not surprisingly, women are disproportionately represented in the low-wage category — 25 per cent of female waged workers earn less than \$7.25 per hour, whereas 25 per cent of men work for less than \$9.50.

An increase in the minimum wage would also contribute to increased productivity. Low wages contribute to low morale; this can lead to decreased productivity as workers become disillusioned, reduce their work effort, and move from one job to another or are let go by their employer. Low wages also allow inefficient firms to carry on. They survive through low wages and put off making investments in training and technology that increase productivity. A higher minimum wage also increases economic activity. Low-waged workers, out of necessity, are likely to spend their wages on goods and services provided in the local economy, rather than, for example, putting funds into an RRSP.

A recent report by GPI Atlantic found that "Nova Scotia's poor are the poorest in Canada" and that income inequality is increasing — the rich are getting richer and the poor poorer. What are the socio-economic costs of maintaining a low minimum wage and the poverty it spawns? The Canadian Policy Research Networks has identified the following consequences of low-paid work: "poverty: unable to provide for themselves and their families; poor health: people who are poor make greater use of the health care system; poor child development: more children at risk of health, behavioural and cognitive problems; underutilization of existing human capital; underdevelopment of future human capital; lost productivity growth."

So, why not provide a substantial increase in the minimum wage? Research in Canada and the U.S. has shown that increasing the minimum wage is not the job-killer some would have us believe. Peter O'Brien of the Canadian Federation of Independent Business noted that the last increase in the minimum wage in Nova Scotia would not have a significant impact on the members of the federation.

Nova Scotia should become a leader in setting an adequate minimum wage in Atlantic Canada. The Atlantic provinces currently have among the lowest rates in Canada. No matter how you look at it, increasing the minimum wage is good public policy in Nova Scotia. Setting a minimum wage rate that allows workers to get over the poverty line is one key policy tool that allows the government to meet social and economic welfare objectives, and it stimulates the economy. A failure to set a fair minimum wage in the context of the high unemployment that characterizes the region contributes to unacceptable poverty and hardship for hundreds of thousands of households in Atlantic Canada. A failure to set an adequate minimum wage increases costs for social programs that address the needs of the working poor. It's time for a big increase in minimum wage.

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