

PRINCE EDWARD ISLAND FEDERATION OF LABOUR

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Minimum Wage Should Be a Living Wage

The benchmark for all meaningful employment is a wage rate that provides the basic necessities of life. Clearly, the present minimum wage of \$6.80 per hour is insufficient. What we need is a living wage; a wage that would be reflective of the needs of the workers and their families.

PEI workers continue to be the lowest paid workers in the country. Their average weekly earnings are even substantially less than the averages in the other Atlantic provinces.

Province	Dec. 2001	Dec. 2002
NF	\$613.73	\$629.40
NB	\$601.29	\$617.46
NS	\$582.59	\$595.87
PEI	\$531.15	\$546.54

Statistics Canada- Employment, Earnings and Hours, March 2003

A good portion of our economy is seasonal (tourism, agriculture, etc.) so it means that a lot of workers do not have full time jobs of 40 hours a week. Another segment of our economy has a lot of workers who are part-time or casual; these workers also do not have a full 40 hours a week of work. Most of these workers are men and women who are working at minimum wage \$6.80 an hour or close to it. The rest of the time they are forced to go on Employment Insurance with only 55% of their earnings. There were over 30,000 Employment Insurance claims filed on P.E.I. in 2002 and most claimants would have total revenues less than \$13,000.00 (Stats. On PEI UI for 2002)

The reality is that women are the bulk of these workers. They are working mainly in clerical, service and medical/health occupations. In 1990, 66% of Prince Edward Islanders working part-time were women. The average annual income of female-headed lone-parent families is \$10,000 less than male-headed lone-parent families and \$20,000 less than husband-wife families. Almost half of PEI women (from all age groups) are working in jobs which pay less than \$10,000 a year. More than a third of female lone

parents are living in Poverty (Women in PEI- A statistical study 1996). These statistics are certainly still relevant.

The 2002 Poverty Line for P.E.I:

Single employable:	\$16,401
Single parent, 1 child	\$20,501
Couple, 2 children	\$30,864

A worker on minimum wage in 2003 working 40 hour-week for 52 weeks (full time) would have an income of \$13,000.00. A single parent in this situation would be in a deficit of \$7,501 while a couple would be in a deficit of \$17,864. This situation is unacceptable.

Behind the figures are dashed hopes of people who desire a more stable future with secure work and a living wage. Women who earn much less than men are particularly impacted by the low wage economy.

During our latest brief to the Provincial Cabinet, the PEI Federation of Labour provided a set of facts and figures outlining our concerns re low wages on PEI. According to the 2002 Analysis of income in Canada done by Stats Canada, PEI families earn an average \$49,400/year of after-tax income which is \$11,000/year lower than the national average of \$60,500. We would like to emphasize that the issues regarding low wages need to be addressed by all government departments by adapting a strategy to look at employment issues through the policies of each government department.

In the Health and Social Services Portfolio , poverty should be recognized as the major social determinant of health. Health Canada's Report entitled "The Tides of Change" links health issues to poverty. A healthy population is created by ensuring everyone has a reasonable standard of living otherwise poverty is a huge factor in low birth rates, addictions, cancers, and chronic diseases. Poverty and exclusion are interlinked.

As well as the official statistics regarding poverty, we also note the following:

-The CBC Turkey Drive has grown from 200 turkeys 17 years ago to over 2200 today.

-From September 2003 to September 2004, 21,2600 meals were served with an average of 44 clients per meal at the Upper Room Food Kitchen.

-The West Prince Caring Cupboard recorded 717 visits in 2002, 804 in 2003, and by mid November, 2004 that figure had grown to 917.

-Food Bank usage on PEI has grown by 8.5% on PEI over the previous year. The Charlottetown Food Bank serves 17,510 people a year.

-The percentage of working poor who access food banks and soup kitchens on PEI is higher than the National average.

The federation is happy that the provincial government has been increasing the minimum wage on a yearly basis but were are very concerned about the amount of time it is taking to get that wage to a level that workers can subsist on.

Increasing the minimum wage is good for economic development in PEI. Jobs are being created in the province. But according to the Atlantic Provinces Economic Council (APEC), between 1997 and 2002, "Atlantic employment has grown 19% in low-wage industries but advanced only 7% in high-wage industries." "In all four [Atlantic] provinces, accommodation and food services [a sector in which] earnings are less than half of the all-industry average - accounted for a rising share of total employment between 1991 and 2002." Not surprisingly the accommodation and food services sector tops the list of industries in PEI that pay minimum wage. Another indication of this trend is the decrease in average real weekly earnings in PEI over the past decade, whereas in other regions of the country real earnings have been increasing.

Allowing the minimum wage to remain low permits businesses to depend upon low wages instead of increasing their productivity through training workers and investing in equipment and technology. A higher minimum wage contributes to increased worker satisfaction and commitment to their job and employer. Higher minimum wages also contribute to the local economy. When low income earners get a raise they tend to spend it locally on basic necessities.

Some business advocacy groups are against a significant increase in the minimum wage. They claim that it will force some small businesses to close shop. There is no question that marginal businesses will find it difficult to adjust to minimum wage increase. But is the higher wage the real problem or is it that these businesses are unable to respond to short-term challenges through innovation? What are we saying about the value of workers if we agree that in order for businesses to be successful, workers must be paid a wage that does not provide them with even a modest standard of living? But of course not all businesses that have benefited from a low minimum wage are small. The fast food chains come to mind - McDonalds, Tim Hortons etc. - profitable companies that choose to reward executives, share holders and owners rather than pay workers a living wage. Low-income Islanders are forced to subsidize these companies with their underpaid labour and our communities are increasingly left to subsidize corporate profits through charities such as food banks. Government supports low-income workers as well when they are earning so little each month that their income must be subsidized through social assistance.

For those small businesses that cannot quickly adjust to an increased minimum wage temporary support should be provided through, for example, short-term tax measures.

So what kind of a increase are we talking about? The minimum wage needs to increase to at least \$ 8.25 an hour just to lift individual workers out of poverty and to \$10.00 an hour to move it to a living wage. Increasing it to \$8.80 alone would only keep the minimum wage at the same level adjusted for inflation as it was in 1976. In real terms, the minimum wage has declined over 20%. Such a move would benefit not only those most in need but contribute to healthy communities and a vibrant productive economy.

The problem with a low minimum wage is compounded by the fact that only 43% of Islanders work full-time and year round causing many to rely on the 55% of their wages that EI supplies.

We urge the government to do what it can to eliminate the working poor on PEI and ensure that all working Islanders can afford to live on the wages they work so hard to earn. The most recent Statistics Canada figures re income and expenditure by province are quite revealing. In 2003, Prince Edward Island is the only province to have recorded a decline (by 1.2%) of per capita personal disposable income in the country. The National average increased by 1.9 % and the closest Province to P.E.I. was Manitoba which recorded an increase of 0.6%. All other Provinces had increases between 1.2 % and 4.1%. In 2003, Prince Edward Island recorded the lowest per capita disposable income in the country below each of the other Atlantic Provinces.

Of the fifteen categories of occupations listed by Statistics Canada which included statistics from each Province with average weekly earnings in 2003, Prince Edward Island placed last among all the Provinces and Territories and well below the national average of all of these occupations. These categories include: construction; manufacturing; trade; transportation and warehousing; information and cultural industries; real estate, rental and leasing; professional, scientific & technical; administration & support, waste management and remediation services; accommodation and food services; and other services. In the arts, entertainment and recreation category where Prince Edward Island placed second last, it was just within \$1 per week of the last place province. In the remaining categories it was third last twice (public administration and finance & insurance), 4th last in educational services and its highest ranking was 5th last in health care and social assistance. The difference between PEI's ranking and the lowest level was less than \$40 per week of earnings except for 5th last when it was still below the Canadian average in wages.

Some further examples from Statistics Canada illustrate these differences. Construction wages in Canada averaged \$821.92 while P.E.I.'s wage was only \$595.89. Manufacturing fared even worse with \$842.33 being the Canadian average while P.E.I.'s average was only \$575.45 per week. The trend continued in all categories including the lowest paid

ones such as arts, entertainment and recreation which was only \$420.05 average across Canada, on P.E.I. it was only \$304.75.

The average expenditure per household for food, shelter, clothing and other costs was \$35, 748 on P.E.I. which was on par with the remaining four Atlantic Provinces: Newfoundland-\$35,980, Nova Scotia-\$37,860 and New Brunswick-\$36,655. The average owner's major monthly payments for dwellings was \$605 on P.E.I. but was \$534 in Newfoundland and \$583 in New Brunswick. For tenant occupied housing the average gross rent for Prince Edward Island was \$543. The same costs for Nova Scotia was higher \$589 but costs for both Newfoundland \$513 and New Brunswick \$507 were lower than on Prince Edward Island. Costs in Quebec were lower as well at \$529 as were both Saskatchewan \$524 and \$523 in Manitoba. The myth that wages are lower on Prince Edward Island because the cost of living is so much cheaper are not borne out by the facts. Other costs such as electricity are higher on Prince Edward Island than elsewhere and the cost of food remains relatively inelastic across the country.

The above statistics from Statistics Canada illustrate that the prevailing myth that wages are lower on Prince Edward Island are due to the fact that the cost of living here is so much lower is just that a myth. In fact, working Islanders find themselves consistently with the lowest hourly and annual wages in the country even when they also tend to work longer hours than workers elsewhere when work is available for them. This finding also illustrates why many poor working Islanders living in inadequate or substandard housing as the recent ALERT report on housing revealed.

It is important to remember that the real value of work needs to be recognized and valued. In practically every sector of the economy, unorganized workers suffer from the lowest wages in Canada yet their costs of living are not the lowest. The approach of the government in attracting certain businesses to relocate here only to capitalize on low wages is not working. We need to increase the minimum wage to move it as it now acts as an anchor in keeping all wages relatively low in comparison. The long term health care costs for maintaining a low wage workforce will be borne by government and the public not by businesses which may locate to locations where pay is even less if they could. The cumulative costs of having Islanders retire into poverty after working a lifetime of low wages are also costs which will be borne by all of us.

We know that a past study about shortages of workers in tourism did not deal with the fact that workers were very low paid in this industry and many workers faced with commuting costs, rising auto insurance and other opportunities did not seek employment in this field. The study's response was that since there were fewer workers in a lower demographic age frame willing to work in this field that retirees should be asked to continue their working life working in tourism. They were following the same solution as McDonald's and Walmart in keeping wages low yet not promoting an industry that could support a generation of workers who needed to raise families on the wages they would

earn in this industry. Another LMDA study in agriculture promoted the idea that the advent of the use of migrant labour would deal with labour issues in this industry without regard to the issues of wages, quality of working life and health and safety issues. With visions like this guiding the shaping of policy for employment on Prince Edward Island, we will reach a dead end. The only way out is to find ways and means to value workers and find the means to give them the training and education needed to make positive contributions as workers within our Province. Establishing a living wage for all workers on Prince Edward Island is a step in this process.

As a means to value workers on Prince Edward Island we ask that the number of statutory holidays be increased by two days by adding Victoria Day and Thanksgiving Day to the list of statutory holidays for all workers on Prince Edward Island. This will still place the number of holidays on Prince Edward Island below what workers in federal jurisdiction now enjoy.

We also ask that the rate of vacation pay for workers who have worked for their employer for more than eight years be increased to 6% rather than remaining at 4% (and at 3 weeks rather than 2 weeks). This will also place Prince Edward Island with other Provinces across Canada who have done this including Newfoundland and New Brunswick.

We urge that you recommend to government a move to implement real living wages.

Thank you for considering these issues and feel free to contact our office for further information and clarification.