

Make it Fair: \$15 minimum wage for British Columbians

Submission to the
BC Fair Wages Commission
Ministry of Labour
PO Box 9206 Stn Prov Govt
Victoria, BC V8W 9T5

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MAKE IT FAIR

\$15 MINIMUM WAGE FOR BRITISH COLUMBIANS



Introduction

Unifor is Canada’s largest union in the private sector representing 315,000 members working in every major sector of the economy. Unifor represents nearly 30,000 workers in B.C. Nearly 40% of our members in British Columbia work in road transportation. Another 20% work in retail, hospitality and food services. Many of our members work in low-waged sectors of the labour market and have intimate knowledge of the difficulties that can come with low pay as well as the benefits that extend to families and communities when wages are increased.

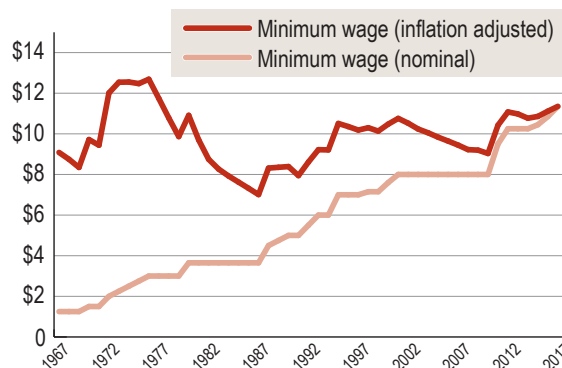
Unifor advocates for all working people and their rights, fights for equality and social justice in Canada and abroad, and strives to create progressive change for a better Canada. The work of the Fair Wage Commission in British Columbia falls directly in this mandate and Unifor is pleased to provide its views and input into the process of increasing British Columbia’s minimum wage today and in the future.

The minimum wage has not kept up with inflation or other benchmarks

Minimum wage workers have been on an earnings roller-coaster for much of the past five decades. It is true that in nominal terms the minimum wage is higher than at any other time in history, however in real terms, minimum wage workers in B.C. actually earn less per hour today than was the case in the 1970s. In inflation-adjusted terms, the minimum wage was

Figure 1: Nominal and Real Minimum Wage in B.C.: 1967-2017

Source: Minimum wages from HRSDC, CPI from Statistics Canada Cansim Table 326-0020



approximately \$9 in 1967 and rose thereafter. By 1974, the minimum wage was roughly \$12.55 in inflation adjusted terms and in 1976 had reach \$12.70.

The minimum wage increases in the early 1970s meant a doubling of the minimum wage in nominal terms \$1.50 in 1971 to \$3 by 1976. There were similar increases in Ontario as governments across the country recognized the need for a higher wage floor for low-wage workers in the province.

A series of minimum wage freezes in the late 1970s and early 1980s meant that the real value of the minimum wage plummeted between 1976 and 86. Overall, the minimum wage adjustment pattern has been an increase and freeze approach that has often left workers falling behind instead of getting ahead.

The world over, minimum wages have been introduced as a protection against exploitation in the labour market. When first introduced, these wages often covered specific sectors or workers, but over time it was recognized that all workers need and deserve strong minimum protections and the minimum wage and other employment standards coverage expanded to cover more workers.

\$15 now would not chart new territory

An immediate increase in the minimum wage to \$15 an hour would not chart new territory. In fact, it would mimic the increase implemented by the government of B.C. in 1972. In 1972, after a one year freeze, the minimum wage was increased from \$1.50 to \$2 per hour – a 33% increase in one year. In addition to this one-time increase, the minimum wage was increase the following four years equalling a 100% increase over the five-year period between 1972 and 1976. The minimum wage had been increased by 20% in 1970.

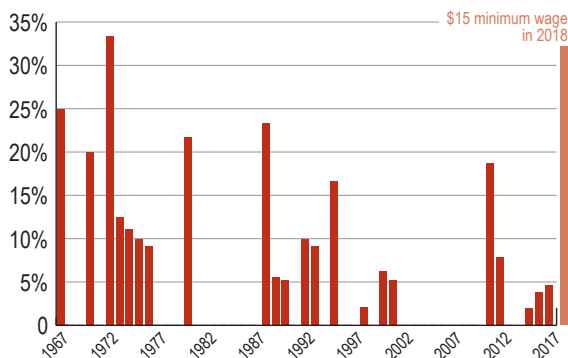


Figure 2: Annual percent change to the minimum wage in B.C.: 1967-2018

Source: Author’s calculations with data from HRSDC Minimum Wage Database

In B.C., the minimum wage has seen small increases the last three years including a 2% increase in 2015, a 4% increase in 2016 and a 5% increase this year. These small adjustments have ensured that minimum wage earners aren’t falling further behind but have not done

I work one full-time job and one part-time job and cannot afford to buy a home or pay the rent. My wages do not pay our bills and groceries. My children are growing and I cannot afford to send them to University.

\$15 now would make sure I have more money to pay my bills and maybe work less hours to spend time with my family.

LENI, VANCOUVER

enough to minimize or eliminate the poverty gap or ensure that workers are earning enough to make ends meet.

Workers in B.C. need a raise

Looking at the data, one thing is abundantly clear: workers in B.C. need a raise. Statistics Canada’s survey of wages indicates that wage growth in Canada and British Columbia has been relatively slow. In the 2000s, year-over-year wage growth averaged roughly 2.5% at the provincial level. Since 2010 average year-over-year wage gain has been 1.7%. This is a significant decline in wage growth and one that is likely depressing aggregate demand and increasing household debt.

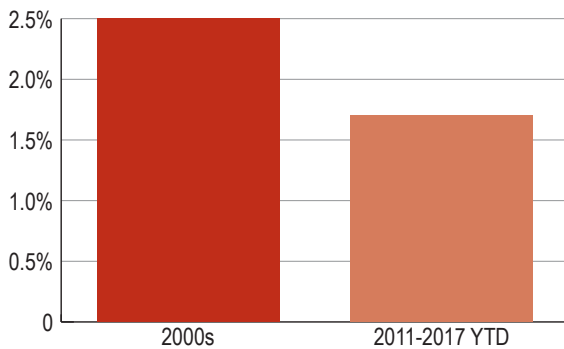


Figure 3: Average year-over-year wage growth in B.C.: 2000s vs. 2010s

Source: Author’s calculations with data from Statistics Canada, Cansim Table 282-0071

It is valuable to compare the minimum wage to a number of existing benchmarks that can provide context around the relative value of the minimum wage currently and in historical perspective. These measures include the poverty line, an index of labour productivity, and the full-time average and median hourly earnings of all workers in the province.

Minimum wage workers in B.C. earn too little when compared to the average worker in the province. Currently the minimum wage sits at only 42% of the average industrial wage for full-time workers in B.C. In Canada, only Ontario and Saskatchewan have lower ratios. This is low compared to Canada as well as to other international comparators. In their 2013 submission to the Minimum Wage Advisory Panel in Ontario (a precursor to the current minimum wage increases) economists from the Canadian Centre for Policy Alternatives propose the minimum wage should be tied to approximately 60% of the average industrial wage citing public policy goals in Europe and minimum wage ratios in France, New Zealand, Australia, Belgium and Ireland (Hennessey et al. 2013). Raising the minimum wage to \$15 an hour would move the minimum wage ratio to roughly this goal.

Workers Have Been Waiting Long Enough for an Adequate Minimum Wage

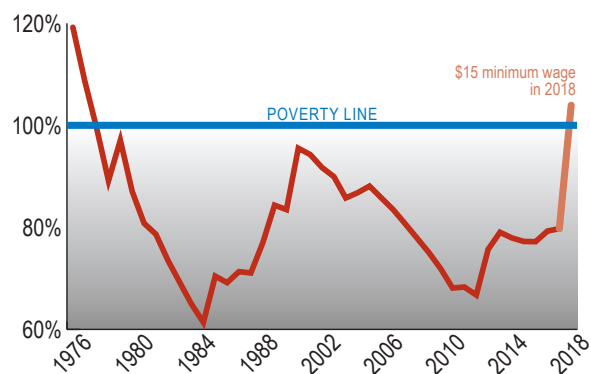
Vancouver is home to the second highest rate of working poverty of any major city in Canada – nearly 12% of people working in Metro Vancouver are working poor. Across the rest of British Columbia the working poverty rate is 7.2%. One interesting aspect of the working poverty definition employed is that the numbers exclude students and only include workers whose entire household income is below the poverty line. This means the 11.6% of Vancouverites who are classified as working poor does not even count other low-waged workers who might rather be living on their own but are economically disempowered from doing so. The report provides a suite of policy recommendations that can be employed to reduce the working poverty rate in British Columbia – the first is raising the minimum wage (Ivanova, 2016).

Since the mid-1970s, the minimum wage has consistently caused low-wage workers to fall behind instead of get ahead – when compare to cost of living, poverty and productivity.

The earnings of a full-time, minimum wage earner fall below the poverty line. In 1976, a full-time minimum wage worker earned nearly 20% more than the poverty line. By 1986 that number had fallen to only 60% of the poverty line for a single adult. Overall, as the figure below indicates, minimum wage workers have been on a roller coaster ride with full-time minimum wage earnings fluctuating from a high of 120% of the poverty line in 1976 to a low of 60% of the poverty line in 1986. Today, the ratio sits at approximately 80% of the poverty line.

Figure 4: Full-time, minimum wage earnings and the poverty line in B.C.: 1976-2018

Source: Author's calculations with data from Statistics Canada and HRSDC



An increase to \$15 in 2018 would increase the earnings of a full-time, minimum wage worker to 103% of the poverty line ensuring the hard work they put into their jobs lifts them out of poverty. Any slower and the \$15 minimum wage will leave even full-time workers in poverty still.

A second benchmark to which the minimum wage has sometimes been compared in the literature is labour productivity. Between 1965 and the late 1970s real minimum wage

I work as a cleaner making \$12.50 an hour. My wife works as a cook. She makes \$12.45 an hour. We have two daughters—one is in University, the other will go to University next year.

My mother lives with us; she is disabled and depends on us for support and care. We have only one car and use bus and sky train to get around. I have to work 14–16 hours to get by. I have chronic pain and my doctor says to work less hours because I have pulled muscles but then I can't pay my bills.

MANJIT, VANCOUVER

growth and labour productivity roughly tracked each other. In the late 1970s the two became decoupled and a significant gap has developed between productivity gains and the minimum wage. The figure below provides a more fulsome picture.

Figure 5: Index of productivity gains and minimum wage increases in B.C.: 1965-2018

Source: Authors calculations with data from Statistics Canada Cansim table 383-0021 and HRSDC



An increase to \$15 in 2018 would cut the gap in half and, in addition is likely to have a positive effect on productivity in low wage sectors. Further increases in proceeding years could continue to close the gap.

\$15 is the new standard

To the south and to the east, our neighbours are rapidly moving to a \$15 an hour minimum wage.

In Alberta, the minimum wage will reach \$15 in 2018. In Ontario, the minimum wage will reach \$15 an hour in January of 2019. On November 22, the Ontario government passed legislation that increases access to sick days for 1.4 million workers, ensures pay if a workers shift is cancelled and requires equal pay for equal work between permanent full-time workers and part-time or temporary workers. This move makes Ontario a leader in the quest to eliminate low-waged work.

Most employers in Seattle will be required to pay a \$15 an hour minimum wage next year and in Los Angeles, the minimum wage will be \$15 in 2020. The legislated minimum wage in New York City will be \$15 an hour by the end of 2018. In addition to these leading jurisdictions, cities and states across the US and around the world are moving to increase the wages of low waged workers. The United Kingdom has implemented a National Living Wage Policy that sets the Living wage at 60% of median earnings – a robust bar that will set the country on a course to decrease poverty, reduce income inequality and increase productivity and worker well-being.

Given the changes occurring across the board when it comes to pay, continuing down the road of a low wage strategy will put us at a competitive disadvantage with our close neighbours and global competitors.



\$15 an hour still falls short of a living wage

A \$15 minimum wage still falls short of the all living wages calculated in British Columbia. The Living Wage for Families Campaign and CCPA-B.C. define the living wage as the hourly amount of money a person working full-time needs to earn in order to meet basic expenses (Living Wage for Families, 2016). 16 jurisdictions in B.C. have calculated a living wage for their community – each is higher than \$15 an hour ranging from \$15.90 in the Fraser Valley to \$20.62 in Vancouver. In fact the average value of the living wage in B.C. is \$17.83 per hour – well above \$15 an hour.

There are 80 Living Wage employers in B.C. All have signed on to pay their employees, at minimum, the living wage. As time passes, minimum wage workers will continue to fall behind this important benchmark.

Table 1: Living Wage calculations across regions in British Columbia.

REGION	LIVING WAGE	GAP BETWEEN \$15 MINIMUM WAGE AND LIVING WAGE
Comox Valley	\$15.96	\$0.96
Port Alberni	\$17.22	\$2.22
Clayoquot Sound	\$20.11	\$5.11
Cowichan Region	\$18.81	\$3.81
District 69, Parksville-Qualicum	\$16.44	\$1.44
Nanaimo	\$17.55	\$2.55
Victoria	\$20.01	\$5.01
Vancouver	\$20.62	\$5.62
Fraser Valley	\$15.90	\$0.90
Powell River	\$16.75	\$1.75
Lower Columbia Region	\$18.15	\$3.15
Kamloops	\$16.90	\$1.90
Revelstoke	\$18.77	\$3.77
100 Mile House	\$17.45	\$2.45
North Central Region	\$16.39	\$1.39
North East Region	\$18.29	\$3.29

In each of these cases, \$15 now would go some way to closing the gap between the minimum wage in 2017 and measurable benchmarks and historical norms.



Eliminate sub-minimum wage rates

Despite the desire for robust minimum wage laws and employment standards in B.C., there are still many workers that continue to be left out or allowed to fall behind. The B.C. government currently legislates sub-minimum wage rates for at least six categories of employee including: liquor servers, live-in home support workers, live-in camp leaders, resident care takers and some farm workers who work for piece work rates.

Generally speaking, regulations and employment standards are not well understood by the general population – including workers and business owners. This means that more simple and consistent regulations and legislation are easier to understand and more likely to be adhered to.

Unifor also recognizes that all workers deserve to earn a wage that allows one to make ends meet. Whether a student, a server, a worker with a high earning spouse or a farm worker, all people deserve the peace of mind a robust minimum wage can bring. Furthermore, sub minimum wage increase unfairness, decrease pay and put downward pressure on working conditions of particular groups of people including workers of colour, new comers, non-permanent resident, Aboriginal workers, young workers and women, all of whom are more likely to be represented in the low waged labour market.

In every industry and in every income bracket, workers are contributing to the functioning of our economy in important ways. No matter what one's life circumstances are or what one's role is everyone deserves to reap the benefits of their hard work and be recognized for the important contribution they make.

Benefits of Raising the Minimum Wage

The weight of the economic evidence points to the fact that an adequate minimum wage plays an important role in rising worker well-being and, in turn, productivity and consumer spending. This can lead to stronger economic growth and potentially reduce both poverty and income inequality. Robust minimum wages can also have a positive impact on the bottom line of any business through increased productivity and reduced turnover. The debate around the effects of a robust minimum wage often over emphasize the potential costs and under emphasize (or entirely ignore) the myriad of benefits.

In their 2013 submission to Ontario's Minimum Wage Advisory Panel, Hennessy, Tiessen and Yalnizyan report that robust minimum wage can have a positive effect on the profitability of a company by increasing productivity through two different channels. On the one hand, an increase in the cost of labour will lead employers to invest in their employees' productivity by providing more on-the-job training and/or labour-enhancing (and labour-displacing) capital equipment. On the other hand, employees who have been constantly struggling to make ends meet experience less stress and have more energy to devote to their work.

Block and Rozworski (2017) suggest that a robust minimum wage can shift an economy from



I was raised in poverty or not far from it and seen the struggles of my mother to raise the four of us. The same struggles I see my Daughter wrestle with to raise her 10 year old son. She's an example of the one in five B.C. children living in poverty. The people of my community need help with this problem. A fair and timely minimum wage is not the complete solution to these struggles but is a large part of the path in the right direction to a strong and vibrant community.

KEN, PRINCE GEORGE



a low-wage, high turnover jurisdiction to a higher waged economy focused on low turnover, on-the-job training and higher productivity. Indeed, Ontario's Minimum Wage Advisory Panel also suggested this positive benefit. In the conclusion to the final report MWAP stated:

Aside from poverty considerations, it can be argued that Ontario needs a high wage strategy to maintain and foster its prosperity. This is a broader, longer-term goal which could nonetheless factor into setting of minimum wages in the future.

MWAP, 2014

In 2017, an MIT economist found that every 10% increase in the minimum wage leads to a 2%-5% decrease in poverty rates for non-seniors (Dube, 2017). Further research from University of British Columbia economist David Green (2015) finds that the reason we have not seen poverty rates decline as the minimum wage has increased in the past is simply that we have not raised the minimum wage high enough.

Increasing the minimum wage to \$15 will increase the purchasing power of hundreds of thousands of workers in B.C. Lower income workers are likely to spend that additional money in the local economy. This will increase demand and consumer spending and have a positive effect on the economy (Yalnizyan, 2016).

Essentially, the consistent undercutting of the minimum wage by successive governments has meant many of the benefits that could have been derived from a robust minimum wage have been missed because political leaders have been too timid.

Ensuring robust minimum wages in the future – establishing a permanent fair pay commission

Moving the minimum wage to \$15 an hour is one important step in ensuring British Columbians are covered by a robust wage floor. There are multiple models for setting and adjusting the minimum wage rate around the world; three overarching models include 1) regular, legislated updates; 2) irregular revisions (subject to political whim) and 3) the presence of a commission focussed on research and data provisions for high-quality decision-making.

Both Australia and the United Kingdom are home to Commissions focussed on, among other things, setting and adjusting the minimum wage.

The UK established its Low Pay Commission in 1998. Throughout that time the Commission has been responsible for making recommendations regarding the minimum wage in the UK. In addition it carries out extensive research and consultation including surveys of firms in low-paying sectors, consulting with employers and analyzing relevant data on low pay in the country. Over the last two decades, the commission has produced extensive research and exposed examples of poor employment practices having a major impact on employment policies in the UK.



The strength of the Low Pay Commission in the UK has been three-fold including extensive and robust research programs, a tripartite set of independent commissioners and the role it plays in monitoring and improving compliance with minimum wage regulations.

The biggest weakness of the Low Pay Commission has been a limited mandate that allows only recommendations – meaning recommendations can be rejected.

In Australia, the Fair Work Commission is mandated to focus on reviewing and setting the national minimum wage rate and other minimum standards. The Commission also facilitates good faith bargaining and oversees additional industrial relations activity. The Fair Work Commission took over the function of setting an adjusting the minimum wage from the Fair Pay Commission in 2009. The Commission's Expert Panel for Fair Wage Reviews is conducts an annual review of the minimum wage and issues a decision. The panel commissions expert research and use the expertise of the panel members to make minimum wage decisions annually.

The commission also investigates workplace violations and supports increasing and enforcing minimum standards.

The OECD has found that revising the minimum wage on a regular, apolitical schedule has been a successful way of ensuring regular increases in the minimum wage to guarantee low wage workers do not fall behind. Establishing a permanent Fair Wage Commission in British Columbia, with a broad mandate, would follow best practice globally and allow for more informed decision making on minimum wages and other employment standards.

Recommendations

A careful review of the facts and research presented in this document produces three clear and concise recommendations for this first phase of the work of the Fair Wage Commission.

Unifor recommends:

1. Immediately raise the minimum wage to \$15.
2. Eliminate the sub-minimum wage rates for liquor servers, live-in home support workers, live-in camp leaders, resident care takers and farm workers.
3. Set up a permanent Fair Wage Commission in B.C. to:
 - Regularly set and adjust the minimum wage on a pre-determined schedule based on pre-determined benchmarks including increasing consumer prices, labour market productivity and the average industrial wage for full-time workers.
 - Conduct independent and in-depth research on the effects of a robust minimum wage on workers, businesses and the economy in B.C. and additional jurisdictions.



Conclusion

A move to increase the minimum wage to \$15 now is the right thing to do. The 32% increase from \$11.35 an hour to \$15 would not be unprecedented. A similarly sized increase was implemented in 1972, followed by an additional four years of increases totalling a 100% increase in the minimum wage over a five-year period.

An increase to \$15 now would have a sizeable and positive impact on low wage workers across the province who are working hard and struggling to make ends meet. \$15 would lift full-time, full-year workers above the poverty line, close some of the gap between productivity increases and the real minimum wage, and move the province incrementally closer to becoming a living wage jurisdiction.

An increase to \$15 now would have a sizeable and measurable positive impact on the B.C. economy. In 2015, nearly 500,000 workers in B.C. – a full 25% of employees in the province – earned \$15 or less (MacEwen, 2016). An increase to \$15 now would give all 500,000 of these workers a raise. That means \$500,000 people with more money in their pockets to spend in the local economy, raising consumer demand and increasing sales at local businesses. At the same time, a robust minimum wage will also have the effect of increasing productivity and bolstering the bottom line of businesses across the province.

Moving forward, the minimum wage increases should be set and adjusted based on the recommendations of a permanent Fair Wage Commission with sufficient power to make necessary changes in an unpoliticized manner based on in-depth and independent research.

Unifor supports a move to a \$15 minimum wage in 2018 as an important ingredient in a broader decent work strategy for B.C. Unifor looks forward to discussing these additional ingredients in the future.

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