

**Report to the Minister of Labour
on the Minimum Wage and Other Matters
under Section 15 of *The Labour Standards Act***

**Saskatchewan Minimum Wage Board
April 2005**

Saskatchewan Minimum Wage Board

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I. Mandate: Saskatchewan Minimum Wage Board (MWB)

The mandate of the Minimum Wage Board is established in subsections 15(4), (5) and (6) of *The Labour Standards Act*. The mandate is to:

- a) review and make recommendations to the Minister of Labour at least once every two years respecting the minimum-wage;
- b) review and make recommendations to the Minister on those matters pursuant to section 15.1 of the Act; and
- c) make inquiries and investigations respecting all matters pertaining to Part II of the Act related to minimum wages.

II. Preamble

Objectives:

As the Minimum Wage Board for the Province of Saskatchewan, we are committed to an ongoing process of studying *The Labour Standards Act* as it pertains to the Minimum Wage Board. This includes the following objectives:

1. Conduct consultations with the business community, organized labour, government, and the general public;
2. Review statistical, economic, and social data that pertain to the minimum wage, including section 15.1 of the Act;
3. Consider the impact on the economy and business associated with prospective changes in the minimum wage;
4. Consider the social and economic needs of the minimum wage worker.

III. Background

The Saskatchewan minimum wage was last reviewed in 2002. The present minimum wage rate of \$6.65 per hour was established on November 1, 2002.

The Minimum Wage Board regulations specify that “for the period commencing on November 1, 2002, every employee who is required to report for duty, other than for overtime, shall be paid a minimum sum of \$19.95, whether or not the employee is required to be on duty for three hours on that occasion”.

IV. Review Process

The Minimum Wage Board established a public consultation process to encourage stakeholders to make submissions to the Minimum Wage Board concerning potential changes in the minimum wage.

This process included:

- a) Written submissions were requested on June 15, 2004 through a published notice;
- b) Deadline for written submissions was September 15, 2004;
- c) Public notice requesting expression of interest in making an oral presentation was published on September 03, 2004;
- d) Deadline for notifying Department of Labour of interest in making an oral presentation was September 29, 2004;
- e) Public hearings were held by the Minimum Wage Board in Saskatoon on September 30, 2004, and Regina on November 8-9, 2004.

The Minimum Wage Board received 582 written submissions, and 6 oral submissions.

The Board, based on the following criteria, reviewed public submissions and presentations:

a) Economic indicators:

- 1 Historical rates in Saskatchewan
- 2 Comparisons with other jurisdictions
- 3 Relative to average earnings
- 4 Relative to inflation/cost of living
- 5 Relative to Saskatchewan low-income cut off
- 6 Purchasing power of the consumer dollar
- 7 Percentage increase of minimum wage in relation to inflation

b) Characteristics of minimum wage earners:

- 1 Age and gender
- 2 Demographic characteristics
- 3 Education and schooling
- 4 Labour force characteristics/status
- 5 Income characteristics
- 6 Number of persons at or near the minimum wage

c) Characteristics of minimum wage employers and minimum wage jobs:

- 1 Industry and occupation
- 2 Hours of work and schedules
- 3 Tenure and wage mobility
- 4 Other employer and job characteristics
- 5 Employment growth by type of job
- 6 Employment growth by industry

d) Impact:

- 1 Impact on employment
- 2 Ripple effect
- 3 Aggregate employer costs

V. Identification of Trends

The review of written submissions and oral presentations provided an opportunity to identify the concerns of stakeholders, and options for addressing minimum wage issues. In addition, the Board considered emerging social and economic issues by analyzing statistical data.

The following trends were identified through this process:

Trend Number One:

Opposed an increase to minimum wage. The rationale for opposing an increase was the high cost of operating a business, increase will cause a negative impact on hiring part-time employees, and increase will cause layoffs of minimum-wage workers.

When we studied this it has been concluded that a large portion of minimum wage earners work in the restaurant and accommodations service industry and the retail sales industry. It was noted that sales volumes in these industries rose 90% from 1991 to 2003. When comparing the minimum wage relative to the average industrial wage, it was found that the minimum wage has been slowly gaining ground on the average industrial wage.

Trend Number Two:

Government should raise the basic exemption of low-income earners thereby eliminating the claw back effect of taxation on the minimum wage and low wage earners.

We calculated a single worker's deductions based on a 40-hour week for one year and found the annual federal income tax would be \$802.00. The provincial income tax would be \$529.10.

Trend Number Three:

When considering a raise in the minimum wage, the Board should take into consideration Bovine Spongiform Encephalopathy (BSE – the Mad Cow crisis), the weather and the state of the Saskatchewan economy.

To study this, we use the Canadian Federation of Independent Business 2004 Saskatchewan Business Barometer, authored by Brett Gartner, Economist, Prairie Region, January 2004.

Mr. Gartner noted the following: A good number of small and midsize enterprises in Saskatchewan expect healthy growth in 2004. In the last quarter of 2003, firms exhibiting strength and optimism outnumber those that predict weaker performance. Compared to one year ago, 37% of business owners said they were performing better, while 25% said they were doing worse. In the next three months, 26% expect to be doing better, while 20% foresee weaker performance. And, 12 months from now, 55% of businesses expect to be performing much stronger or somewhat stronger, while 17% expect to be worse off.

Relative to results in the second and third quarters of 2003, optimism is up considerably. CFIB's Saskatchewan business expectations index, based on 1988=100, is at 105.5. An important factor contributing to tempered expectations in mid-2003 was of course the BSE crisis. Overall, 28% of Saskatchewan businesses surveyed plan to increase their full time employment levels during the next 12 months, while 12% plan to lower it. The remaining 60% expect to retain the same staffing levels. Changes to part-time staffing are expected to be smaller, with 16% planning increases and 7% decreases. Overall, more firms expect better performance relative to those expecting a downturn. Firms in manufacturing, where 65% anticipate a better year are the most optimistic. Small firms in hospitality, personal services, education, and health as well as retail are among the most optimistic. In late 2003, 42% of agribusiness operations expect a better year, while 24% predict business conditions to worsen. As was the case in the start of 2003, firms in construction are the least optimistic for the year ahead.

The Minimum Wage Board also took into consideration the frost damage to crops in the fall of 2004 in rural Saskatchewan and recognized that it would have a significant impact on the agricultural industry in Saskatchewan.

Trend Number Four:

A number of business people acknowledged that a reasonable increase to the minimum wage would be justified.

One employer stated, “These are extremely hard times for business and a 23% increase is a bit ridiculous. We employ approximately 35 people and 75% of our staff do fall into the minimum wage bracket. I do agree that an increase is in order, but it has to be something that will have a positive impact for workers who fall into that bracket and at the same time allow employers the ability to absorb an increase without laying people off.”

Trend Number Five:

That an immediate increase to the minimum wage is necessary with recommendations that ranged from seven dollars an hour to ten dollars an hour.

Trend Number Six:

Of the individuals that submitted submissions to the Minimum Wage Board, 291 stated the minimum wage should be raised to \$8.16 immediately in order to make progress in reaching a wage level based on the standard of a living wage.

When we studied the low income cut off in Saskatchewan in relation to the minimum wage, we found that in Saskatoon and Regina a single individual is considered below the poverty line if earning less than \$16,979 annually. A single person without dependents living in Estevan, Yorkton or the Battlefords, would be below the poverty line if earning an annual wage of less than \$15,690.

Trend Number Seven:

The minimum wage should be set in accordance with inflation on an annual basis.

When we calculated the minimum wage according to inflation from 1992 until 2004, we concluded that the minimum wage would have been \$8.30 in 2004.

Trend Number Eight:

A minimum wage that is adjusted to a standard of living wage criteria would create a positive work incentive, help to manage stress, improve health, and generally improve the standard of living.

As we reviewed a submission that used this statement, we noted a quote that had been taken from the report, *Toward a Healthy Future: Second Report on Health of Canadians*, Health Canada, Ottawa 1994, page 184.

“Canadians with low incomes are more likely to have physical, social and mental-health problems than Canadians with higher incomes. They are also more likely to die earlier than other Canadians, no matter which cause of death is considered”.

Trend Number Nine:

Identified the problem of discrimination namely: race, gender, age and rural versus city. When we studied our findings in regard to this statement, we found that 62% of minimum wage workers were women and 80% percent were under the age of 25.

Trend Number Ten:

The Ripple Effect: When studying this concept, we found that one constituency of people saw it as a positive effect and the other constituency of people saw it as a negative effect. The report, *Minimum Wage Database*, prepared by Saskatchewan Trends Monitor, page 12, states that there is a complex relationship between the number of low wage earners and the minimum wage. Apparently, during times when the minimum wage was constant, the number declines. An increase catches a number of earners turning them into minimum wage earners. Increases also seem to correspond to more employees below the minimum wage.

VI. Statistical Review of the Minimum Wage

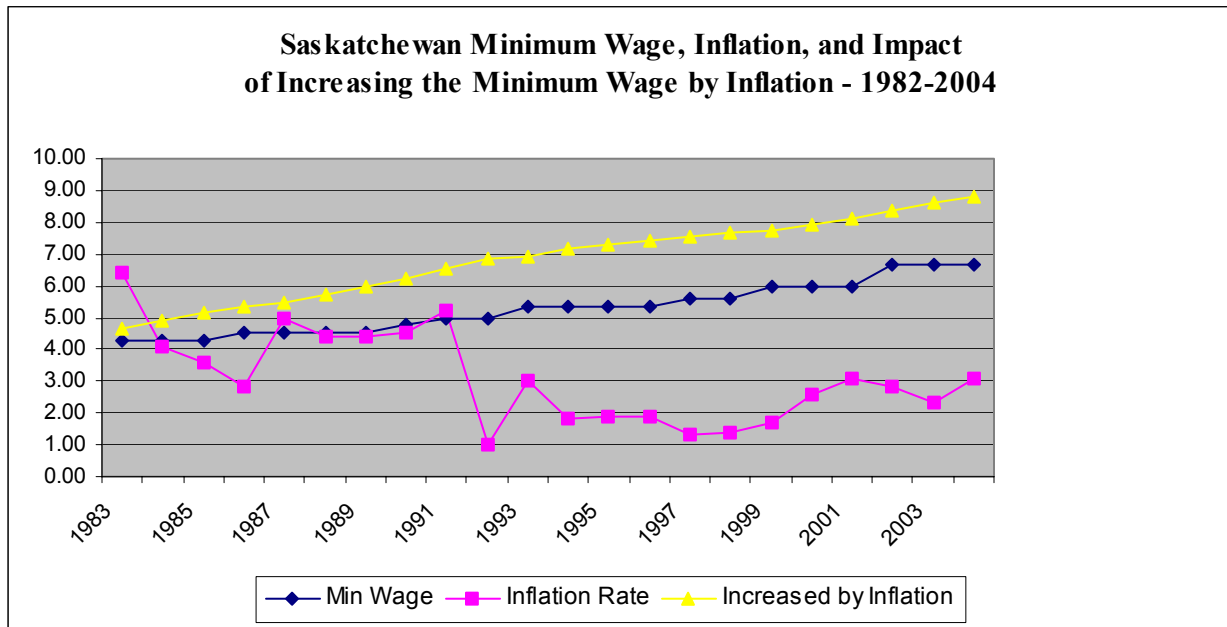
The Board reviewed the statistical data that reflected the historical changes that have occurred:

It is noted that the minimum wage has risen eight times during 1984-2004.

In this span of 20 years the minimum wage has increased \$2.40.

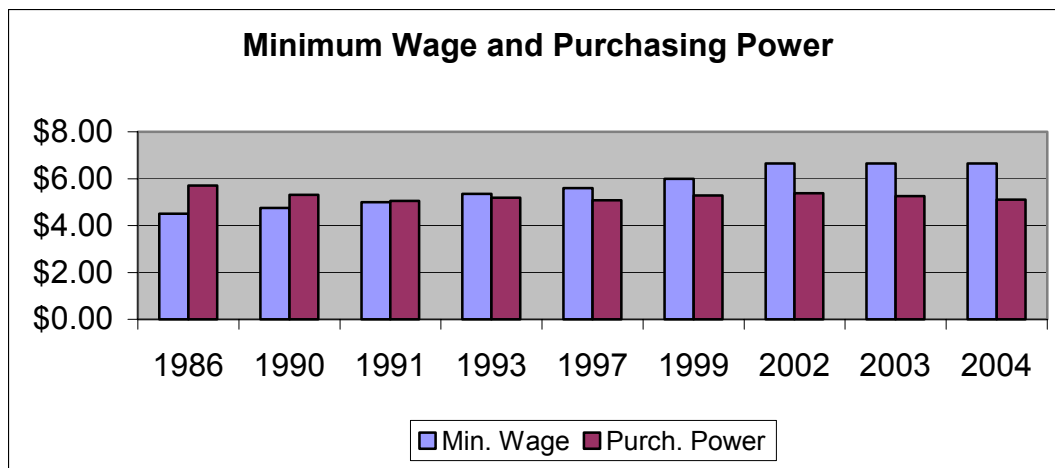
Minimum Wage Database, Sask Trends Monitor, Page 3





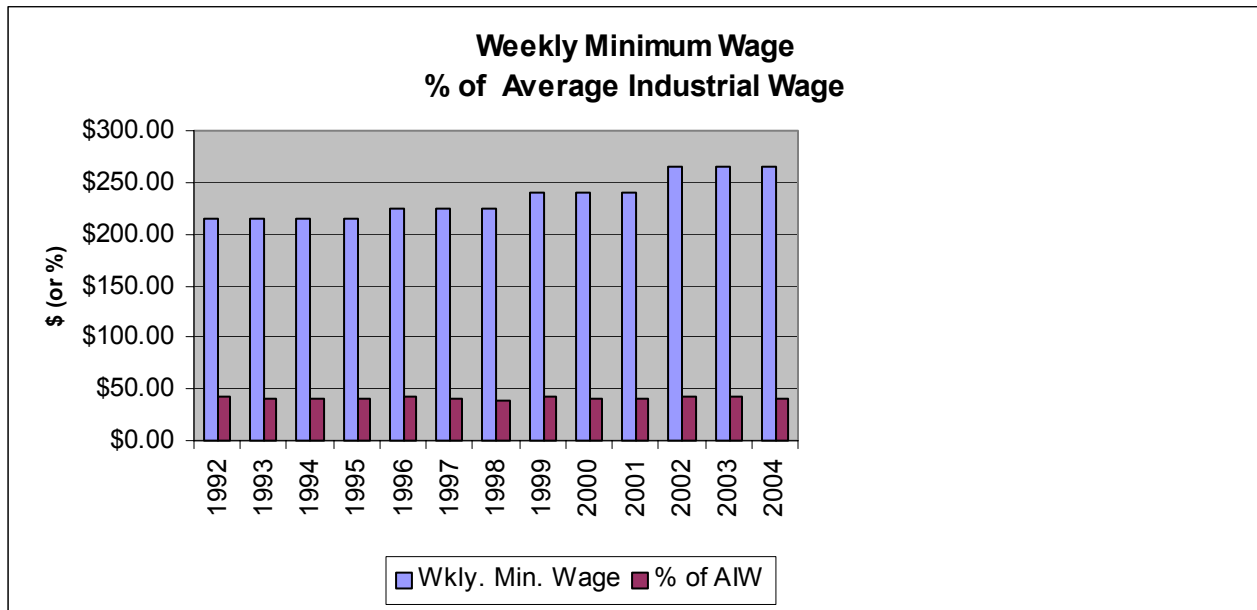
By using the statistics from the Canadian Consumer Price Index for Saskatchewan, it was concluded that the minimum wage in constant dollars has been near or slightly above five dollars an hour since the late 1980s.

Minimum Wage Database, Sask Trends Monitor, Page 04



When comparing the minimum wage relative to the average industrial wage it was found that the minimum wage has been slowly gaining ground on the average industrial wage in the nineties. We felt it was an important point to note, that when making the comparison the minimum wage earner is assumed to work 40 hours a week.

*Minimum Wage Database Sask Trends Monitor, Page 5
Saskatchewan Labour, Planning and Policy Branch, Table 5*



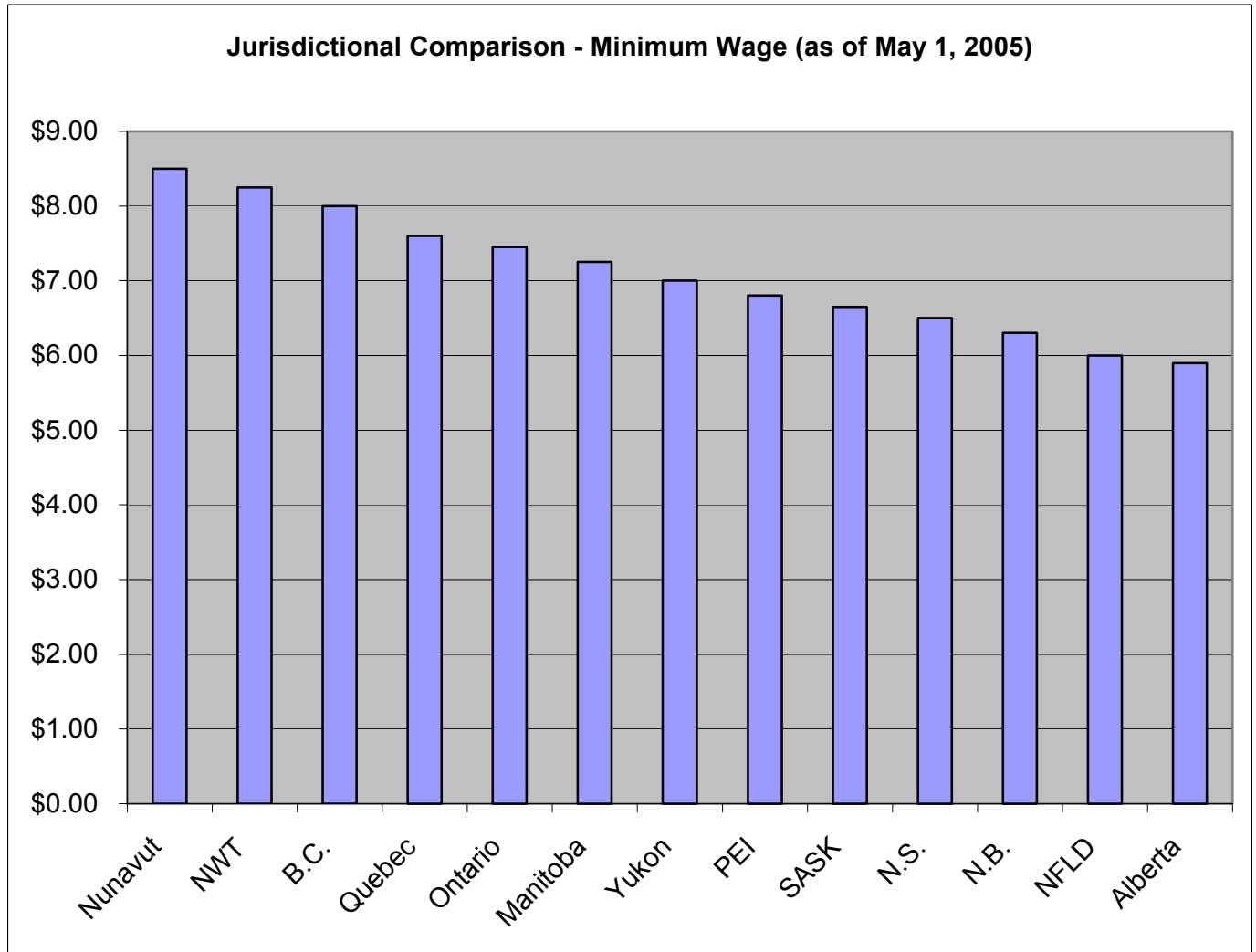
When we studied the example of a single employee working for a full year @ 40 hours per week at a rate of \$6.65 per hour we found:

Gross wages before deductions would be	\$ 13,832.00
Federal income tax would be	\$ 802.10
Provincial income tax would be	\$ 529.10
CP Would be	\$ 511.42
EI would be	\$ 273.78
Total net wages would be	\$ 11,715.60

Canada Revenue Agency (CRA)
TOD Program (Tables on diskette)

When we looked at the inter-provincial comparison of the minimum wage, it was noted that Saskatchewan is currently in fifth place; by January 2005 Saskatchewan will be in the bottom 1/3. Looking at it from a Western perspective one would note that Manitoba and British Columbia are higher than Saskatchewan.

Minimum Wage Database, Sask Trends Monitor, Page 06
Saskatchewan Labour, Planning and Policy Branch, Table 1



Note: Alberta has announced its intention to increase its Minimum Wage to \$7.00 but has not yet set a date.

It has been concluded that a large portion of minimum wage earners work in the restaurant and accommodations service industries and in the retail sales industry.

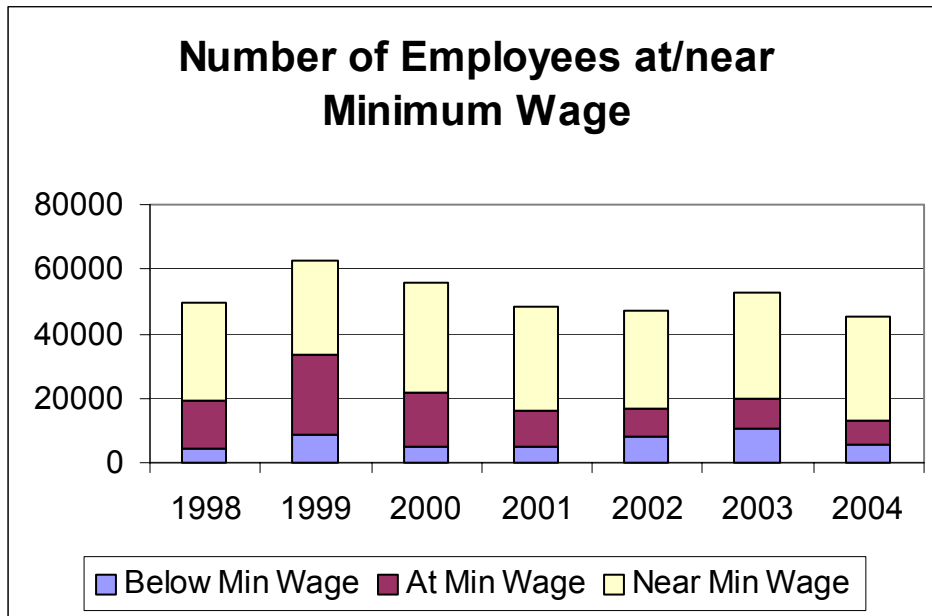
When studying the minimum wage relative to sales volumes, it is noted that from 1991 until 2003 minimum wage increased by approximately 32%.

Sales volumes in these industries rose 90% from 1991 to 2003.

Minimum Wage Database, Sask Trends Monitor, Page 7

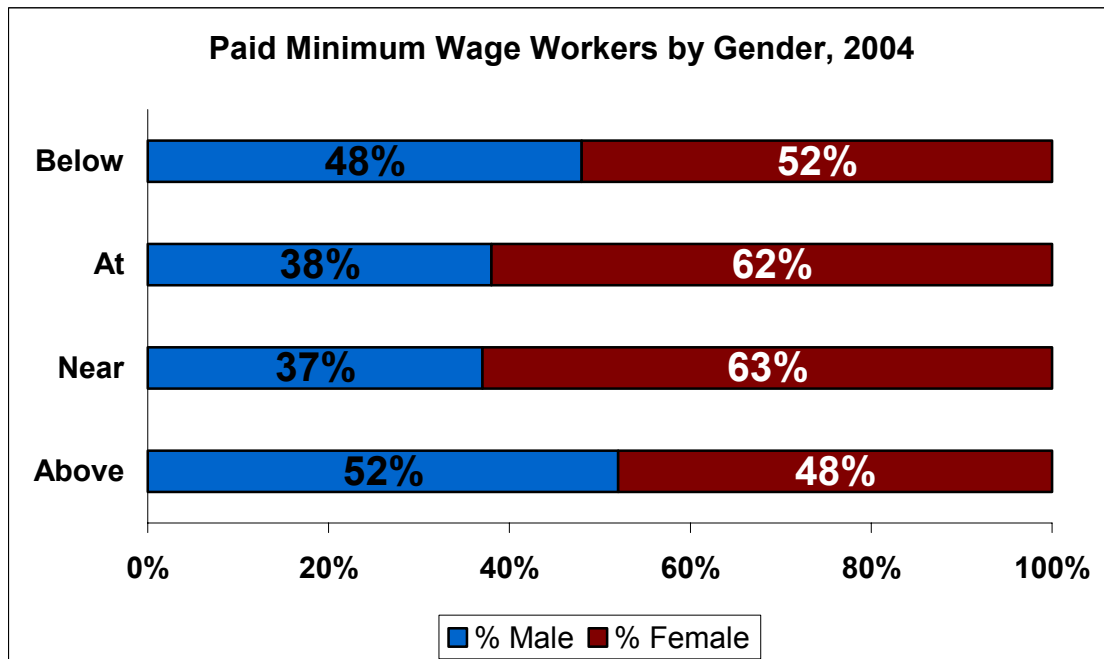
In 2004, we noted that 5,878 persons worked below the minimum wage. This represented 1.5% of the labour force, 7,143 persons or 1.9% of paid workers worked at the minimum wage. 32,014 persons or 8.4% of paid workers work near the minimum wage with rates from \$6.75 to \$7.75.

Minimum Wage Database, Sask Trends Monitor, Pages 13



Since 1997, there has been an increase in the proportion of women above the minimum wage but no apparent change among those at or near the minimum wage. In 2004, approximately 61% of those below, at, or near the minimum wage were women, compared with 48% of those who were above minimum wage.

Minimum Wage Database, Sask Trends Monitor, Page 14



About 5% of employees attend school while they are working. This includes full- and part-time attendance at high school or a post-secondary institution. Of minimum wage workers, 38% are high school students. 10% attend post-secondary institutions and 52% are not students.

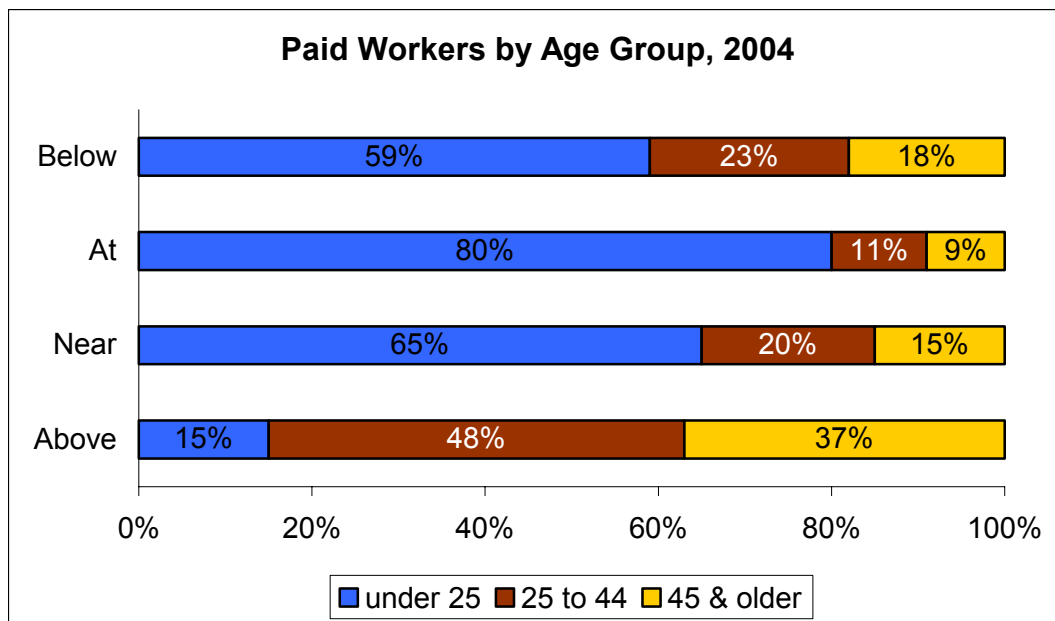
Minimum Wage Database, Sask Trends Monitor, Page 18

55% of those at the minimum wage have not yet completed high school. Comparatively, 34% have some post-secondary education and 11% are post-secondary graduates.

Minimum Wage Database, Sask Trends Monitor, Page 19

We noted that 53% of those at the minimum wage are living in a two-income husband-wife family. 14% live in a one-earner husband-wife family. 16% as a lone parent family, and 17% are unattached individuals living alone.

Minimum Wage Database, Sask Trends Monitor, Page 20



When we looked at minimum wage workers in relation to the industry groups that employ them, it was noted that the accommodation and food services industry and retail trade industry employs 73% at the minimum wage and 67% of those near the minimum wage. We also noted, that the concentration of low wage earners in the two sectors has increased in the past six years.

Minimum Wage Database, Sask Trends Monitor, Pages 20-21

When we reviewed the minimum wage earners by hours of work, we found that more than half (57%) of low-wage earners are working part time in their main job. In 2004, 14% of minimum wage earners would prefer full-time employment. It was noted that the most common reason for wanting part-time work was going to school. Averaged over the course of the year, the vast majority of low wage earners report that their jobs are permanent.

Minimum Wage Database, Sask Trends Monitor, Pages 23-24

When we studied the statistics of the actual hours worked including overtime minus vacations and illness, we found that workers at the minimum wage worked a 20 hour work week in 2004. Workers near the minimum wage worked 23 hours per week and workers above the minimum wage worked 33 hours per week in 2004. (Persons reporting hourly rates from \$6.75 to \$7.75 are considered near the minimum wage.)

Statistics Canada, Labour Force Survey

When we reviewed the purchasing power of the consumer dollar based on the Consumer Price Index, it was found that the minimum wage had declined in purchasing power steadily over the past 10 years, declining from a 97¢ dollar in 1993, to a 77¢ dollar in 2004.

Statistics Canada
Consumer Price Index
62-001 Tables 4 and 7

When we studied the low-income cut off in Saskatchewan in relation to the minimum wage, we found that in Saskatoon and Regina a single individual is considered below the poverty line if earning less than \$16,979.00 annually. A single person without dependents living in Estevan, Yorkton, or the Battlefords would be below the poverty line if earning an annual wage of less than \$15,690.00.

Statistics Canada
Low Income Cut-off (LICO)

Reviewing the cost of living since the last increase in the minimum wage, it was noted that the cost of living increased 1.0% in the first 12 months immediately after the increase (November 2002 – November 2003), and 3.3% for the next year (November 2003 – November 2004).

Saskatchewan Bureau of Statistics
Publication - monthly statistical review

Impact on job growth for jobs at or below the minimum wage after a minimum wage increase:

When studying this we found after the increase in 1998, there were 14,765 new jobs which represented a 43% increase in jobs.

After the increase in 2001 there were 3,909 new jobs, which represented a 19% increase in jobs.

Minimum Wage Database, Sask. Trends Monitor
p.11

The impact on jobs below the minimum wage after an increase:

In 1998, 4,570 workers worked below the minimum wage. After the minimum wage increase in 1999, 8,407 workers worked below the minimum wage. This represented an 85% increase. In 2001, 4,686 workers worked below the minimum wage. After the first increase in 2002, 8,355 workers worked below the minimum wage.

After the second increase in 2002, 10,417 workers worked below the minimum wage by 2003. This represented a 128% increase in workers working below the minimum wage.

Minimum Wage Database, Sask. Trends Monitor
p.11

The aggregate change in payroll costs for employers after an increase in the minimum wage.

The aggregate change in payroll costs for employers after an increase in the minimum wage.

Estimates for two Theoretical \$0.65 Increases in the Minimum Wage

	<u>\$6.65 - \$7.30</u>	<u>\$7.30 - \$7.95</u>
1. Weekly Payroll (\$265 million 2005, increased to \$275.6M for 2006)	\$265 million	\$275.6 million
2. % of payroll for minimum wage earners (Excludes those below minimum wage)	0.408%	0.408%
3. Minimum wage payroll	\$1.0812 mil.	\$1.1244 mil.
4. Assumed increase in minimum wage	\$7.30 (9.774%)	\$7.95 (8.904%)
5. Aggregate change in payroll	\$105,676	\$100,121
6. Aggregate change in payroll including ripple factor of 2.0	\$211,352	\$200,242
7. Increase in statutory benefits		
CPP (3.7%)	\$7,820.02	\$7,408.94
EI premiums (2.0%)	\$4,227.04	\$4,004.84
WCB premiums (2%)	\$4,227.04	\$4,004.84
Vacation pay (6%)	\$12,681.12	\$12,014.52
Subtotal	\$28,955.22	\$27,433.14
8. Total increase in payroll and statutory benefits (weekly)	\$240,307	\$227,675
9. Total increase in payroll and statutory benefits (yearly)	\$12,495,976	\$11,839,107

Column 1 shows the impact on payroll of increasing the existing minimum wage of \$6.65 to \$7.30. (9.774%)
 Column 2 shows the impact on payroll of increasing the existing minimum wage of \$7.30 to \$7.95 (8.904%).

Other Comments:

“Do not use the consumer price index for setting the minimum wage. “

“Saskatchewan's minimum wage is \$1.51 below the poverty line.”

“There are 42,000 people in Saskatchewan that live in poverty.”

“Low-income people don't purchase time- share condominiums at ski resorts or holiday at foreign spas. They don't purchase their wardrobes on shopping trips to New York or Montréal. The working poor don't spend their money on travel abroad. They spend their money close to home, right here, in Saskatchewan stores buying required goods and services.”

VII. Minimum Wage:

Conclusions

The Minimum Wage Board's review of the various social and economic factors involved in establishing the Saskatchewan minimum wage has provided significant evidence that it is necessary to consider an adjustment to the minimum wage to maintain a minimum acceptable standard of living for low-income individuals and families. Some of the data presented to the Minimum Wage Board regarding the status of employees earning the minimum wage, and the current socio-economic environment are included as Appendix A.

The minimum wage level is a critical factor in the viability of Saskatchewan businesses, because it establishes a benchmark for determining the cost of labour to business. It is important to consider the impacts of higher wage costs on the business community when examining any increase in the minimum wage.

The spin-off benefits of any increase in the minimum wage must also be taken into consideration, because aggregate levels of economic activity and employment change following adjustments in the wage structure. Increased spending power of employees earning the minimum wage can be expected to generate higher local consumption of goods and services.

The trade-offs associated with these changes in economic activity and business costs must be balanced with the objective of maintaining a minimum acceptable standard of living for low-income individuals and families, and the reduction of poverty levels in the community.

Previous adjustments in the provincial minimum wage have led to an increase in the number of employees working below the minimum wage. This suggests that some employees are not aware of changes in minimum wage standards. The Minimum Wage Board therefore believes that public dissemination of information regarding minimum wage legislation and implementation is important to ensure that affected employees benefit from any increase in the minimum wage.

Recommendations

The Minimum Wage Board recommends a two-step increase to the minimum wage totalling \$0.65 (sixty-five cents) per hour effective June 1, 2005; and \$0.65 (sixty-five cents) per hour effective June 1, 2006.

Effective June 1, 2005 the minimum wage should be set at \$ 7.30 per hour (seven dollars thirty cents).

Effective June 1, 2006 the minimum wage should be set at \$ 7.95 per hour (seven dollars ninety five cents).

In addition, the minimum callout pay will increase by \$0.65 to \$ 21.90 on June 1, 2005, and by \$0.65 to \$ 23.85 on June 1, 2006.

VIII. Posting and Distribution of MWB Orders:

Conclusions

Having reviewed section 15.1 of *The Labour Standards Act*, the Minimum Wage Board has found, from statistical data provided, that a disproportionate number of employees are working below the Saskatchewan minimum wage.

The Board has concluded that it is imperative to make the minimum wage standards readily available to all employees and employers.

Recommendations

It is unanimously recommended by the Minimum Wage Board to amend the Minimum Wage Board Order 2002. The new amended "Posting of Orders" to read:

"Every employer shall post and keep posted a copy of every Order of the Minimum Wage Board affecting employees in that class of employment and in the establishment concerned. The Orders shall be posted in the establishment such that they can be easily read by all employees."

It is further unanimously recommended by the Minimum Wage Board to establish "Distribution of Orders" to read:

"Every employer shall provide a current copy of the Minimum Wage Board Order to each employee upon commencement of employment and in the event of any change to the said Board Order."

Appendix A

Data presented to the Minimum Wage Board regarding the status of Saskatchewan employees earning the minimum wage, and changes in the socio-economic environment include:

- 42,000 Saskatchewan residents live below the poverty line;
- The minimum wage has only increased by \$ 2.40/hour since 1985;
- The minimum wage would be \$ 8.30/hour if it had been adjusted annually for inflation since 1995;
- The minimum wage has remained stable at approximately \$ 5.00/hour since 1990 in constant dollars;
- The purchasing power of the hourly minimum wage has remained stable since 1990;
- The annual salary of a full-time minimum wage employee is currently \$13,832, compared with the Low Income Cut Off (LICO) level of \$16,979;
- The cost of living has risen 5.8 % since the last minimum wage increase.

Other characteristics of minimum wage earners and the business community include the following indicators:

- 3.4 % of labour work at or below the minimum wage.
- 73 % of minimum wage earners work in the accommodation, food services and retail trade industries.
- 61 % of those below at or near the minimum wage workers are women.
- 34 % of those at the minimum wage have some post-secondary education.
- 48 % are students.
- Industry groups that employ 73 % of minimum wage workers experienced a growth in receipts of approximately 90 % from 1991-2003.
- The cost of doing business for the industry groups that employ minimum wage workers has increased. It was also noted that there has been a decrease in business activity associated with the significant decline in realized net farm income since 2003, and an increase in consumer debt.

- Some positive impact on job growth occurred after the minimum wage increase in 1998. Job growth increased by 43 % in 1999 and 19 % after the 2002 minimum wage increase.

The need to monitor the implementation of changes in minimum wage standards is indicated by the following factors:

- Following the 1998 minimum wage increase the number of people working below the minimum wage increased by 85 %.
- Following the 2002 minimum wage increase, the number of people working below the minimum wage increased by 128 %.
- Approximately 5,878 Saskatchewan residents are currently working below the minimum wage.

Appendix B

References

- a) Campolieti, Michele; Fang, Tony; Gunderson, Morley. **Minimum Wage Impacts on Youth Employment Transitions, 1993-1999**. University of Toronto, Centre of Industrial Relations, Division of Management.
- b) Canada. National Council of Welfare. **Income for Living**. National Council of Welfare Reports, Volume #120, Spring 2004.
- c) Canada Revenue Agency. **Tables on Diskette Program (TOD)**.
- d) Canadian Federation of Independent Business, **Surveys on Training; Saskatchewan Skilled in Training** (CFIB Research) 2004.
- e) Gartner, Brett. **Saskatchewan Small Business Primer** (CFIB Research)
- f) Living Wage Action Group. **Living Wage**
- g) Saskatchewan. Government Relations and Aboriginal Affairs. **First Nations Statistics, 2001**.
- h) Sask Trends Monitor. **Minimum Wage Database**: March 2005.
- i) Statistics Canada, Labour Force Survey.