

***Women and the Minimum
Wage in Nova Scotia***

***A Brief to the Nova Scotia
Department of
Environment and Labour***

February, 2005



***Nova Scotia Advisory Council
on the Status of Women
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*Advancing equality, fairness and
dignity for all women in Nova Scotia*

The **Nova Scotia Advisory Council on the Status of Women** was established by provincial statute in 1977. The Council's mandate under the Advisory Council on the Status of Women Act is to advise the Minister Responsible for the Status of Women and to bring forward the concerns of women in Nova Scotia.

The Council's work touches on all areas of women's lives, including:

- | | |
|---------------------------|-----------------------------------|
| & family life | & health |
| & economics | & education |
| & legal rights | & paid and unpaid work |
| & sexuality | & violence |

Council works towards the inclusion of women who face barriers to full equality because of race, age, language, class, ethnicity, religion, disability, sexual orientation, or various forms of family status.

We are committed to voicing women's concerns to government and the community through policy research, information services and community liaison.

EXECUTIVE SUMMARY

The Nova Scotia Advisory Council on the Status of Women has as its mission to advance equality, fairness, and dignity for all women in Nova Scotia. One of the Advisory Council's primary goals is to promote Nova Scotian women's economic equality and security. The Advisory Council is concerned about the minimum wage in this province because women are over-represented among minimum wage earners, low-wage earners and the precariously employed.

This brief explores the gender implications of the minimum wage rate in Nova Scotia. Policy considerations are reviewed and recommendations are as follows:

The Advisory Council recommends that:

1. The minimum wage move toward a "living wage" where basic needs can be adequately met. Minimum wage legislation is one of Canada's oldest social policies. The reason for introducing the minimum wage in the first place was part of an effort to promote fairer treatment of the most vulnerable employees - namely women and children. Due to inflation and the increasing cost of living, the minimum wage no longer provides employees, even those working full time, with sufficient wages to sustain their basic needs and keep them from experiencing financial hardship or poverty.
2. The introduction of a 'tip differential' be reviewed. In jurisdictions such as Ontario and Quebec workers who receive gratuities receive a different minimum wage.
3. Index the minimum wage to the cost of living and to a proportion of average wages.

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D. BACKGROUND

1. Business make-up of the Nova Scotia economy

The Canadian Federation of Independent Business reports that 85% of all businesses in Nova Scotia employ less than 20 employees. Seventy-one per cent employ fewer than five workers¹. The majority of these small and very small businesses are in the retail, accommodation and services sector where minimum and low wages are most prevalent².

2. Present minimum wage rates

Since April of 2004, the minimum wage rate in Nova Scotia has been set at \$6.50³ per hour. Although the Nova Scotia rate is similar to the minimum wage rates established by the other Atlantic provinces, it is lower than that of most other jurisdictions in Canada. The rates in Ontario and Québec are currently \$7.45 per hour while the rates in British Columbia, Northwest Territories and Nunavut are all \$8.00 per hour or higher.

3. The ‘real’ minimum wage

While minimum wage rates have increased over the past 30 years, the increases have not kept up with the rate of inflation. The result has been an actual decrease in the value of the minimum wage over time. Jacobs (2003) and others^{4,5} have shown a 25% decline in the value of the “real minimum wage” in Nova Scotia from 1976 to 2003. This means that the purchasing power of the minimum wage in 2003 was actually about 25% less than it was three decades ago. Imagine only being able to afford to buy three-quarters of the family groceries your pay-cheque used to cover thirty years ago!

B. WOMEN: WORK AND INCOME

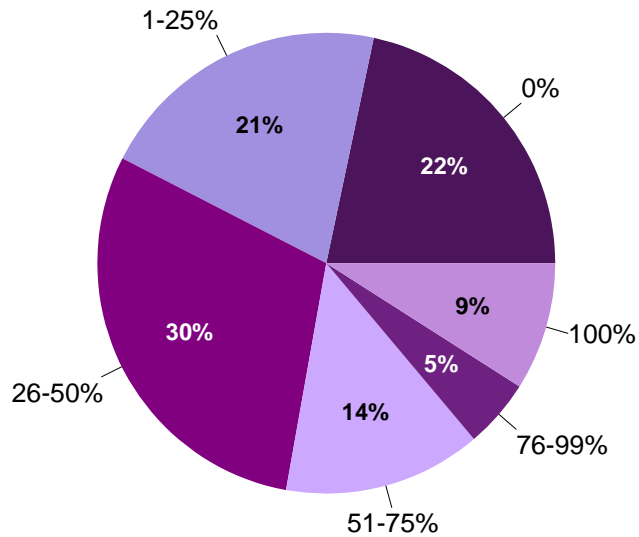
1. Changing Labour Force...Changing Families

Nova Scotian women have shown tremendous increases in their labour force participation over the last few decades. The vast majority of Nova Scotian women, even those with very young children, are now in the paid labour force, regardless of their family status⁶. The “traditional” employment pattern of male bread winner -- stay at home wife/mother is now a reality for only 16% of Nova Scotian couple families, down from 43% in 1976⁷. Currently, both spouses now

work for pay in more than half of couple families in Nova Scotia, while in 11% of couple families, the wife or female partner is the sole earner. Additionally, because lone-parenting is on the rise, many more women than in the past are solely responsible for ensuring the economic survival of their families. In 2001, 27% of families with children in Nova Scotia were led by lone parents, up from 17% in 1981⁸. Of these lone parents, 83% are women.

Wife's Contribution to Husband-Wife Employment Income
Nova Scotia, 2002

Corresponding to their increased labour force participation, women now make substantial contributions to their families' incomes. In more than half (58%) of Nova Scotian couple families in 2002, the wife/female partner's earnings made a substantial (more than 25%) contribution to family income. In more than a quarter of families (28%), the wife's income exceeded the husband's⁹. It is estimated that without the



Source: Statistics Canada, Small Area and Administrative Data, 2004

earnings of both spouses/partners, the family is at least twice as likely to experience poverty¹⁰. Despite the fact that women's wages are no longer considered "pin money" but essential to their well-being and that of their families, the earning power of women remains stubbornly low.

2. Nova Scotia's minimum wage earners are predominantly women

In 2003 there were 379,200 paid employees in Nova Scotia, half of whom were women. Of these paid employees, 6% (21,900) were earning the minimum wage. Of those earning the minimum wage, more than two-thirds (68%) were women. In addition to being predominantly female, just over half (51%) of minimum wage earners in the province are between 15 and 19 years of age. While many minimum wage earners in Nova Scotia are young, students and living with at least one parent, it is important to realize that fully 32% of minimum wage earners are aged 25 and over and that close to 30% are either heads of families or a member of a couple¹¹.

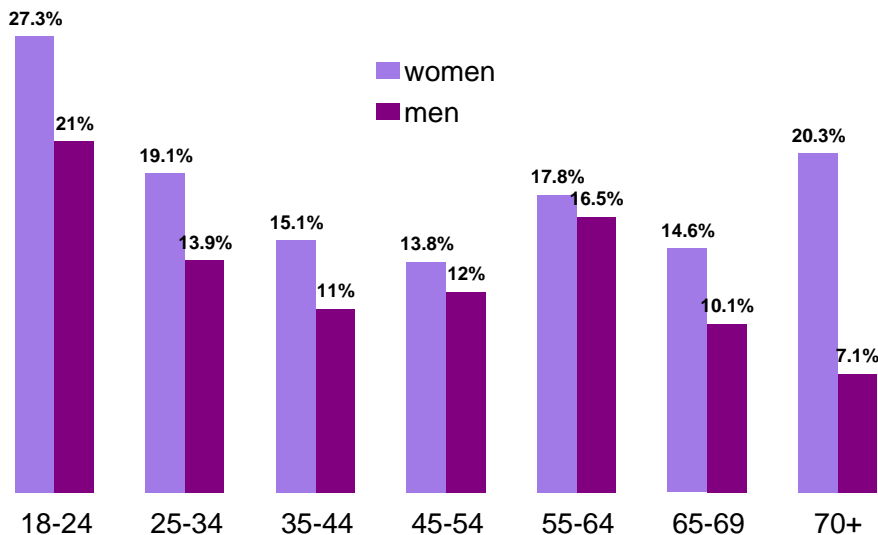
In part, women are over-represented among minimum and low-wage earners as they tend to be concentrated in lower-waged occupational categories. Women comprise more than 60% of those employed in sales and service occupations in Nova Scotia where wages tend to be lower than in many other types of occupations. Women make up the majority of workers in Nova Scotia's lowest paying occupations such as childcare workers, food and beverage servers, and cashiers¹². Because they still have primary responsibility for the unpaid work and caregiving at home, women are also much more likely than men to be working part-time and part-time work, in turn, is more likely to be associated with minimum and low-wages.

3. Minimum wage, low wages, and poverty in Nova Scotia

Our recent report *Building Transitions to Good Jobs for Low Income Women* (May 2004), was prepared at the recommendation of the Advisory Council's *Round Table on Women's Economic Security* consisting of members from various provincial and federal government departments and women's community organizations. The report demonstrates that women, especially lone mothers and those with disabilities continue to be highly vulnerable to poverty, either through reliance on social assistance or because they work in precarious, low-paid employment.

One obvious consequence of minimum, low-wage and precarious employment are the high rates of poverty that exist in this province, particularly among women. Currently, someone working full-time at the minimum wage is earning approximately 25% less than the low-income cut-offs.¹³

Incidence of Low Income by Age and Gender -- Nova Scotia, 2001



According to the 2001 Census, the incidence of low income among women in Nova Scotia is substantially higher than it is among men. These differences are evident across the lifespan.

Source: Statistics Canada, 2001 Census, Table No. 97F0020XCB01006

Particular groups of women in Nova Scotia are especially vulnerable to poverty. Persons who live alone, for example, are at much higher risk of being poor than those who live in families. In 2001, 39% of women (under age 65) and 34% of men (under age 65) who were living alone were poor. While the incidence of low income decreases substantially for men aged 65 and over, the incidence of low income for women who live alone in their senior years remains unchanged (ie. 39%)¹⁴.

Women who are vulnerable to discrimination or who experience multiple barriers to employment, for example, women with disabilities, Aboriginal women, racially visible women, immigrant women, and women who are lone parents are also at much higher risk of living in poverty. In 2001, for example, more than 60% of single mothers with young children were in low-income situations.¹⁵ The incidence of low income for Aboriginal women in Nova Scotia is more than twice what it is for non-Aboriginal women (32.1% versus 14.3% in 2001).¹⁶ The median income of working-age Nova Scotian women with disabilities in 2001 was \$9,144 compared to \$14,284 for women without disabilities.¹⁷ These statistics suggest strongly that additional measures need to be taken to advance the economic security of diverse women in this province.

C. POLICY CONSIDERATIONS

1. Minimum wage as a benchmark and an anchor

Some have a tendency to dismiss the importance of reviewing the minimum wage as it only affects 6% of the total paid workforce in the province. However, a substantial proportion of paid employees are working for low wages. As is the case for minimum-wage workers, those earning low wages in the province are predominantly women. Fully 35% of all paid female employees in Nova Scotia are earning less than \$10 an hour compared to 22% of paid male employees.

Minimum and Low-Wage Statistics by Gender -- Nova Scotia, 2003

	Total number and cumulative % of all paid employees	Number and cumulative % of paid male employees	Number and cumulative % of paid female employees
Minimum Wage	21,900 (5.8%)	7,000 (3.7%)	14,900 (7.8%)
Less than \$7 an hour	38,400 (10.1%)	13,600 (7.2%)	24,800 (13.0%)
Less than \$8 an hour	60,500 (16.0%)	21,800 (11.5%)	38,800 (20.4%)
Less than \$9 an hour	86,500 (22.8%)	32,700 (17.3%)	53,800 (28.3%)
Less than \$10 an hour	107,100 (28.2%)	41,000 (21.7%)	66,100 (34.8%)

Source: Statistics Canada, Labour Force Survey, 2003.

Many fail to appreciate the power the minimum wage has in setting the rates for overall hourly wages in Nova Scotia. In this regard, the minimum wage has been characterized as a benchmark that affects wages, especially those in low paying jobs. "...[t]he minimum wage bears directly on

all other wages in society. It acts as a benchmark...it is *the* wage standard that has social, economical and political impacts across society.”¹⁸

Since women occupy most of the low paying jobs in the province, this review is of critical importance. Let us look at some of the statistics for 2003.¹⁹ In that year, 16% of the paid workforce (60,500) were earning \$8.00 an hour or less. Of these, 36% were male and 64% were female. A full 28% of the paid workforce in Nova Scotia (107,100) earned less than \$10.00 an hour in 2003. Of that number 38% were males and 62% were females.

Research also demonstrates that it is easier for men to pull away from jobs that pay the minimum wage than it is for women. Because of factors such as occupational segregation, over-representation in non-standard employment and differential wages, women have greater difficulty moving out of low waged employment. This is termed ‘the anchor effect’. A recent study found that less than half of Canadian workers who had low-paying jobs in 1996 had climbed out of poverty by 2001, with men being twice as likely as women to have “moved up”.²⁰

2. The debate

There has been longstanding debate about whether or not the minimum wage should be increased. A canvass of the arguments is as follows:

The Effect on Employment

The research of Sarlo and others maintains that an increase in the minimum wage creates an adverse employment effect and that this effect is more prominent in service sectors.²¹ They argue that a hike in the minimum wage rate is a “passport to poverty” as it will result in less employment and fewer job opportunities for low-wage workers. The nexus of their position is that a high minimum wage can artificially increase the cost of labour. This position is profiled in a recent edition of *Perspectives on Labour and Income* from Statistics Canada. “Increases in the minimum wage would reduce the demand for workers (as firms find substitutes for the now more costly labour input) and might also increase the supply of workers (as some would be encouraged to consider jobs they previously would not have found attractive), resulting in reduced employment and increased unemployment rates.”²²

The Sarlo study was sponsored by the Canadian Restaurant and Food Services Association and has been challenged by others, most notably, Card and Krueger (1994 and 1998)^{23,24}. Card and Krueger’s main finding was that minimum wage increases in the US in the early 1990’s did not have negative employment impacts. This research was reanalyzed in 1998 resulting in the same findings.

In 1999, a study of four Canadian provinces by Goldberg and Green, using Statistics Canada

data found that increases in the minimum wages have only marginal employment effects, and, more importantly, lead to an increase in the total wages paid to low-wage workers. As a result, a higher minimum wage could be a key component in enabling young adults and women to increase their financial independence.²⁵

The Effect on Minimum Wage Workers

Those who do not support increases in the minimum wage argue “[t]he impact will fall disproportionately on unskilled workers who are often most in need of work experience. This is the case, for example, with respect to younger workers and women who could utilize employment, even at low wages, as a means to acquire the on-the job training and labour market experience necessary to move on to higher paying jobs. For this reason, some would argue that minimum wage laws actually harm the very people they are allegedly designed to help.”²⁶

The proponents for an increase in the minimum wage “argue that the minimum wage should be increased as an important policy tool for addressing wage inequalities as well as an essential element in helping to meet anti-poverty and social welfare goals. By this reasoning, the minimum wage should be set as a rate where basic needs may be adequately met.”²⁷ “In addition, some would argue that even if minimum wages do reduce employment opportunities, it is in jobs that should not exist in the first place. It may be better to have those jobs eradicated and the unemployed workers trained for higher-wage jobs.”²⁸

The side of the argument seeking increases to the minimum wage appears to be gaining momentum. The Caledon Institute for Social Policy reports that “Canadian and American research indicates that the modest increases to the minimum wage that have been made are not the ‘job killers’ that critics have alleged. The Economic Policy Institute in the US concludes that stronger minimum wages can benefit employers and employees alike “through increased productivity, lower recruiting and training costs, decreased absenteeism and increased worker morale.”²⁹ This was also confirmed by Goldberg and Green who found that “[t]here may be several long-term dynamic impacts of increasing the minimum wage that are beneficial. For example, increased minimum wages may induce firms to switch toward production methods that emphasize more training and, with it, more job stability and income.”³⁰

It should also be noted that the Nova Scotia government has supported an increase in the minimum wage as a way to protect lower-income workers and to give Nova Scotians at the low end of the wage scale the benefit of the growth in our economy.³¹

The Effect on High School Leaving

Another consideration in relation to raising the minimum wage is the effect it is purported to have on high school drop-out rates. Several studies have shown an association between increases in the minimum wage and the drop-out rate with male students being at higher risk of dropping out for employment reasons than females.³² As a result, some have suggested lowering the minimum wage rate for those under age 18, though this type of policy decision merits careful

consideration given its possible associated Charter issues. As well, other researchers, have shown that the majority of male dropouts have earnings that are substantially above the minimum wage. They conclude that “[t]hose working at the minimum wage are more likely to be females, who are less likely to give work-related reasons for dropping out than males are.”³³

3. Long Range Policy Implications

Looking beyond the shield of the minimum wage as a cap or threshold of pay is recommended. To have so many people in the province working full time but not being able to make ends meet has enormous short and long term social and economic costs. These include: poor health outcomes; poverty and financial hardship; poor child development; food insecurity; underutilization of human capital; underdevelopment of future human capital and lost productivity growth.³⁴

Another result is that the objectives and intent of public policies such as *Opportunities for Prosperity*; *Skills Nova Scotia*; *Innovative Nova Scotia*; *Social Assistance Restructuring* plus the newly developed *Office of Health Promotion*, *Community Development Initiative* and the *Immigration Strategy* will not be fully realized. This is due, in part, to the pull of current constraints of instruments like the minimum wage that act to keep workers, especially women, in financial hardship and precarious employment. Unless substantive action is taken to redress this root cause of poverty, well-intentioned policies will have limited effect and the vicious cycle of financial hardship for thousands of Nova Scotians, particularly women, will continue. Through its Blueprint priorities this government has made a commitment to families and Nova Scotians in need. Without furthering equality for women, the government’s overall goal of achieving social and economic well-being for Nova Scotians and their families will remain elusive.

E. CONCLUSION AND RECOMMENDATIONS

Small increases in the minimum wage spread over a period of years will not respond to inflation, the cost of living and the financial hardship experienced by those earning the minimum wage. An increase in the minimum wage will affect all low-income workers in the province. It is estimated that an increase in the minimum wage in Nova Scotia would improve the lives of more than 100,000 of Nova Scotia's 435,00 workforce.³⁴ Evaluating the minimum wage rate is one step in determining how we can improve the situation of the working poor that mainly consists of women, in this province.

The Advisory Council would encourage review of the following wage policies that have been introduced in other jurisdictions or are being discussed in the literature: the provision of wage supplements or tax credits to top up market wages; tax reform; workplace training; affordable housing; child care and senior care. Such considerations should be included in a wider socioeconomic policy review.

The Advisory Council recommends that:

1. The minimum wage move toward a "living wage" where basic needs can be adequately met. Minimum wage legislation is one of Canada's oldest social policies. The reason for introducing the minimum wage in the first place was part of an effort to promote fairer treatment of the most vulnerable employees - namely women and children.³⁵ Due to inflation and the increasing cost of living, the minimum wage no longer provides employees, even those working full time, with sufficient wages to sustain their basic needs and keep them from experiencing financial hardship or poverty.
2. The introduction of a 'tip differential' be reviewed. In jurisdictions such as Ontario and Quebec workers who receive gratuities receive a different minimum wage.
3. Index the minimum wage to the cost of living and to a proportion of average wages.³⁶

Notes and Sources

- 1 Source: Leanne Hachey, Canadian Federation of Independent Business (CFIB), February 2, 2005. See also CFIB Research, Nova Scotia Small Business Primer, December 2003.
- 2 In Canada the incidence of working for minimum wage was highest in small firms and almost all minimum wage workers were employed in accommodation and food services or retail trade, industries characterized by high concentrations of youth, part-time workers and women. Source: Statistics Canada, Stats Can Daily, March 26, 2004.
- 3 Nova Scotia currently has differential minimum wage rates for “inexperienced employees”, ie., those employees that have not been employed by his or her present or other employer for a total period of three calendar months to do the work for which the employee is employed. At the present time, the minimum wage rate for “inexperienced employees is \$6.05 per hour.
- 4 Jacobs, John. (2003). *Submission to Nova Scotia Department of Environment and Labour. Review of the Minimum Wage Rate in Nova Scotia, February, 2003*. Canadian Centre for Policy Alternatives - Nova Scotia.
- 5 Workman, W. Thom and Jacobs, John. (2002). *Undermining Wages in Nova Scotia: The Minimum Wage from 1976 - 2002*. Canadian Centre for Policy Alternatives - Nova Scotia.
- 6 Source: Statistics Canada, 2001 Census. See *Women’s Paid and Unpaid Work*, from *Women in Nova Scotia, Part 5 of a Statistical Series*. Nova Scotia Advisory Council on the Status of Women, 2004.
- 7 Source: Statistics Canada, Labour Force Historical Review, 2003, CD-ROM 71F0004XCB.
- 8 Source: Statistics Canada, 2001 Census, Table # 97F0005XCB2001001.
9. Source: Statistics Canada, Small Area and Administrative Data, 2004. Data provided by the Nova Scotia Department of Finance, Statistics Division.
10. Source: National Council of Welfare, *Poverty Profile 2001*, p.98.
- 11 Source: Statistics Canada, Labour Force Survey, 2003. Data provided by the Nova Scotia Department of Environment and Labour.
- 12 Source: Statistics Canada, 2001 Census, table # 97F0019XCB01003.
- 13 A single person, working full-time (ie., 40 hours per week) at the minimum wage rate

- earned \$1,083 (gross) per month in 2003. This is \$332 or 23.5% below the low income cutoff (LICO) established by Statistics Canada for a city the size of Halifax. A two-parent family where one parent worked full-time and the other part-time at the minimum wage (total of 60 hours per week) earned approximately \$1,625 (gross) per month in 2003. This is \$575 (or 26%) below the LICO for a city the size of Halifax.
- 14 Source: Statistics Canada, 2001 Census, table # 97F0020XCB01006.
 - 15 60.7% of female lone-parent families with children under 6 years only were living in low-income in 2001. For female lone-parent families with children under 6 years and children aged 6-17, the incidence of low income in 2001 was 71.9%. Source: Statistics Canada, 2001 Census, table # 97F0020XCB01006.
 - 16 Source: Statistics Canada, 2001 Census, table # 97F0011XCB2001047.
 - 17 Source: Statistics Canada, *Participation and Activity Limitation Survey (PALS)*, 2001, catalogue # 89-587.
 - 18 Workman, W. Thom and Jacobs, John. (2002). *Undermining Wages in Nova Scotia: The Minimum Wage from 1976 - 2002*. Canadian Centre for Policy Alternatives - Nova Scotia, p.5.
 - 19 Source: Statistics Canada, Labour Force Survey, 2003. Data provided by the Nova Scotia Department of Environment and Labour.
 - 20 Janz, Teresa. *Executive Summary, Low-paid Employment and "Moving Up", 1996-2001*. Income research paper series, catalogue no.75F0002MIE-No.003 (Ottawa: Statistics Canada, March 2004).
 - 21 Dr. Chris Sarlo, *The Minimum Wage and Poverty: A Critical Evaluation*, A report prepared for the Canadian Restaurant and Food Services Association, August 2000, p.2.
 - 22 Statistics Canada, *Perspectives on Labour and Income*, Catalogue # 75-001-XIE, March 2004, Minimum Wage Workers, p.5
 - 23 Card, D.& Krueger, A.B. (1994). Minimum wages and employment: A case study of the fast food industry in New Jersey and Pennsylvania. *American Economic Review*, 84, no. 4, pp. 772-793.
 - 24 Card, D.& Krueger, A.B. (1998). Re-analysis of the effect of the New Jersey minimum wage increase on the fast food industry with representative payroll data. Cambridge, MA:NBER)
 - 25 Michael Goldberg and Dr. David Green, *Raising the Floor: The Social and Economic*

- Benefits of Minimum Wages in Canada*, 1999, p.1.
26. Gunderson, M., & Riddell, C. (eds.). (1993) "Labour Market Economics" 3rd Edition by Toronto, McGraw-Hill Ryerson. Chapter 9, *Demand for Labour in Competitive Labour Markets*, p.207.
 27. Statistics Canada, *Perspectives on Labour and Income*, Catalogue # 75-001-XIE, March 2004, Minimum Wage Workers, p.5.
 28. Gunderson, M., & Riddell, C. (eds.). (1993) "Labour Market Economics" 3rd Edition by Toronto, McGraw-Hill Ryerson. Chapter 9, *Demand for Labour in Competitive Labour Markets*, p.207.
 29. Calendon Institute of Social Policy, *Ontario's Shrinking Minimum Wage*, February 2003, p.3. Please also see D. Card and A. Krueger (1994), *Minimum wages and Unemployment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania*, American Economic Review.
 30. Michael Goldberg and Dr. David Green, *Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada*, 1999, p.8.
 31. Source: News release, Nova Scotia Department of Labour, January 25, 1999.
 32. Montmarquette, C.& Viennot-Briot, N. (2000). Notes sur les personnes à risque d'abandonner les études secondaire. In *Dropping Out of High School: Definitions and Cost*. Human Resource and Skill Development Canada, October, 2000.
 33. Dagenais, M., et al., (1999). Travail pendant les études et abandon scolaire: Causes, conséquences et politiques d'intervention. Research paper R-99-5F, Applied Research Branch, Strategic Policy, Human Resource and Skill Development Canada.
 34. Jacobs, John. (2003). *Submission to Nova Scotia Department of Environment and Labour. Review of the Minimum Wage Rate in Nova Scotia, February, 2003*. Canadian Centre for Policy Alternatives - Nova Scotia, p.5.
 35. Statistics Canada, Minimum wage workers, in *Perspectives on Labour and Income*, Catalogue # 75-001-XIE, March 2004, p.5.
 36. Calendon Institute of Social Policy, *Ontario's Shrinking Minimum Wage*, February 2003, p.3.