

**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  
July 2007**



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## **Recommendations**

### **Recommendation #1**

The Board recommends three increases to the minimum wage:

- An immediate increase to the minimum wage totaling \$0.45 per hour effective September 1, 2007. Effective September 1, 2007 the minimum wage should be set at \$8.40 per hour (eight dollars forty cents). In addition, the minimum call-out pay should increase by \$0.45 to \$25.20 on September 1, 2007.
- An increase to the minimum wage totaling \$0.30 effective March 1, 2008. Effective March 1, 2008 the minimum wage should be set at \$8.70 per hour. (eight dollars seventy cents). In addition the minimum call out pay should increase by \$0.30 to \$26.10 on March 1, 2008.
- An increase to the minimum wage totaling \$0.30 effective September 1, 2008. Effective September 1, 2008 the minimum wage should be set at \$9.00 per hour. (nine dollars). In addition the minimum call out pay should increase by \$0.30 to \$27.00 on September 1, 2008.

### **Recommendation #2**

The Board recommends that after raising the minimum wage to \$9.00 per hour, the minimum wage be adjusted annually, at least to the percentage increase in the Consumer Price Index (CPI) for the 12-month period ending December 31<sup>st</sup> annually, with the increase to be implemented on March 1<sup>st</sup> of the following year.

## **I. Mandate: Saskatchewan Minimum Wage Board**

The mandate of the Minimum Wage Board (the 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 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; and
4. Consider the social and economic needs of the minimum wage worker.

## **III. Background**

The Saskatchewan minimum wage was last reviewed in 2005. The present minimum wage rate of \$7.95 per hour was established on March 1, 2007.

The Board regulations specify that “for the period commencing on March 1, 2007, every employee who is required to report for duty, other than for overtime, shall be paid a minimum sum of \$23.85, whether or not the employee is required to be on duty for three hours on that occasion”.

## IV. Review Process

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

As a result of a request from the Minister of Labour requesting the Board study the benefits of raising the minimum wage to the LICO and tying future increases of the minimum wage to increases in the CPI, stakeholders were also asked to express their views on these new proposals.

This process included:

- a) A request for written submissions through a published notice.
- b) A deadline for receipt of written submissions set for May 31, 2007.

The Board received 41 written submissions.

The Board reviewed public submissions based on the following criteria:

**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 LICO
- 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
- 4 Impact of the rise in the minimum wage when adjusted annually by the CPI

**V. Identification of Trends**

The review of written submissions 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:**

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

When the Board studied a possible increase to the minimum wage, it concluded that a large proportion of total minimum wage earners work in two sectors: the accommodation and foodservices industry and the retail sales industry. It was noted that sales volumes in these industries rose approximately 100% from 1991 to 2006. Whereas, the minimum wage has increased by approximately 50%.

Source: Sask Trends Monitor, *Minimum Wage Database*, page 9

**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.

The Board analyzed and examined the taxation effects by using tax information provided by the provincial government. This information showed that for each increase of personal exemption of \$1,000 personal taxation would decrease by \$110.00. The government also noted a major concern with increasing the personal exemption. While every taxpayer would benefit from an increase in the personal exemption, figures show that very few low-income workers would benefit. An increase to the basic personal income tax exemption is of no benefit to single parents and one-income families (who are not subject to Saskatchewan personal income taxation until their taxable incomes exceeds \$21,900 and \$24,600, respectively). In addition, tax revenues for the province would fall by an estimated \$53.6 million for every \$1,000 increase in the personal exemption. The conclusion is that increasing the personal exemption is not a very good way of helping low-income workers.

**Trend Number Three:**

An increase to the minimum wage would reduce the number of jobs and the number of hours available to minimum wage workers.

The Sask Trends Monitor study prepared for the Board states (page, “there is no obvious relationship between the number of paid workers in the retail trade sector and increases in the minimum wage.” The study also states, “Increases in the minimum wage during the 1990s also had no observable impact on the number of paid workers in the accommodation and foodservices sector.” While two increases in 2002 may have contributed to employment declines in restaurants in 2003 and 2004, this decline also coincided with more restrictive smoking regulations. Hence, over time there does not appear to be verifiable evidence that minimum wage increases have resulted in employment losses in the two main sectors of the economy with minimum wage workers.

When the Board studied the statistics of job growth after an increase to the minimum wage it was found:

- After an increase on January 1, 1999, over the next year provincial employment grew from an average of 470,500 in 1998 to an average of 471,600 in 1999 a percentage increase of 0.2%.
- In the sectors with the most minimum wage workers, average employment in the accommodation and foodservices sector in 1998 was 26,900, for 1999 the average employment level was 30,000 – an increase of 11.5%. For retail trade, average employment in 1998 was 55,000, for 1999 the average employment level was 56,600 – an increase of 2.9%.

- After increases on May 1 and November 1, 2002, average provincial employment grew from 468,300 in 2002 to 476,100 in 2003; a 1.7% increase. In the accommodation and foodservices sector, average employment in 2002 was 31,800, for 2003 the average employment level was 33,100 – an increase of 4.1%. For retail trade, average employment in 2002 was 58,600, for 2003 the average employment level was 60,100 – an increase of 2.6%.
- After two increases on September 1, 2005 and March 1, 2006, average provincial employment grew from 483,500 in 2005 to 491,600 in 2006, an increase of 1.7%. In the accommodation and foodservices sector, average employment in 2005 was 29,700, for 2006 the average employment level was 30,200 – also an increase of 1.7%. The decrease from 2004 employment levels (33,100) was probably the result of increased smoking bans in bars and restaurants. As shown, however, growth in employment was already occurring once more by 2006. For retail trade, average employment in 2005 was 60,200, for 2006 the average employment level was 61,900 – an increase of 2.8%).

**Trend Number Four:**

Minimum wage earners, as new employees, sometimes have unrelated job training and may require additional training time.

When the Board studied minimum wage workers it was found that about 34% of low-wage employees (those earning below, at, or within about \$1.00 over the minimum wage) attend school while they are working (5% of all employees attend school while they are working). This includes full- and part-time attendance at high school or post-secondary institutions. In addition:

- 42% of low-wage workers have not completed high school; 21% are post-secondary graduates, and
- 37% of low-wage workers are over the age of 25.

**Trend Number Five:**

A single person working full time for one year needs \$10.00 per hour to reach the poverty line.

The Board acknowledged that there are no specifically dedicated Canadian statistics to measure the poverty line.

Subsequently the Board studied LICO as a measure designed by Statistics Canada to measure the income level below which an average family would spend a particularly large proportion of their income on basic necessities.

A single person working full time for one year needs \$8.78 per hour to reach Statistics Canada's LICO for a city the size of Regina or Saskatoon. While the LICO is frequently referred to as the poverty line, Statistics Canada does not claim it to be an absolute measure of poverty but is instead a measure of low income.

**Trend Number Six:**

Minimum wage should be set at least at the level of the LICO.

When the Board studied LICO it was found that the LICO calculated by Statistics Canada for 2006 is \$18,262.40 or \$8.78 per hour.

**Trend Number Seven:**

Minimum wage should be adjusted annually using the CPI.

When the Board studied the minimum wage from 1992 adjusted annually using the CPI it was found that the minimum wage would have been at \$7.06 in 2006.

**Submissions**

Of the 41 submissions received:

- 21 were in favour of increasing the minimum wage;
- 17 were against increasing the minimum wage; and
- 3 did not have an opinion on the minimum wage.

**The comments from stakeholders as listed below are not necessarily the views of the Board. Observations were drawn directly from the following stakeholders' submissions as indicated below:**

**Saskatchewan Chamber of Commerce:**

Saskatchewan stands at the threshold of an unprecedented opportunity for positive and sustainable economic growth not seen since the early 1900s. This is being placed in jeopardy through these shortsighted and ill-considered actions, which are being taken in the interest or political expediency rather than effective public policy.

**Canadian Federation of Independent Business (CFIB):**

Last year, CFIB surveyed its members on the issue of whether the Saskatchewan minimum wage should be indexed to inflation. In total, 519 Saskatchewan business owners took the time to respond to the survey. Our members' views are split on the issue with 43% of Saskatchewan respondents in support of such a plan and 41% opposed.

Of the 43% that support indexation to inflation, they believe legislation would ensure low-paid workers would not be left behind. Regular increases through indexing would prevent large catch-up adjustments if no changes were made over several years.

However, 41% of respondents do not support the Saskatchewan minimum wage being indexed as they feel mandated increases in the minimum wage would inevitably inflate the wages of all employees and limit job opportunities.

**Greater Saskatoon Chamber of Commerce:**

All indexes are only a crude proxy measurement. To tie wage structures to such a proxy will inherently create unintended consequences. Continually increasing wage increases are inherently contemplated in such tide concepts. Market forces are not subject to the same continuous upward trend, so a market reaction to the inherent inflexibility embodied in such increases will occur.

**Yorkton Chamber of Commerce:**

The Yorkton Chamber of Commerce is not in support of legislated minimum wages. Raising personal income tax exemptions and reducing payroll tax (Employment Insurance and Canada Pension Plan) contributions are a much more effective means to increase take home pay for low-income workers.

**Canadian Restaurant and Foodservices Association (CRFA):**

Another significant increase hot on the heels of the recent increase to \$7.95 is irresponsible and unnecessary.

Even though the CRFA strongly encourages the Minimum Wage Board not to recommend another immediate increase to the minimum wage, we also recognize that an increase is likely on the Government agenda. If Government determines that such an increase is necessary, then future increases cannot exceed their rate of inflation. An index of this type will provide employers with a degree of certainty they currently do not have and would give them the ability to better develop a multi-year business plan.

**Moose Jaw and District Chamber of Commerce:**

The economy of the area should drive the minimum wage; there are too many variables that affect indexing which would result in an imperfect measure of costs.

Increasing minimum wage is a vicious circle, cost increase to business then to recoup—increase cost for service/product. There is also extra cost to increasing entry level rates in that to keep gap you have to increase upper level individuals.

**Western Auto Body Ltd.:**

I strongly believe in and have long been a proponent of a system, which would allow for an annual increase in the minimum wage for all employees of our province. Such a system would allow employers to adjust their pricing in small increments yearly thereby making it more manageable for themselves and the consumer.

There is, to my knowledge, no other single body of persons who at this present time do not have the benefit of such protection.

**Canadian Union of Public Employees (CUPE):**

However a significant portion of workers are in a part-time position involuntarily. In Saskatchewan in 2004, of a total 93,700 part-time workers, 26,000 wanted full-time work and an additional 27,000 had to work part-time in order to accommodate their education. Moreover, more than 17,000 more part-time workers were forced to choose part-time work because of family responsibility, illness and other reasons.

For these workers, an increase in the minimum wage to match the LICO would still result in an annual income that falls short of the poverty line.

**National Anti-Poverty Organization (NAPO):**

Another important advantage to an adequate minimum wage is that it creates a greater incentive to choose work over social assistance. Currently in Canada, the income differential between working poor families and families relying solely on government transfers is only \$1,400 per year. Raising the minimum wage to a level that would allow a worker to escape poverty would provide a greater incentive for those who can work to do so.

The fundamental principle mentioned above is not a lofty or unreasonable target. It represents a basic moral standard that wage should be sufficient to cover basic needs.

**Regina Anti-Poverty Ministry (RAPM):**

For the past ten years RAPM has taken the consistent position that the minimum wage should be raised to the LICO or poverty line for an individual working full time and then indexed to the cost of living.

An adequate minimum wage is not only a public policy issue; it is a matter of basic human rights. Provision of a living wage is part of our commitment to international law under the United Nations. In 1976, Canada, with the agreement of all provinces and territories, ratified the International Covenant on Economic Social and Cultural rights. Part 2, Article 7, of the covenant recognizes the right to remuneration, which provides workers with fair wages to provide a decent living for themselves and their families.

**Saskatchewan Registered Nurses' Association:**

Raising and indexing the minimum wage will have an impact on the health of the citizens of Saskatchewan. This is a good example of healthy public policy that supports the principles of primary health care and a prerequisite for health. We look forward to the findings of your review and decision to address this important matter.

This issue is about pay the rent or feed the kids.

## 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 1991-2006.

In this span of 16 years the minimum wage has increased \$2.95.

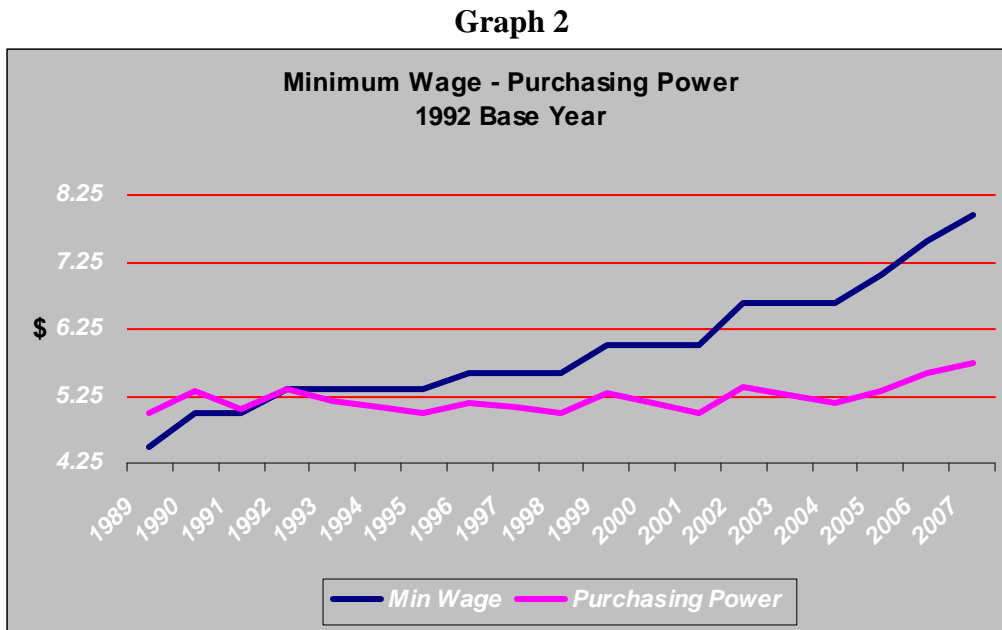
Source: Sask Trends Monitor, *Minimum Wage Database*, Page 3

**Graph 1: Minimum Wage in Saskatchewan 1992 to date**



Source: Sask Trends Monitor, *Minimum Wage Database*, page 3

**Graph 2: Minimum Wages Relative to Consumer Price Inflation**



Purchasing power refers to the inflation-adjusted value of the minimum wage relative to the base year of 1992.

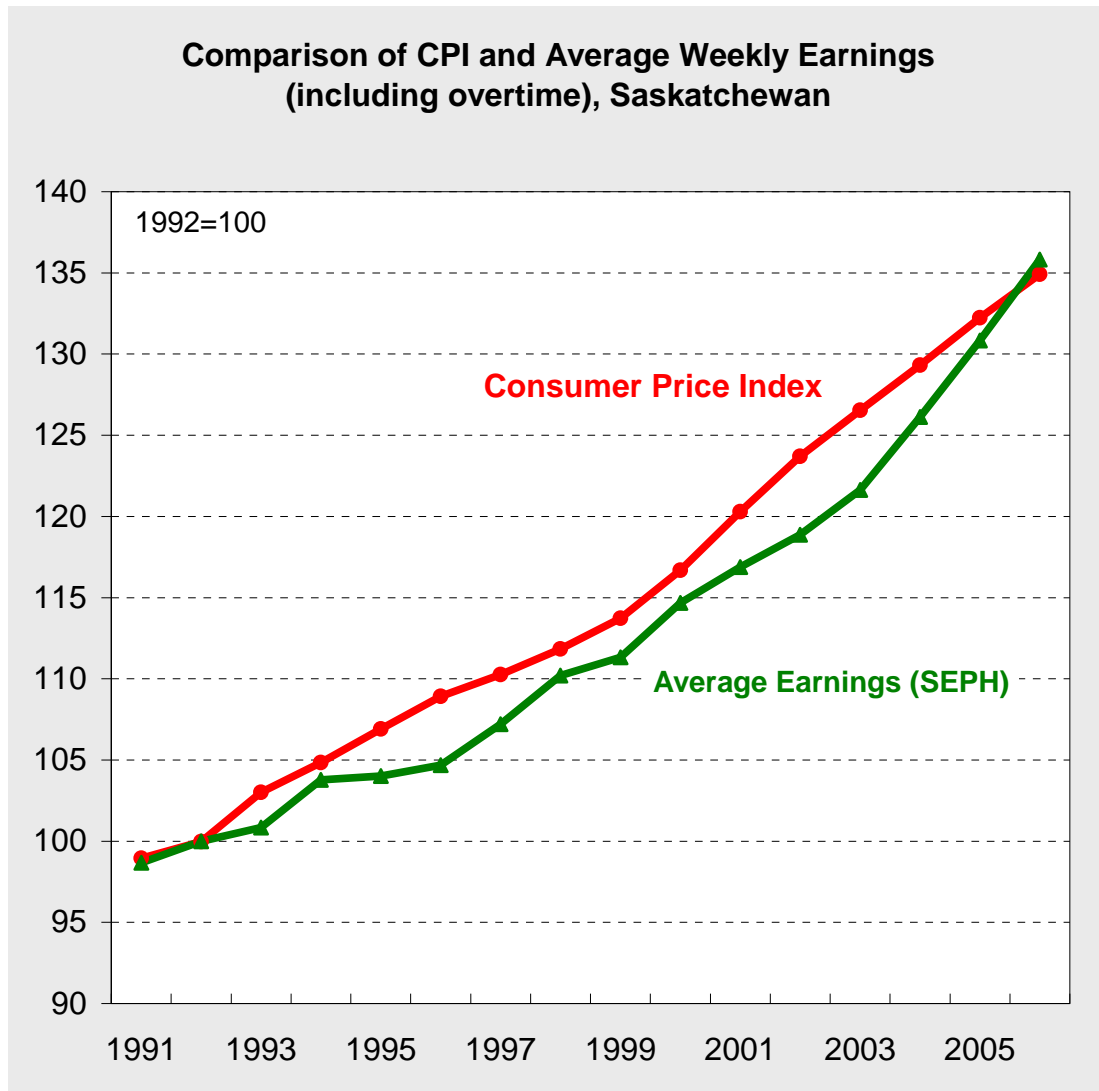
Source: Saskatchewan Labour and Sask Trends Monitor, *Minimum Wage Database*, page 4

By using the statistics from the Canadian CPI for Saskatchewan, we can calculate the minimum wage in constant or real dollars, that is, adjusted for inflation. In effect, the minimum wage was near or slightly above \$5.00 an hour in constant 1992 dollars throughout the 1990s. The increase since the turn of the decade has increased the minimum wage to \$5.50 in constant 1992 dollars by 2006 (expected to increase to \$5.75 in 2007 based on an inflation estimate of 2.5%).

Source: Sask Trends Monitor, *Minimum Wage Database*, Sask Trends Monitor, page 4

**Graph 3: Comparison of CPI and Average Weekly Earnings**

**Graph 3**



Source: Sask Trends Monitor, *Recent Trends in Wage Rates and Inflation*, page 17

Note: SEPH is Statistics Canada's Survey of Employment, Payrolls and Hours.

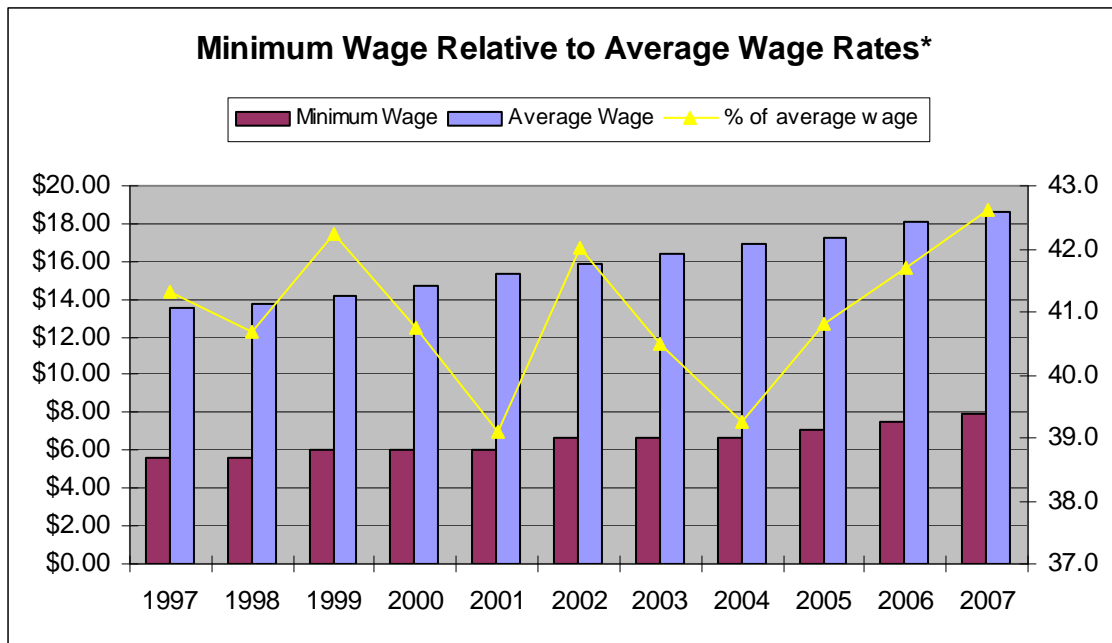
Graph 3 shows that over the long term earnings and inflation tend to move very closely together. This results from an expectation on the part of employees that the purchasing power of their earnings will be maintained and because wage rates are an input cost to most goods and services so higher wage rates tend to lead to higher prices.

Source: Sask Trends Monitor, *Recent Trends in Wage Rates and Inflation*, page 17

**Graph 4: Minimum Wages Relative to Average Hourly Wage Rates**

The graph shows that the minimum wage has increased relative to the average wage rate in 2006 and 2007. From a longer-term perspective the minimum wage has fluctuated between 39% and 42% for the past ten years.

**Graph 4**



\*Assumes a 3% increase in the average provincial wage in 2007.

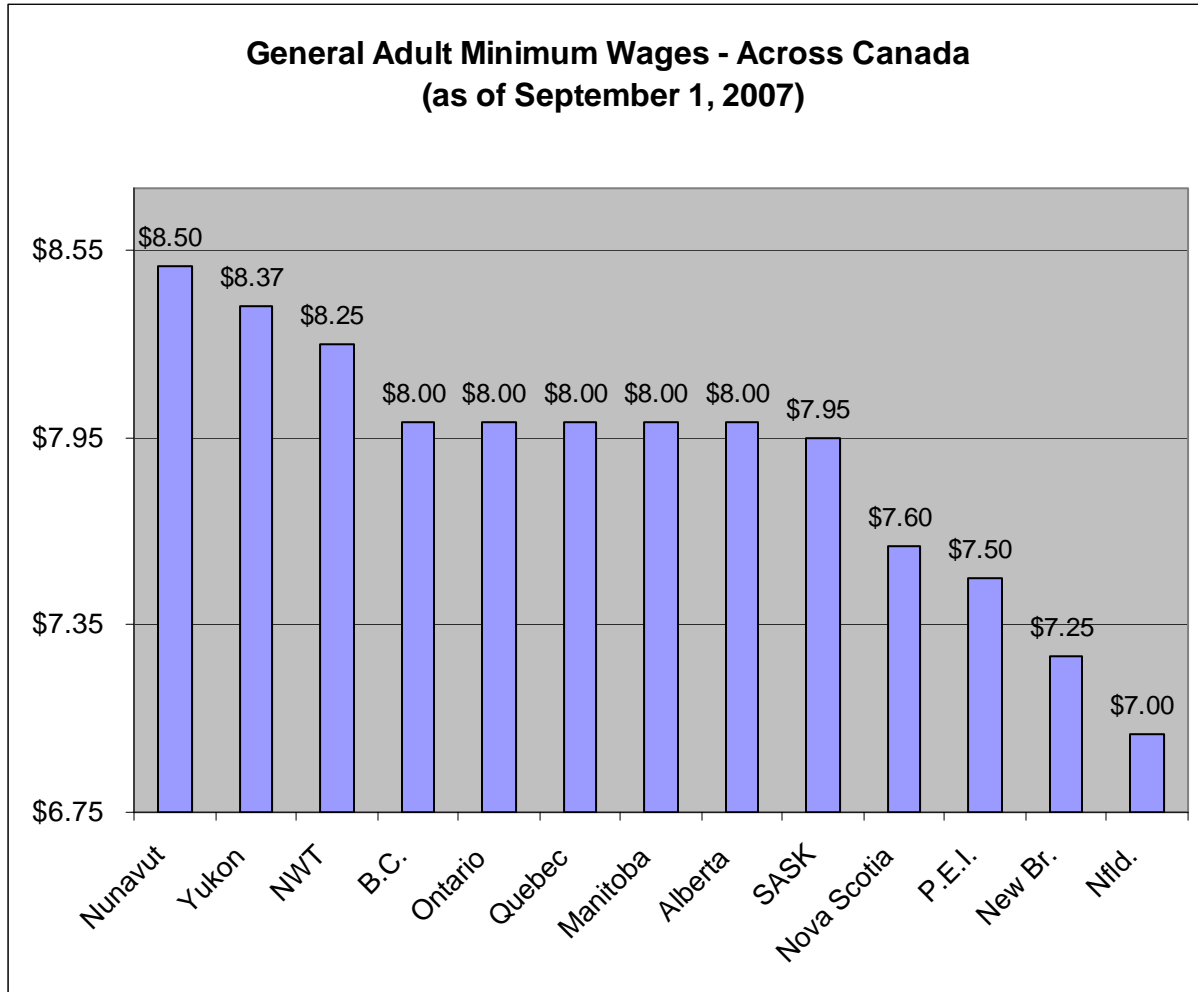
Source: Sask Trends Monitor, *Minimum wage database*, page 6

When the Board looked at the inter-provincial comparison of the minimum wage, it was noted that the provinces tend to cluster into two groups with lower rates in the four Atlantic Provinces and higher rates in the territories and the other six provinces including Saskatchewan. As of September 1, 2007, with Alberta increasing its rate to \$8.00 (and indexing the rate in future to annual increases in Alberta's average industrial wage), we will have the unusual occurrence of all six non-Atlantic provinces having essentially the same minimum wage - \$8.00 (\$7.95 in Saskatchewan).

**Graph 5: General Adult Minimum Wages – Across Canada**

Source: Sask Trends Monitor, Minimum Wage Database, Page 7

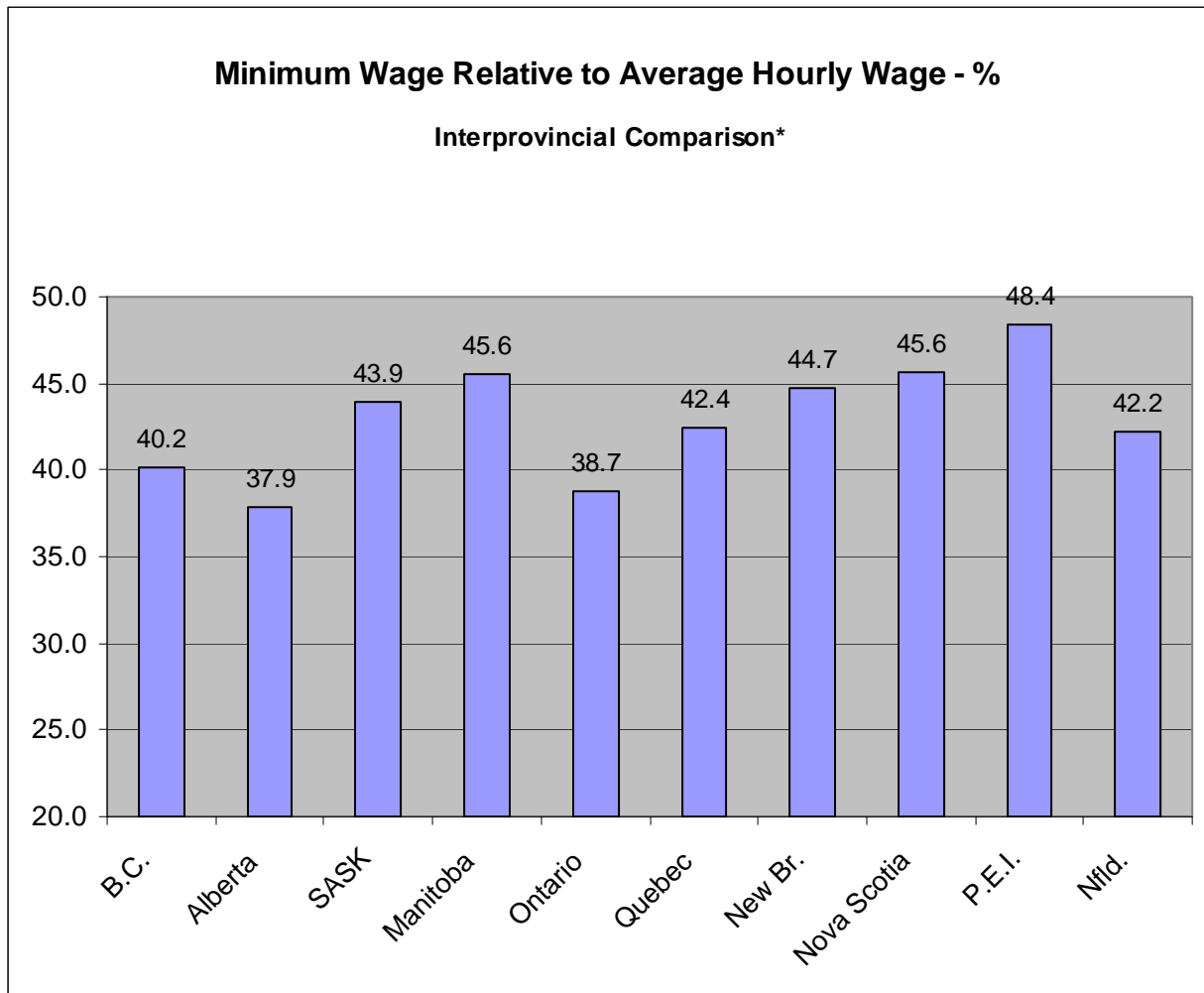
**Graph 5**



**Graph 6: Minimum Wage Relative to Average Hourly Wage - Provinces**

Source: Sask Trends Monitor, *Minimum Wage Database*, Page 8

**Graph 6**



\*The chart compares minimum wage rates to the corresponding provincial average wage rate as of September 1, 2007 for the minimum wage and the 2006 yearly average for wages.

### **Minimum wages relative to gross sales**

A large proportion of minimum wage earners work in the accommodation and foodservices industry and retail sales industry. Since 1991, sales in these two sectors have effectively doubled whereas the minimum wage has increased by approximately 50%.

Source: Sask Trends Monitor, *Minimum Wage Database*, Page 9

### **Minimum wage relative to other wage rates**

The minimum wage can be compared with the average wage in the two industry sectors where the majority of minimum wage earners are employed – retail trade and accommodation and foodservices. In general, the minimum wage has kept pace with average earnings in these sectors.

Over the nine years wage rates have increased by an average of:

- 3.3% per year in the accommodation and foodservices;
- 3% per year in the retail trade; and
- 3.2% for the minimum wage.

The fact that these rates track one another is not particularly surprising because the minimum wage is one of the main drivers of wage rates in these sectors.

Source: Sask. Trends Monitor, *Minimum Wage Database*, Page 10

### **Number of workers at or near the minimum wage**

- 9,800 persons worked below the minimum wage. This represented 2.5 % of the labour force;
- 12,400 persons or 3.1 % of paid workers worked at the minimum wage; and
- 32,100 persons or 8.1 % of paid workers worked near the minimum wage.

Source: Sask. Trends Monitor, *Minimum Wage Database*, Page 17

### **Low-wage earners: gender**

Women are more likely than men to be low-wage earners.

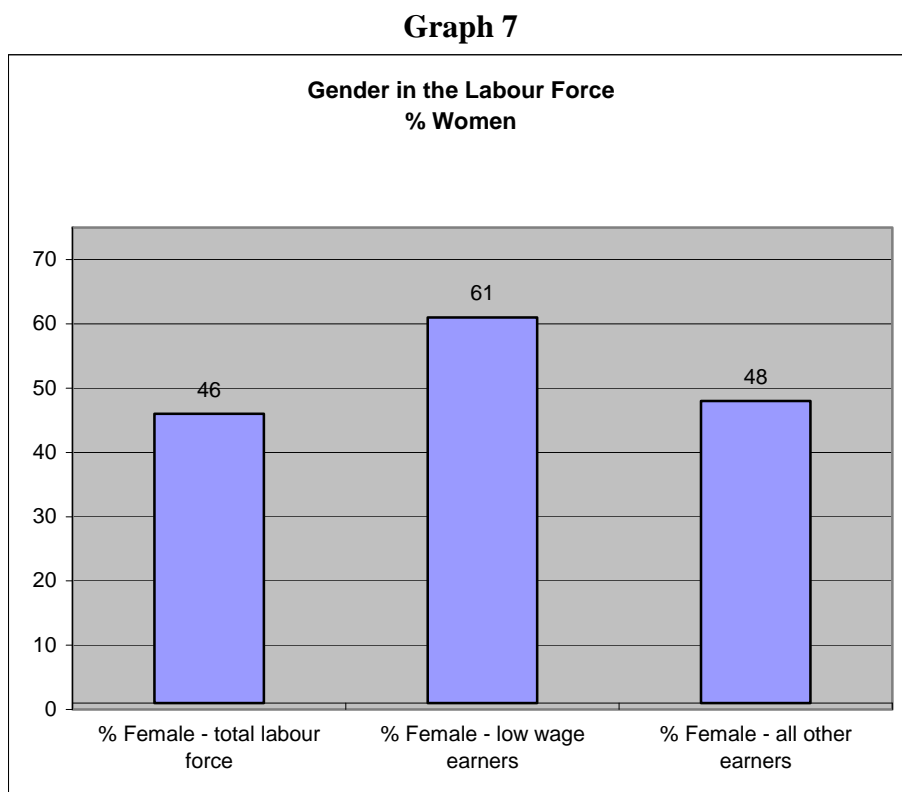
In 2006:

- 61% of low-wage earners were women compared with 48% of those with higher wage rates.
- 17% of women were below, at, or near the minimum wage compared with 11% of men.
- The proportion of women who are low-wage earners has not changed appreciably since 1997.

Source: Sask Trends Monitor, *Minimum Wage Database*, Page 21

**Graph 7: Gender in the Labour Force - Low-wage earners by gender, Saskatchewan, 2006**

Source: Sask trends Monitor, *Minimum Wage Database* page 21



**Low-wage earners: age group**

A disproportionately high number of low-wage earners are young people.

In 2006:

- 63% of those at the minimum wage were under 25 years of age. This compares with 15% of workers above the minimum wage.
- Four out of ten young people have a wage rate below, at, or near the minimum wage.
- In related statistics, 63% of low-wage earners have a single marital status and 47% are sons and daughters in the household.
- Since 1997, there has been no appreciable change in the number of low-wage earners who are under 25 years of age.

About 5% of employees also attend school while they are working. This includes full- and part-time attendance at high school or post-secondary institutions.

The proportion of low-wage earners who are students is much higher; 34% of low-wage earners are students, typically high school students. An increasing proportion of low-wage earners are students - 35% in 2006 were students compared with 30% in 1999.

Because many are still in school, few low-wage earners have post-secondary education. Among low-wage earners, 42% have not completed high school compared with 12% of those with wage rates above the minimum wage. At the other end of the spectrum, 21% of low-wage earners are postsecondary graduates compared with 55% of those with higher wage rates.

The percentage of paid workers with a post-secondary education has been increasing since 1997 but no such trend is evident among low-wage earners.

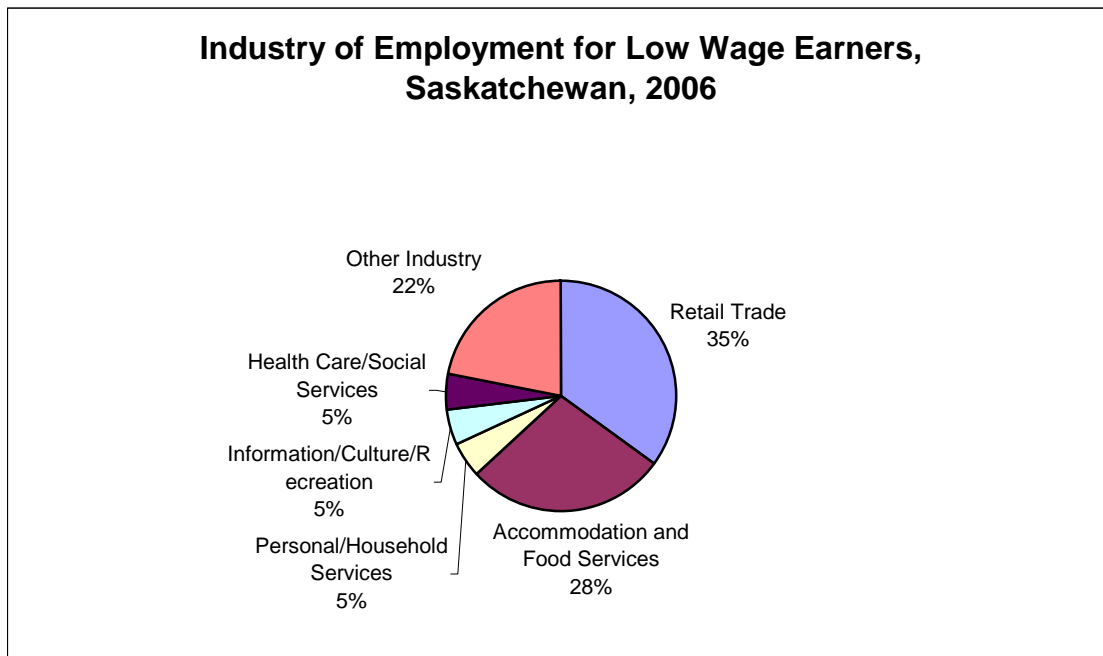
*Source: Sask Trends Monitor, Minimum Wage Database, Pages 22-24*

### Industry of employment for low-wage earners

- A large proportion (63%) of low-wage earners work in two industry groups: the retail trade sector, and the accommodation and foodservices sector.
- Outside of those two industry groups, low-wage earners are widely dispersed across other industry groups.
- Over the past ten years, the proportion of minimum wage earners who work in the retail trade sector has increased from just over 25% to 35%.
- The proportion that work in accommodation and foodservices has been relatively stable near 30%.

**Graph 8: Low-wage Earners by Industry Group - 2006**

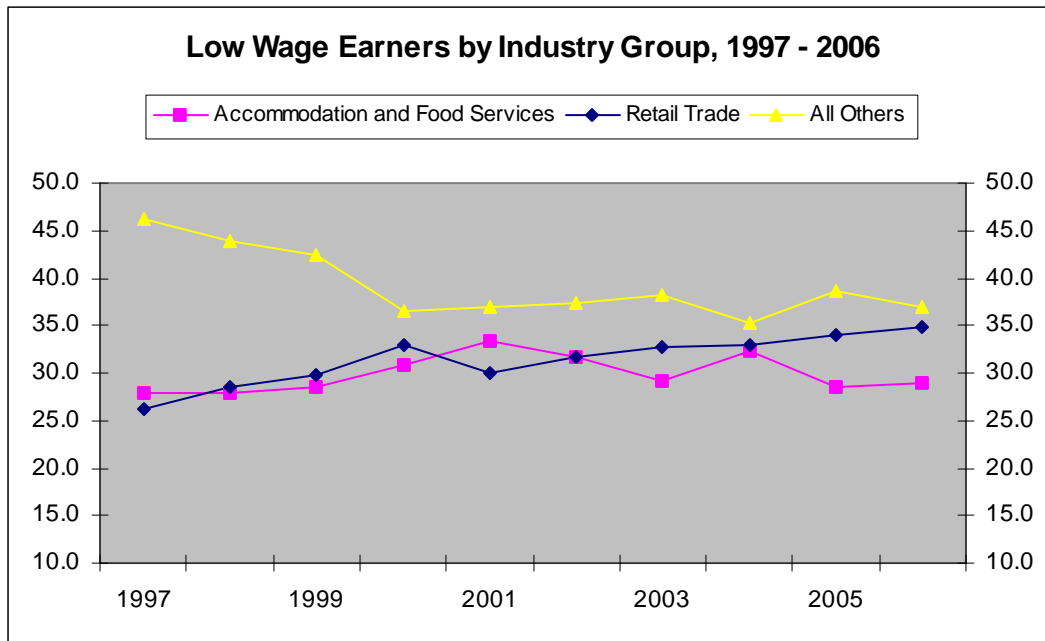
**Graph 8**



*Source: Minimum Wage Database, Sask Trends Monitor, Pages 25-26*

**Graph 9: Low-wage Earners by Industry Group – 1997-2006**

**Graph 9**



Source: *Minimum Wage Database*, Sask Trends Monitor, Pages 25-26

**Low-wage earners by hours of work**

More than one half of low-wage earners (53%) are working part time in their main or only job. A relatively high proportion are involuntary part-time workers. For example, 10% of low-wage earners are working part time but would prefer full-time employment compared with 4% of those above the minimum wage.

Source: *Minimum Wage Database*, Sask Trends Monitor, 27

**Low-wage earners by labour market attachment**

Averaged over the course of the year, 80% of low-wage earners report that their jobs are permanent and 20% report that they are temporary. This compares with 89% and 11%, respectively, for positions with higher wage rates.

Source: *Minimum Wage Database*, Sask Trends Monitor, Page 28

**Minimum wage and purchasing power**

When the Board reviewed the purchasing power of the consumer dollar based on the CPI, it was found that the minimum wage had declined in purchasing power steadily over the past ten years, declining from a 97¢ dollar in 1993 to a 74¢ dollar in 2006.

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

### Consumer Price Index Increase 2006 to 2007

Reviewing the cost of living since the March 1, 2006 increase from \$7.05 to \$7.55, and the last increase in the minimum wage on March 1, 2007 from \$7.55 to \$7.95, it was noted that the cost of living in Saskatchewan increased by 2.6%. The corresponding increase in the minimum wage – from \$7.55 to \$7.95 – was 5.3%. For that period, therefore, minimum wage earners enjoyed a real increase in their incomes.

Source: Saskatchewan Bureau of Statistics, *Monthly Statistical Review*

### Minimum wage indexed in 2000

Compared with the actual rate, an indexed minimum wage would have been higher in some years and lower in others but over the long term would have been lower than the actual rate in 2007.

This is regardless of the starting point chosen over the past ten years. In other words, the minimum wage has surpassed inflation over the last decade, resulting in real increases for minimum wage earners. So if the past is any indication, indexing the minimum wage to the CPI would mean a lower rather than a higher minimum wage.

### Graph 10: Minimum Wage Indexed in 2000 to the Consumer Price Index

Source: *Minimum Wage Database*, Sask Trends Monitor p.11

Graph 10



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

- 2003 - 10,400 workers
- 2004 - 5,900 workers
- 2005 - 7,000 workers
- 2006 - 9,800 workers

**The aggregate change in payroll costs for employers after an increase in the minimum wage.****Estimates for three Theoretical Increases in the Minimum Wage**

Increase number one - \$0.45 immediately	\$7.95 - \$8.40
Increase number two - \$0.30 six months after first increase	\$8.40 - \$8.70
Increase number three - \$0.30 six months after second increase	\$8.70 - \$9.00

**Table 1**

	<b>\$7.95 - \$8.40</b>	<b>\$8.40 - \$8.70</b>	<b>\$8.70 - \$9.00</b>
Provincial Weekly Payroll	\$301 million	\$307 million	\$313 million
% of payroll – minimum wage workers	0.72%	0.72%	0.72%
Minimum Wage Payroll	\$2,168,760	\$2,291,520	\$2,373,360
Assumed Minimum Wage Increase	\$8.40 (5.660%)	\$8.70 (3.571%)	\$9.00 (3.448%)
Aggregate Change in Payroll	\$122,751.82	\$81,830.18	\$84,752.69
Ripple Factor – Double Aggregate Change in Payroll	\$245,503.63	\$163,660.36	\$169,505.37
Increased Statutory Benefits:			
CPP (3.7%)	\$9,083.63	\$6,055.43	\$6,271.70
EI Premiums (2%)	\$4,910.07	\$3,273.21	\$3,390.11
WCB Premiums (2%)	\$4,910.07	\$3,273.21	\$3,390.11
Vacation Pay (6%)	\$14,730.22	\$9,819.62	\$10,170.32
Subtotal	\$33,634.00	\$22,421.47	\$23,222.24
Weekly increase in payroll and statutory benefits	\$279,137.63	\$186,081.83	\$192,727.61
<b>Yearly increase in payroll and statutory benefits</b>	<b>\$14,515,157</b>	<b>\$9,676,255</b>	<b>\$10,021,836</b>

Estimates in the table (on previous page) are based on 12,400 minimum wage workers with 22 average weekly hours of work. Statutory benefits are assumed amounts – e.g. Canada Pension Plan contribution rates for 2007 are a maximum of 4.95% but with lower incomes a lower percentage of 3.7% is assumed for minimum wage workers. The ripple factor assumes that the initial impact of a minimum wage increase is effectively doubled with increases provided to those earning near the minimum wage in order to maintain relative incomes.

### **Commission on Improving Work Opportunities for Saskatchewan Residents**

The Minister of Labour commissioned the review, which published its report in February 2006 (See Research Document #1). In the set of recommendations coming out of its review, the Commission's first recommendation was:

#### Recommendation #1

In its next review of the minimum wage, the Minimum Wage Board and the government should:

- a) Increase the minimum wage to the then current level of the LICO.
- b) Tie subsequent adjustments to yearly inflationary increases based on the CPI.

Source: Research Document 1, Final Report and Recommendations of the *Commission on Improving Work Opportunities for Saskatchewan Residents*, Page 12.

### **Definitions**

#### **Low-income Cut Off (LICO)**

LICO is a Statistics Canada measure of low incomes. LICO is commonly referred to and used as the poverty line although it is actually a measure of income inequality rather than poverty. LICO was designed by Statistics Canada to measure income levels below which an average family would spend a particularly large portion of their income on basic necessities.

LICO was originally published in 1969.

The LICO is periodically rebased because the proportion spent on necessities changes over time. The last rebasing was done in 1992. Between rebasing periods, LICO is updated using the CPI. There are separate cutoffs for seven sizes of family – from unattached individuals to families of seven or more persons - and for 5 community sizes - for rural areas and urban areas. Province-specific LICOs are not calculated.

Because the LICO calculations have many variations adjusting for varying applications, the Board concluded that using the calculations adjusted for Saskatoon or Regina (urban areas population 100,000 to 499,999) would most accurately represent the LICO in Saskatchewan. It was noted that would be a reasonable assumption that the difference between Saskatoon and Regina calculations and the calculations for smaller centres in Saskatchewan would be offset by the difference in transportation costs.

Using the example for a single individual in an urban area the size of Saskatoon or Regina the 2006 LICO calculations requires an annual income greater than \$18,262.40 or \$8.78 an hour.

For an in-depth description of the LICO, see Statistics Canada's publication, *Low-income Cut Offs for 2005 and Low Income Measures for 2004*, at the following web-site:  
<http://www.statcan.ca/english/research/75F0002MIE/75F0002MIE2006004.pdf>

### **Consumer Price Index (CPI)**

Statistics Canada prepares the CPI by examining price changes in more than 600 goods and services and defines it as follows:

*The CPI is defined, more precisely, as an indicator of the changes in consumer prices experienced by Canadians. It is obtained by comparing, through time, the cost of a fixed basket of commodities purchased by Canadian consumers in a particular year. Since the basket contains commodities of unchanging or equivalent quantity and quality, the index reflects only pure price movements.*

Source: Statistics Canada, *Your Guide to the Consumer Price Index*

The CPI is one factor that has been used by minimum wage boards in the past to determine an appropriate minimum wage.

Indexing the minimum wage to the CPI will effectively guarantee that, on average, the minimum wage will maintain its purchasing power over time.

For an in-depth description of the CPI, see the publication *Your Guide to the Consumer Price Index* at the following web site:  
<http://www.statcan.ca/english/freepub/62-557-XIB/62-557-XIB1996001.pdf>.

## **VII. Minimum Wage:**

### **Conclusions**

The 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 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.

The *Commission on Improving Work Opportunities for Saskatchewan Residents* took into consideration the minimum wage as a public policy instrument as a means of addressing issues relevant to the working poor.

In the Commission's Report they stated, "a great deal of documented research and social commentary speaks to the importance of considering the minimum wage as a mechanism for helping to ensure a minimum or basic standard of living".

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 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. *The Minimum Wage Regulations* (section 11 – Regulation to be posted) requires that every employer keep a copy of the minimum wage regulations posted in the workplace.

## **Recommendation**

**The Board recommends three increases to the minimum wage:**

- **An immediate increase to the minimum wage totaling \$0.45 per hour effective September 1, 2007. Effective September 1, 2007 the minimum wage should be set at \$8.40 per hour (eight dollars forty cents). In addition, the minimum call out pay should increase by \$0.45 per hour to \$25.20 on September 1, 2007**
- **An increase to the minimum wage totaling \$0.30 per hour effective March 1, 2008. Effective March 1, 2008 the minimum wage should be set at \$8.70 per hour. (eight dollars seventy cents). In addition the minimum call out pay should increase by \$0.30 per hour to \$26.10 on March 1, 2008.**
- **An increase to the minimum wage totaling \$0.30 per hour effective September 1, 2008. Effective September 1, 2008 the minimum wage should be set at \$9.00 per hour. (nine dollars). In addition the minimum call out pay should increase by \$0.30 per hour to \$27.00 on September 1, 2008.**

## **VIII. Consumer Price Index:**

### **Conclusions**

The Board's review of the CPI and the wisdom of adjusting future minimum wage increases based on the CPI, has some real advantages provided the minimum wage has been adjusted or is being adjusted to reflect at the least a minimum acceptable standard of living based on the most recent LICO calculations for a single worker working full-time in Regina or Saskatoon.

Some of the data presented to the Board regarding the CPI and the wisdom of tying increases to the CPI are included in Appendix B.

Indexing the minimum wage to the Saskatchewan CPI will effectively guarantee that, on average, the minimum wage will maintain its purchasing power over time.

The minimum wage will increase annually with regular small adjustments rather than large adjustments on an irregular basis.

Adjusting the minimum wage using the CPI will provide employers with a degree of certainty they currently do not have and would give them the ability to better develop a multi-year business plan.

By adjusting the minimum wage by the CPI in January of each year it will better reflect the cost of living in the previous year as well as provide an adequate time frame for employers to adjust for an increase.

### **Recommendation**

**The Minimum Wage Board recommends that after raising the minimum wage to \$9.00 per hour, the minimum wage then be adjusted annually, at least to the percentage increase in the CPI for the 12 month period ending December 31<sup>st</sup> annually and that the increase be implemented March 1<sup>st</sup> of the following year.**

## Appendix A

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

- The minimum wage has risen eight times during 1991 to 2006; in the span of 16 years the minimum wage has increased by \$2.95;
- The minimum wage has increased relevant to the average wage rate in 2006 and in 2007. From a longer-term perspective the minimum wage has fluctuated between 39% and 42% of the average provincial wage for the past ten years;
- The inter-provincial comparison of the minimum wage, notes that the provinces tend to cluster into two groups with lower rates in the four Atlantic provinces and higher rates in the other six including Saskatchewan (all six effectively at \$8.00 per hour as of September 1, 2007).
- A large proportion of minimum wage earners work in the accommodation and foodservices industry and retail sales industry. Since 1991, sales in these two sectors have effectively doubled whereas the minimum wage has increased by approximately 50%;
- In 2006, 9,800 persons worked below the minimum wage. This represented 2.5 % of the labour force, 12,400 persons or 3.1 % of paid workers worked at the minimum wage. A further 32,100 persons or 8.1 % of paid workers work near the minimum wage;
- Women are more likely than men to be low-wage earners. In 2006, 60% of low-wage earners were women compared with 48% of those with higher wage rates. Looked at another way, 17% of women were below, at or near the minimum wage compared with 11% of men. The proportion of women who are low-wage earners has not changed appreciably since 1997;
- A disproportionately high number of low-wage earners are young people. In 2006, 63% of those at the minimum wage were under 25 years of age. This compares with 15% of those above the minimum wage;
- Averaged over the course of the year, 80% of low-wage earners report that their jobs are permanent and 20% report that they are temporary. This compares with 89% and 11%, respectively, for positions with higher wage rates; and
- Using the example for a single individual in an urban area the size of Saskatoon or Regina the 2006 LICO calculations require an annual income greater than \$18,262.40 or \$8.78 an hour.

## Appendix B

By using the statistics from the Canadian CPI for Saskatchewan, we can calculate the minimum wage in constant or real dollars, that is, adjusted for inflation. In effect, the minimum wage was near or slightly above \$5.00 an hour in constant 1992 dollars throughout the 1990s. The increase since the turn of the decade has increased the minimum wage to \$5.50 in constant 1992 dollars.

When the Board reviewed the purchasing power of the consumer dollar based on the CPI, it was found that the minimum wage had declined in purchasing power steadily over the past ten years, declining from a 97¢ dollar in 1993 to a 74¢ dollar in 2006.

We examined the results of indexing the minimum wage starting in January 2000 (using the CPI averaged over the previous 12 months to increase the minimum wage in January of each year). Compared with the actual rate, an indexed minimum wage would have been higher in some years and lower in others but over the long term would have been lower than the actual rate in 2007. This is regardless of the starting point chosen over the past ten years. So if the past is any indication, indexing the minimum wage to the CPI would mean a lower rather than a higher minimum wage.

## Appendix C

### References

- a) Canadian Federation of Independent Business, **Surveys on Training; Saskatchewan Skilled in Training** (CFIB Research) 2004.
- b) Gartner, Brett. **Saskatchewan Small Business Primer** (CFIB Research)
- c) Living Wage Action Group. **Living Wage**
- d) Saskatchewan. Government Relations and Aboriginal Affairs. **First Nations Statistics, 2001.**
- e) Sask Trends Monitor. **Minimum Wage Database: March 2005.**
- f) Statistics Canada, Labour Force Survey.
- g) Statistics Canada's Survey of Employment, Payrolls and Hours

## **Research Document 1**

### ***The Commission on Improving Work Opportunities for Saskatchewan Residents (the Commission)***

The Commission was established to make recommendations to help improve access by part-time and vulnerable workers to job opportunities, employment income and benefits.

#### **Low-income Workers**

There is a range of public policy options that are typically considered as a means of addressing issues relevant to the working poor. The minimum wage, as well as other forms of income supports, is among those public policy instruments that have been considered by the Commission.

#### **Low-income Cut Off**

With few exceptions, a broad cross-section of stakeholders felt that individuals working 40 hours a week all year should not live below the poverty level.

Invariably, the discussion about vulnerable workers requires a common understanding about the definition of poverty. Although there is no official measure of poverty in Canada, Statistics Canada's measure of low income is certainly the best known and most widely used. Statistics Canada does not claim to measure poverty, but it does define a set of income cut offs that are usually applied to people who earn less than the cut offs and who are then said to be living in straitened or difficult economic circumstances. Virtually all of the benchmarks applied to low-income earners in Canada by most organizations trying to measure poverty come from Statistics Canada's annual survey of incomes. These LICO are published annually by Statistics Canada and are provided on the basis of size of community and size of family.

In the course of its deliberations, the Commission has applied LICO as its own gauge.

#### **Minimum Wage**

A great deal of documented research and social commentary speaks to the importance of considering the minimum wage as a mechanism for helping to ensure a minimum or basic standard of living. Minimum wage adjustments can have a significant impact on the economic well being of low-income workers. The level of the minimum wage is of consequence in expanding working opportunities for Saskatchewan people.

#### **The Canadian Policy Research Networks (CPRN)**

Has noted; increasing the minimum wage would help make work pay, improve the incentive to move from welfare to work and possibly enhance productivity and investment in skills development. The evidence suggests that sizable increases in the minimum wage are possible without adversely affecting the employment of adults over the age of 24. While some of the benefits go to people living in well-off households, higher minimum wages disproportionately benefit the less well off (Fortin and Lemieux, 2000). Moreover, if the increases in the minimum wage are staged, the risks of negative employment effects are mitigated.

## **Research Document 1 (continued)**

### **Conclusions**

The Commission feels it would be beneficial for vulnerable workers to bring the minimum wage in line with increases in LICO. Any such increases are the prerogative of the government. The rate of increase, along with the timing and application of increases, should coincide with changes in the LICO as announced by Statistics Canada.

The rationale for indexing the minimum wage to inflation is straightforward. Submissions to the Board and to the Commission evidence contentiousness of reviewing the minimum wage. It is hard to achieve a balance in the consideration of these matters. In fairness, employers have acknowledged the difficulties associated with vulnerable workers. The contentious debate that surrounds each consideration of increases in minimum wage could be avoided. Regularly scheduled increases would assist both employers and employees to plan ahead. Such an approach may not only improve the lives of earners, but it may also help to address some of the recruitment and retention concerns of employers.

### **Recommendation #1**

In its next review of the minimum wage, the Board and the government should:

- A. Increase the minimum wage to the then current level of the LICO; and
- B. Tie subsequent adjustments to yearly inflationary increases based on the CPI.