

Presentation to the
Standing Committee on Community and
Intergovernmental Affairs
Consultation on Different Minimum Wage Rates

by

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9 March 2010
Summerside, Prince Edward Island

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March 2010

Introduction

Good afternoon. My name is Milo Murray, President of the Canadian Union of Public Employees, Prince Edward Island Division. CUPE is Canada's largest union, including almost 600,000 public sector members working in virtually every community across the country. In Prince Edward Island, we proudly represent some 2,400 public sector employees in education, health, municipalities, the University of PEI, group homes, nursing homes and Island EMS.

I am here today to strongly urge the Standing Committee on Community and Intergovernmental Affairs to recommend against proclamation of the recent amendments passed to the *Employment Standards Act* that would create different minimum wage rates.

I want to say that while I appreciate the opportunity to appear before the Select Committee today, this is not the way we should be making public policy. The amendments to the *Employment Standards Act* have already been passed with wording so deliberately vague that all of us – including members of this committee and the Legislative Assembly – all of us are left to speculate what classes of employees or what kinds of employment might be affected and to what degree. We really don't know what change the government plans to make to the minimum wage or what the government hopes to achieve by changing it.

For the majority of workers in Prince Edward Island – who are workers not covered by collective agreements - the employment standards set by government are one of the few forms of protection they have. A number of positive changes – long overdue – were made to the *Employment Standards Act* in December 2009. But right now, non-unionized workers earning the minimum wage who really have no one to represent them are left wondering how these other unspecified changes to the minimum wage could affect their economic future and the security of their families.

The Canadian Union of Public Employees acts on behalf of its members to negotiate favourable terms and conditions of employment that normally go well beyond the minimum standards of the *Employment Standards Act*. These changes will not affect the members of CUPE directly but they will affect our community.

CUPE has always been a community union. We seek for others what we seek for ourselves. We do not want to live in communities where our neighbours and friends live in poverty and without economic security. The lowest paid workers in Prince Edward Island – the approximately 2000 men and women earning the minimum wage of \$8.40 an hour – cannot afford a wage cut. That is why I am here today on behalf of the CUPE members of Prince Edward Island.

The Minimum Wage is a Poverty Wage

CUPE welcomes the two recent increases made to the minimum wage but at \$8.40/hr full-time, full-year minimum wage workers still fall below the poverty line as measured by Statistics Canada's low income cut-off (LICO).

Food banks in PEI reported that almost 40% of clients last year were employed or on Employment Insurance and still could not make ends meet because of low wages and insufficient work hours. As Food Banks Canada stated in its 2009 report, “It is clear that Prince Edward Island needs a higher minimum wage just so families can survive.”

Without a minimum wage indexed to the cost of living, minimum wage earners will continue to fall further behind and deeper into poverty.

Other Provinces Are Raising the Minimum Wage

Other provinces are raising minimum wages not cutting them. In Nova Scotia, the minimum wage will rise to \$9.65 by October 2010, in Newfoundland and Labrador to \$10.00 in July 2010, in Ontario \$10.25 in April 2010, in Québec \$9.50 in May 2010, and in New Brunswick to \$9.00 on 1 Sept 2010.

Governments that believe in the value of paid work should believe in supporting paid workers. Someone working full-time should be able to get out of poverty. Our existing minimum wage is already a subsistence wage and should not be lowered.

Two-Tier Tipping Wage

One of the possible versions of a two-tier minimum wage being floated by government is to pay a lower minimum wage to employees who earn gratuities. Serving the public, particularly in a restaurant setting, is a very demanding job. Tips are a way of customers showing their appreciation for the service they receive but they are not a consistent source of income.

Anyone who works in the service industry can tell you that tips vary widely by job or restaurant. Even at the same restaurant, tips vary from season to season, by the day of the week and by the time of day. Someone could make 50 cents on a shift and someone else could make \$150.00.

Many employees do not have control of their tips even once the tips have been received. Some businesses require tips to be divided up among all of the employees. This money might be distributed at the end of the shift, the end of the day or at the end of the week.

Tips are completely unreliable as a source of income. The minimum wage in PEI is already low. If workers in the restaurant industry were legislated a lower minimum wage on the expectation that they would make up the difference through gratuities, well, there is no way to enforce that expectation.

Service industry workers are already financially vulnerable. Many have part-time rather than full-time jobs and cannot count on consistent hours. This makes budgeting and meeting financial commitments difficult. It's incorrect to assume that service industry workers are working just for pocket money. Many wait-staff are trying to make extra money to pay off student loans or support dependants. These workers can't afford a pay cut.

And as far as the impact this might have on the hospitality industry, it may reduce the wage bill at the local coffee shop but it also gives the wage cut to large corporations like Tim Horton's or Macdonald's who can well afford to pay more to their employees. Cutting the minimum wage is not going to save local businesses from the competition of national chains. It may even

discourage workers from staying in this important sector of the Island economy.

“Training” or “New Worker” Wage

Another possible version of a two-tier wage is based on the idea that new workers or young workers need training or experience and therefore should be paid less than established workers. The International Labour Organization (ILO) recognizes, for example, that apprentices can be paid less than their fully qualified colleagues.

It’s hard to see how this rationale would apply to young workers employed in minimum wage jobs in food services and retail. Clearly, for most of the jobs being done by young workers, little or no training is needed. After a very brief initial period they are performing work equivalent to that of others, but receiving less pay for the privilege.

Since 2001, British Columbia has had a reduced minimum wage that allows “new entrants” to the labour force to be paid \$2 per hour less for their first 500 hours of work. A recent survey conducted by the Canadian Centre for Policy Alternatives asked public school students in British Columbia about their employment experiences. Very few young workers reported they had received much training; the rest had either never been trained at all or had received only a few training sessions, typically at the start of the job. Most reported they worked with minimal supervision.

If PEI enacted legislation allowing employers to pay young workers a reduced “training” wage, would there be legislation that required employers to actually provide that training? How would that be enforced?

Of course there are many individuals who could fall under a “new entrant” category who are not really new entrants at all. Women who move in and out of the labour force trying to balance family and work responsibilities. New immigrants who have work experience elsewhere but take their first job on PEI. How would these workers be treated under a two-tier training wage?

On March 8th, women across Prince Edward Island gathered to celebrate International Women’s Day. Some of them would remember the days when you could advertise a job with a pay scale for men and a different pay scale for women, with the pay rate being lower for women just because they were women.

Our union believes that wages should be based on the job done and not on who is doing the job. The principle that people should be paid equally for work of equal value is not new. It has been recognized internationally since the 1970s by the International Labour Organization (ILO) and United Nations, and more recently in pay equity legislation enacted in many Canadian provinces. Equal pay for work of equal value means you can’t pay some people less for doing comparable work. It’s discrimination and that’s exactly what creating an “inexperienced” minimum wage would be.

In addition to being discriminatory, there is no evidence to suggest that a reduced “new entrant” wage increases youth employment by giving employers an incentive to hire young people. Instead of helping new workers, the reduced wage merely subsidizes low-wage and often inefficient employers.

We should welcome new entrants to the labour force and treat them with respect, not discourage them through discriminatory wages.

No Evidence Lower Wages Make a Stronger Economy

There is no evidence that increases in the minimum wage lead to job losses. A study by the Canadian Centre for Policy Alternatives examined the research in this area and concluded that the minimum wage is, if anything, a bit player when it comes to employment rates. Over the past 25 years, increases in provincial minimum wages have been followed by both increases and decreases in employment, showing that other trends in the economy are much more important.

Evidence does show that higher minimum wages can result in less staff turnover, easier recruitment and a subsequent reduction in the costs of hiring and training new employees. Money in the pockets of the lowest paid will go right back into our economy, and likely back into the very businesses that are concerned about wage levels in the first place.

A lower minimum wage does not help the economy of Prince Edward Island.

Higher Wages Make Stronger Communities

Higher wages positively affect our communities through reduced costs to our health care, education and social service systems. Higher wages provide a better tax base on which to build our communities. Higher wages mean more disposable income to spend on consumer goods and services, supporting the local economy. This is especially true since people with

marginal incomes are more likely to spend money locally. A higher minimum wage can increase the independence and self-sufficiency of teens and youth — enabling young adults to leave home, and helping to reduce post-secondary education debt loads.

Families and communities are looking to the government of Prince Edward Island to improve our standard of living, not lower it.

Conclusion

In a brief presented by CUPE to the PEI Employment Standards Board in December 2009, we requested that the minimum wage be raised to \$11.00 an hour on January 1, 2010 and tied to the Consumer Price Index thereafter. We repeat that recommendation here to this committee. In conclusion, CUPE opposes the creation of a two-tier minimum wage because it is discriminatory towards young, student, women and immigrant workers. Such a policy would harm, not benefit, the citizens and communities of Prince Edward Island.