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Canada to have lowest minimum wages of wealthy Western countries?

Provincial minimum wages are already lower than most US border states

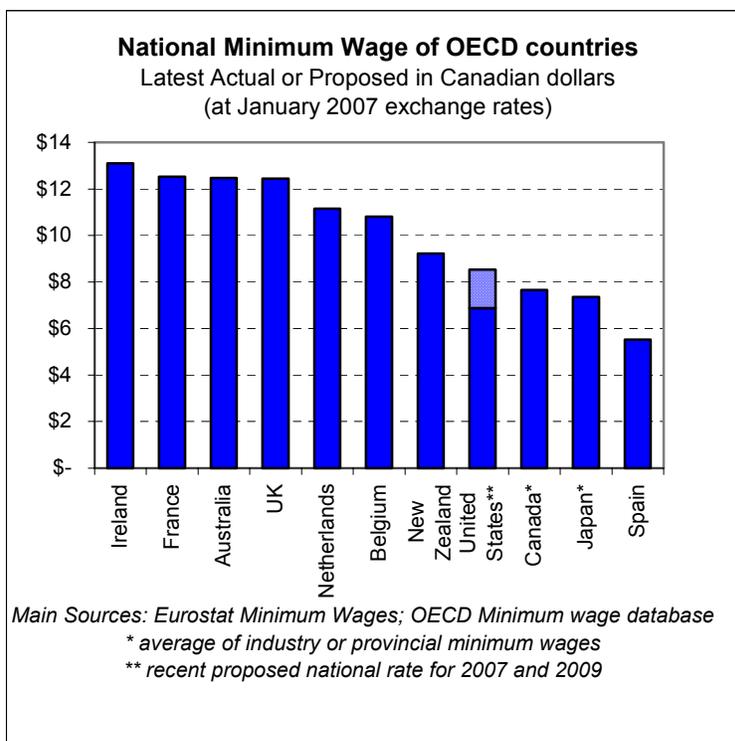
For many years, Canada was rated as number 1 in the world, according to the United Nations *Human Development Index*. Our ranking in this index has sunk like a stone, but we may soon have bragging rights to another international distinction: the lowest legislated minimum wages of all affluent Western countries.

Even after planned increases to the minimum wage to \$8 an hour in Ontario and Quebec, Canada's average minimum wage will be far below minimum wage levels in the U.K., Ireland, France, many other European countries¹. What's more, Canada could also have lower average minimum wages than the United States, if the *Fair Minimum Wage Bill* recently passed by the U.S. Congress gets approved.

The average minimum wage in Canada will be \$7.65 after all planned increases for this year have been made. This is only 60% of the current minimum wage levels in Ireland, France, Australia and the UK, which are all at more than \$12 in Canadian dollar terms.

The value of the national minimum wage in the United States will be \$8.53 in Canadian dollars in two years if the *Fair Minimum Wage Bill* goes through². It would take two years of increases at 6% for Canadian minimum wages to catch up to this level.

A number of countries in southern, central and eastern Europe have considerably lower minimum wages – and much lower standards of living than in Canada. Japan now has a slightly lower average national minimum wage, partly because of recent increases in the value of the Yen.



¹ There are no legislated national minimum wages in Italy, Germany or in Scandinavian countries. Instead minimum wages are set through industry-specific collective bargaining agreements, which are then applied to all workers in the industry. In some cases, the government has legislated minimums for specific industries where there has been undercutting. For instance, Germany recently set a minimum wage for cleaners in Western Germany of \$7.87 Euros – equal to almost C\$12 per hour.

² Based on exchange rate of \$0.85 in January 2007. "Purchasing power parities" are also sometimes used to compare different wage rates to adjust for the cost of living. Estimates of purchasing power parities between Canada and the U.S. vary between \$0.80 and \$0.91.

Provincial minimum wages already lower than most US border states

While the U.S. Senate is now debating the *Fair Minimum Wage Bill*, many U.S. States already have considerably higher minimum wages. All Canadian provinces, with the exception of Manitoba and Saskatchewan, have lower minimum wages than virtually all their bordering U.S. States. If the *Fair Minimum Wage Bill* goes forward, then there will be no exceptions.

There is no question: Canada has become a low wage country.

Higher minimum wages in these U.S. states haven't resulted in higher unemployment rates or economic damage. The Congressional Budget Office estimates the annual costs of the recent proposal for a higher national wage at 0.05% or lower of U.S. GDP³.

Higher minimum wages in other countries have also had small impacts on employment and on the economy – but very positive impacts on the lives of the lowest paid⁴.

Canadian provinces should follow the lead of these countries and states and commit to substantial increases in minimum wages.

The federal government should follow the advice of the recent report on Federal Labour Standards and increase

the federal minimum wage to a level high enough to keep a single full-time earner above the poverty line (equivalent to about \$10 an hour). As the Arthurs report stated, *"This is an issue of fundamental decency that no modern, prosperous country like Canada can ignore."*⁵

PROVINCIAL AND BORDER U.S. STATE MINIMUM WAGES			
Canadian province or territory		Border States	in C\$*
Yukon	\$ 8.25	Alaska	\$ 8.41
B.C.	\$ 8.00	Alaska	\$ 8.41
		Washington	\$ 9.33
		Idaho	Federal level
Alberta	\$ 7.00	Montana	\$ 7.24
Saskatchewan	\$ 7.95	North Dakota	Federal level
Manitoba	\$ 8.00	Minnesota	\$ 7.24
Ontario	\$ 8.00	Minnesota	\$ 7.24
		Wisconsin	\$ 7.65
		Michigan	\$ 8.41
		Ohio	\$ 8.06
		Pennsylvania	\$ 8.41
		New York	\$ 8.41
Quebec	\$ 8.00	New York	\$ 8.41
		Vermont	\$ 8.86
		New Hampshire	Federal level
New Brunswick	\$ 7.25	Maine	\$ 8.24
Nova Scotia	\$ 7.15	Maine	\$ 8.24
PEI	\$ 7.50	Maine	\$ 8.24
Newfoundland	\$ 7.00	Maine	\$ 8.24
* Using exchange or purchasing power rate of 0.85			
Sources: HRDC Current and Forthcoming Minimum Hourly Wages; US Department of Labor: Minimum wage Laws in the States			

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³ CBO Cost Estimate H.R. 2 <http://www.govtrack.us/data/us/110/bills.cbo/h2.pdf>
⁴ See, for example, <http://www.dti.gov.uk/employment/pay/national-minimum-wage/index.html>
⁵ <http://www.fls-ntf.gc.ca/en/fin-rpt.asp>