

CUPE ECONOMIC BRIEF

Thirty Years of Dwindling Minimum Wages in Canada

The real value of the minimum wage is still far below what it was 30 years ago in every single province in Canada.

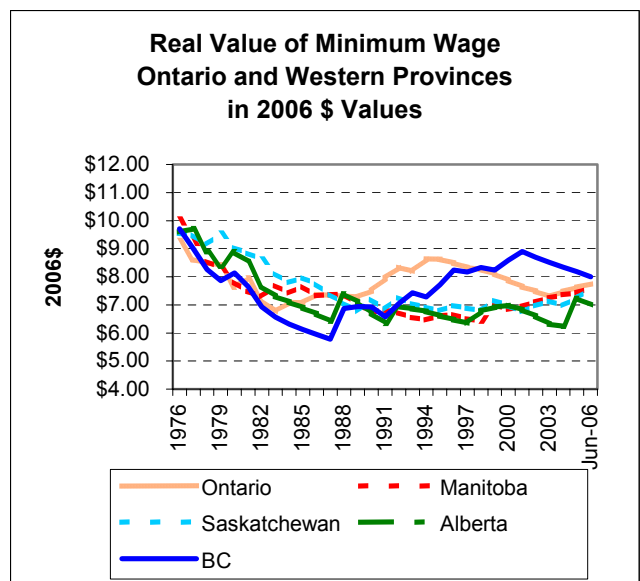
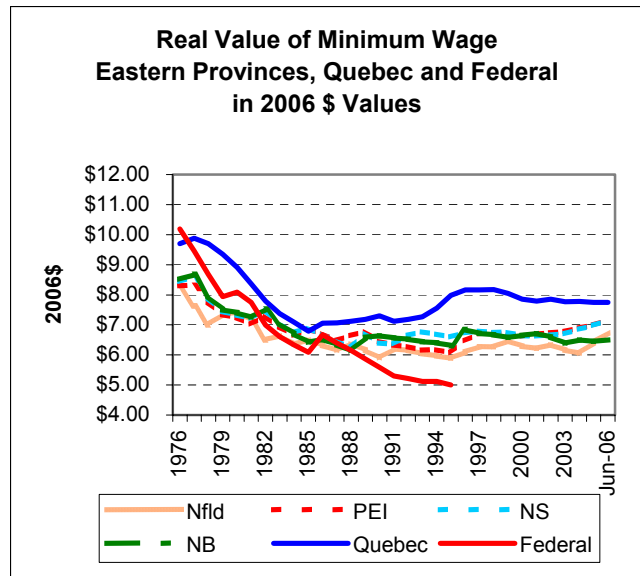
The average minimum wage in 1976 was \$2.71, equivalent to \$9.14 in today's dollars after adjusting for inflation. The federal minimum wage from 1976 would be worth in \$10.19 in today's dollars. Today, the average provincial minimum wage is only \$7.32 and there is no separate federal minimum wage.

On average, minimum wage workers now receive an average of 20% less in real dollars than 30 years ago.

The federal minimum wage, which set a standard for provincial minimum wage levels, was last increased in 1986 and then effectively eliminated in 1996. Since then, the federal government has abandoned its leadership role in establishing a living wage for Canadian workers.

If minimum wages had increased at the same rate as real Gross Domestic Product per capita they would be an average of \$12.44 today – a full 70% higher than the current average. Its no wonder many families are having trouble making ends meet and having to work longer hours just to get by.

More than one in six workers, almost 2.4 million Canadians, are in low wage jobs making less than \$10 an hour, according to Statistics Canada. Most low wage earners are women and many are recent immigrants. Almost half of low paid full-time workers were their family's major income earner.¹



¹ Statistic Canada, *Low Wage and Low Income*. (April 2006, p. 10.)
<http://www.statcan.ca/bsolc/english/bsolc?catno=75F0002M2006006>

The low level of minimum wages is a major reason behind the high rates of poverty in Canada and persistently high levels of economic inequality. Almost 5 million Canadians, including 1.2 million children, were living in poverty in 2003, according to the latest data from the National Council of Welfare.²

The most widely accepted poverty income levels for Canada are based on Statistics Canada's low-income cut offs (LICOs). In 2005, these were \$17,895 for an individual living in a mid-sized city in Canada, and \$20,778 for an individual living in a large city.

This means that a person working full-time all year would need an hourly wage of least \$9 or \$10 to escape poverty. Not one province in Canada has a minimum wage that provides this.

Business groups and conservative lobbyists say we can't afford to raise the minimum wage and that doing so will lead to job loss. But, thanks partly to low wages for workers, corporate profits increased by more than 12% to over \$200 billion last year.³ Canadian CEOs rewarded themselves with an average pay increase of 39% to \$4.3 million each.⁴

Recent experience in the United Kingdom, where the government raised the minimum wage quite rapidly to over £5/hour (over C\$10.50) resulted in no negative effect on jobs and had a positive impact on productivity. The minimum wage in the UK will rise again to £5.35/hour (over \$11/hour) in October 2006.⁵

Analysis has shown that higher minimum wages do not have a large impact on net government spending and revenues – and could even have a positive impact. Higher direct costs are offset by lower spending on social transfers and by higher income and sales tax revenues.

High levels of poverty will persist in Canada unless the minimum wage is raised to a decent living wage. Anti-poverty groups, unions, social justice organizations, health organizations, housing groups, womens' organizations, living wage coalitions, and other organizations have joined together in a campaign to push for:

1. The federal government to reinstate a federal minimum wage set at \$10/ hour and adjusted annually for inflation.
2. Provincial and territorial governments to increase their minimum wages to \$10/hour – a wage that would enable someone working full-time to escape poverty.
3. Employers to pay a living wage of at least \$10 an hour.
4. Municipal governments and universities to adopt living wage policies that would require contractors to pay their employees at least \$10 an hour.

Links & sources:

<http://www.napo-onap.ca/en/livingwage.php>

<http://www.campaign2000.ca/>

<http://www.canadiansocialresearch.net/minwage.htm>

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September 6, 2006

² National Council of Welfare, *Poverty Trends 2002 and 2003*, p. 15. <http://www.ncwcnbes.net/>

³ Statistics Canada. *Quarterly Financial Statistics for Enterprises*. (Daily February 24, 2006.)

⁴ Globe and Mail "What CEOs are paid", (May 10, 2006, p A14.)

⁵ (UK Department of Trade and Industry) *National Minimum Wage*
<http://www.dti.gov.uk/employment/pay/national-minimum-wage/index.html>