

MINIMUM WAGE

EXECUTIVE SUMMARY

MAY 12, 2018

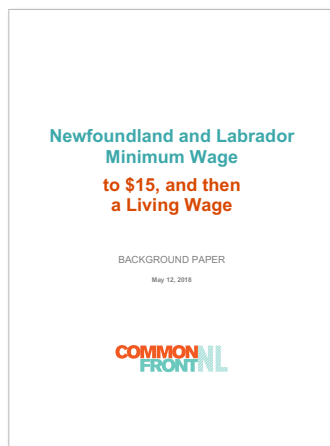
Newfoundland and Labrador Minimum Wage

To \$15, and then a Living Wage

NEWFOUNDLAND AND LABRADOR has nearly the lowest minimum wage in Canada, at \$11.15 per hour. Fewer than 6 per cent of Canadians live in jurisdictions with a lower minimum wage.

Common Front NL calls for the province to adopt a \$15 per hour minimum wage, in line with other jurisdictions that are moving forward on minimum wages, including Alberta, B.C., and Ontario, representing more than two thirds of Canadians.

\$15 per hour is not a final destination on this path. It's a good start. The minimum wage needs to be at a living wage level — a level that can help lift people out of poverty and reduce inequality.



Download the full minimum wage background paper at www.wearenl.ca

Poverty, inequality, and the effects of a minimum wage increase

Newfoundland and Labrador has among the highest GDP per capita of Canada's provinces. And yet we also have tens of thousands living in poverty; we are tied for worst province. Poverty increases the costs of health care, emergency services, and the social safety net more broadly. It costs money that could be spent boosting productive economic activity, and it drags down economic growth.

We also have the worst level of inequality in all of Atlantic Canada, and the province scored a D minus for its gender wage gap — the worst in Canada. Even in rich jurisdictions, inequality is associated with significantly worse outcomes for child well-being, educational attainment, teenage pregnancies, obesity, drug abuse, physical and mental health, trust and community life, social mobility, violence, and imprisonment levels.

Effects of a higher minimum wage

Significantly increasing the minimum wage will help to reduce poverty and inequality. It will raise the income of thousands of Newfoundlanders and Labradorians who work at minimum wage or a bit above it. It will help to reduce the gender wage gap, as the majority of minimum wage earners are women.

Lower income people whose wages are raised spend almost all of the increase, boosting local businesses. A \$15 minimum wage in Newfoundland and Labrador will result in low wage

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workers having on the order of \$100 million more per year more in their pockets to spend in local businesses. It will also help to boost tax revenues, and reduce the cost of income assistance. Rightly, the majority of Canadians (63 per cent) — and especially Atlantic Canadians (73 per cent) — support a \$15 minimum wage.

Minimum wages are rising elsewhere

Six Canadian provinces and territories have already announced minimum wage increases for Spring 2018, and more are coming later in the year and in early 2019. By early 2019, the average minimum wage for Canadians will be approximately \$13.50.

\$15 per hour has been adopted as a goal by anti-poverty organizations, labour unions, and others. Some governments have already stepped up to the plate. Indeed, over 60 per cent of Canadians will soon live in provinces where they are protected by a minimum wage of \$15 or more; Alberta, B.C., and Ontario have all announced their \$15+ targets.

Myths and realities

Big business and other opponents of minimum wages have repeated their arguments so often over decades that they have become mythological – familiar, but not based on reality. Here are a few examples:

- **Myth:** “Minimum wage earners are teenage students living at home.”
Reality: They are mainly over age 20, mainly not students, and mainly women.
- **Myth:** “Minimum wage increases will drive small businesses out of business.”
Reality: Most minimum wage earners work for larger firms, and the leading causes of business failure have nothing to do with minimum wages; they are mismanagement and poor financial planning. Governments have a lot of other options for supporting small business; they don’t have to do it on the backs of low-wage earners.
- **Myth:** “Minimum wage increases will result in automation; machines will replace workers.”
Reality: Automation happens whether minimum wages rise or not.
- **Myth:** “Minimum wage increases will drive up consumer prices.”
Reality: Businesses have a lot of costs that don’t go up when minimum wages rise. And paying higher wages can reduce turnover and training costs.
- **Myth:** “Large increases in minimum wages boost unemployment.”
Reality: Large increases in provincial minimum wages in recent decades have not resulted in any unemployment increases. Hundreds of studies on minimum wages have been performed, and looking at them together the result of minimum wage increases on unemployment are so low as to be non-detectable, and could be positive or negative.
- **Myth:** “We should just use tax credits, like the Canada Worker Benefit.”
Reality: The CWB would provide a small fraction of the benefit of a \$15 minimum wage, and employers capture a portion of taxpayer funded credits like this.

For more myth busters, details, and updates see wearenl.ca/minimum-wage/



COMMON FRONT NL is a broad based coalition of labour, social justice and community groups representing over 100,000 Newfoundlander’s and Labradorians. Together we represent the majority in our province who believe that despite the current fiscal situation, we can and we must have an economy that works for everyone, leaving no one behind.