



**Increasing Alberta's Minimum Wage:
All Up Side, No Down Side**

**Submission to the Legislative Assembly of Alberta
Standing Committee on the Economy
Minimum Wage Review**

June 2010

The Alberta Federation of Labour is Alberta's largest labour organization, representing about 140,000 workers and their families on public policy issues that affect work and workers and their well-being.

We are pleased to provide this brief to the Standing Committee on the Economy. It is our hope that this review of the minimum wage will see the Government of Alberta immediately return to their previous policy of tying increases to the minimum wage to the average weekly earnings index.

Do Increases in the Minimum Wage Lead to Job Losses?

When the Government of Alberta chose to freeze the minimum wage at \$8.80 for 2010, they did so with the justification that following their own policy of tying the minimum wage to the average weekly earnings index will cost jobs. This is a deeply flawed argument, as it is not the product of evidence but of some employer groups' imaginations. If hardship is claimed, it should be accompanied by proof. However, there is no credible, publicly available evidence to show that predictable and reasonable increases to the minimum wage lead to job losses.

The Alberta Federation of Labour has conducted a five-year analysis of the occupations most likely to pay minimum or low wages – retail sales, cashiers and clerks, food and beverage service, and travel and accommodation retail services. We looked closely at the number of Albertans employed in these sectors after an increase in the minimum wage. In all cases, the number of Albertans working in low-wage occupations **increased** after an upward adjustment in the minimum wage.

For example, the minimum wage increased from \$8.00 to \$8.40 in April 2008. One year later, during one of the worst economic downturns in Canadian history, there were 16,800 **more** Albertans working in the food and beverage, travel and accommodation, and retail sales sectors.

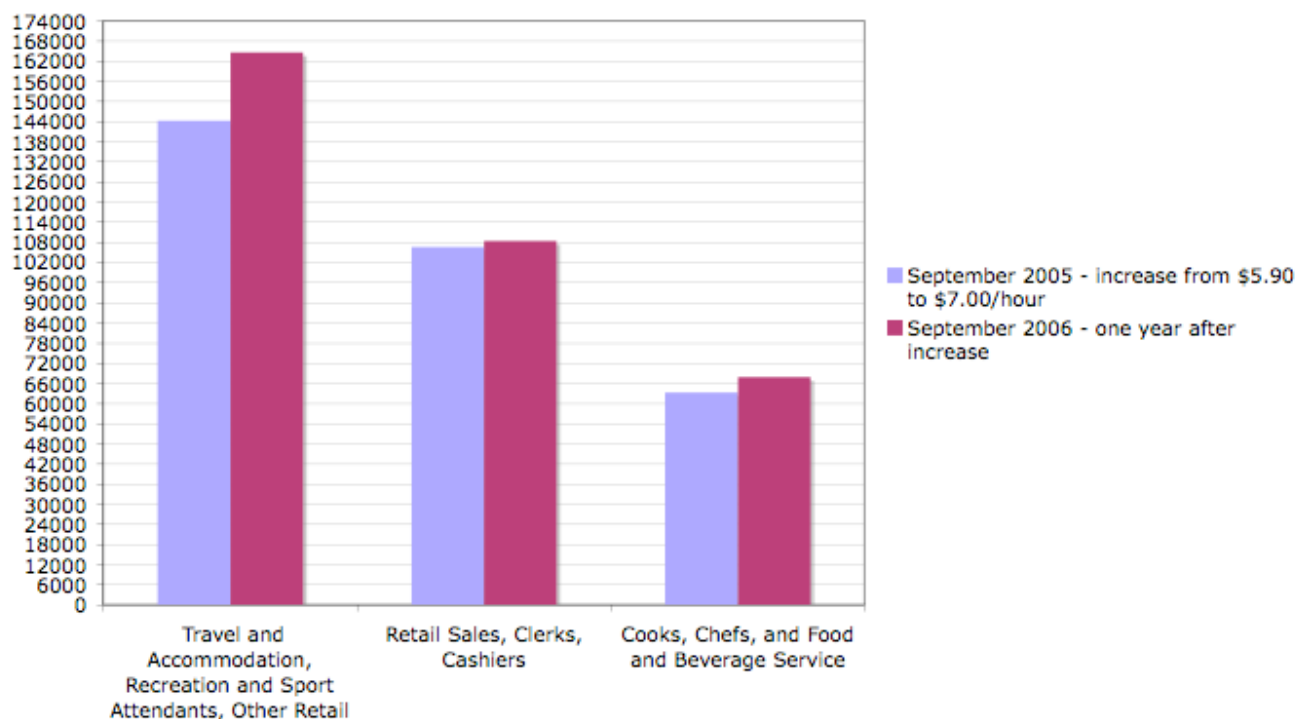
Minimum Wage Increases and Job Growth: Evidence from the Last 5 Years

Since 2005, the Alberta government has raised the minimum wage on four separate occasions. The graphs following illustrate the growth in number of people employed in sectors that pay minimum wage – travel and accommodation, food and beverage service, and retail sales.

2005-2006: 26,700 more Albertans in service sectors one year after minimum wage hike

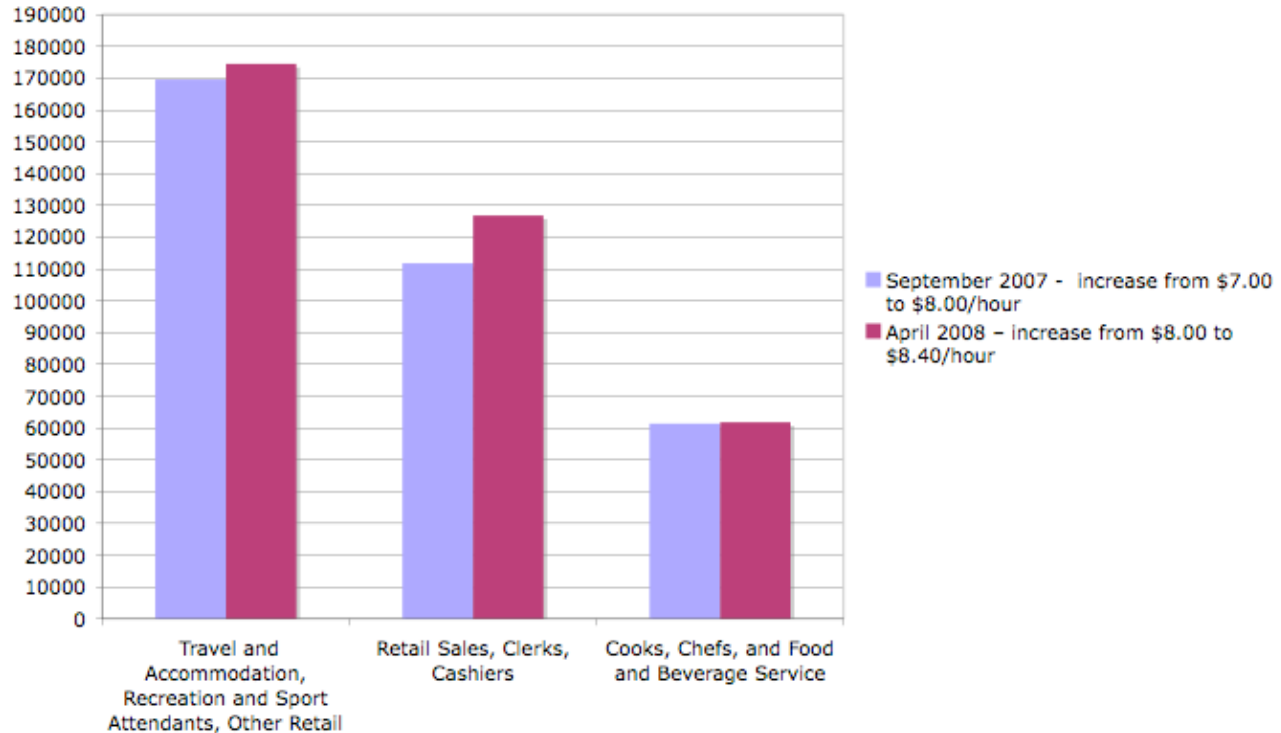
In 2005, the minimum wage was boosted from \$5.90 to \$7.00/hour. One year after the increase, there were 26,700 **more** Albertans working in the food and beverage, service, and travel/accommodation industries.

Number of Albertans In Low-Wage Occupations One Year After 2005 Increase to Minimum Wage: More Albertans Employed in Retail, Food and Beverage, and Travel/Accommodation



2007-2008: Two increases to the minimum wage and a recession, but jobs grow

September 2007-April 2008: Two Increases to the Minimum Wage But Number of Albertans in Low-Wage Occupations Increases



In September 2007, the Alberta government boosted the minimum wage from \$7.00 to \$8.00/hour. In April 2008, the minimum was increased again to \$8.40/hour. In the 8-month interval between increases to the minimum wage – and just as the global credit crisis was beginning to shake business and consumer confidence, the number of Albertans working in the food and beverage, retail, and travel/accommodation industries grew from a total of 342,800 employees to 363,300.

2009 – Present: A deepening recession, but more jobs in service sectors despite minimum wage increase

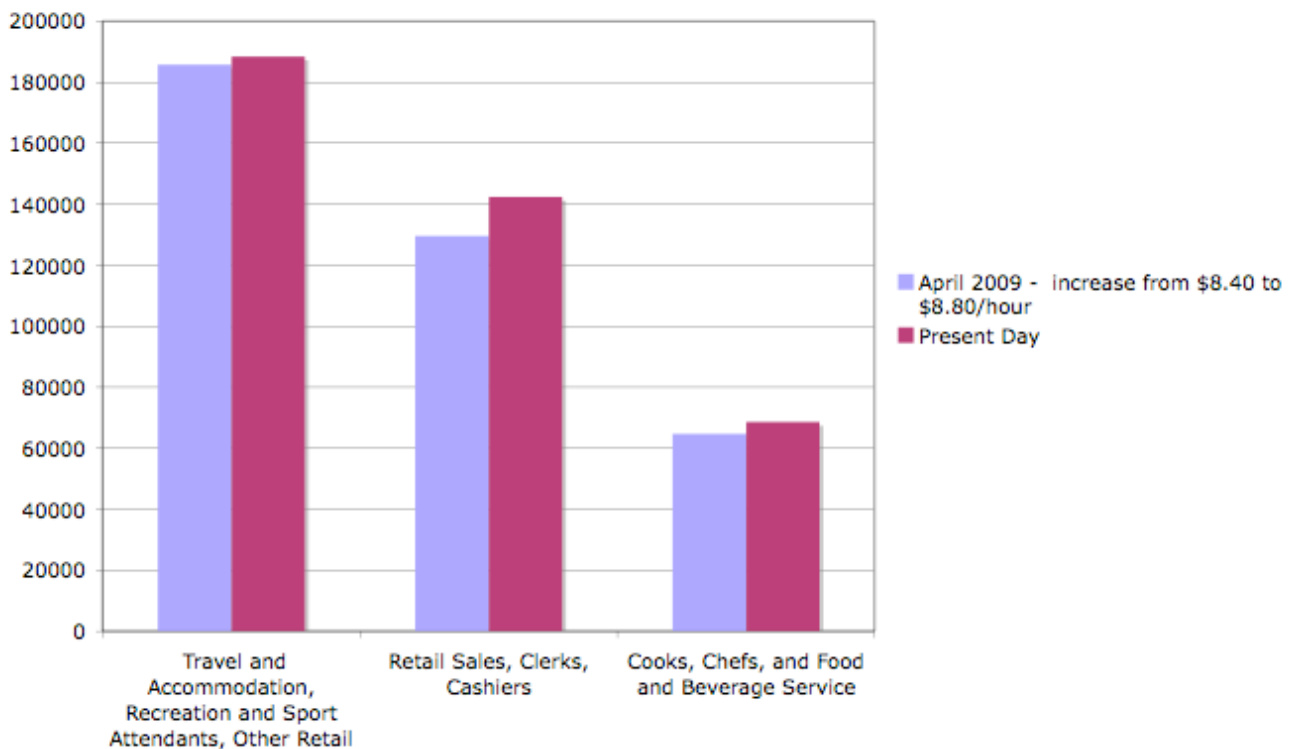
Following the previous policy of tying increases to the minimum wage to the average weekly earnings index, as is done for MLA salaries, the minimum wage went from \$8.40 to \$8.80 in April 2009. While overall Alberta unemployment increased from 6% in April 2009 to 7.4% in May 2010, employment in food and beverage service, retail sales, and travel/accommodations actually grew in the year since the last minimum wage increase.

- Albertans employed in retail sales as clerks and cashiers grew from 129,600 in April 2009 to 142,400 individuals in April 2010;
- Albertans working in food and beverage service went from 64,700 in April 2009 to 68,700 in April 2010; and

- Albertans working in travel and accommodation services grew from 185,800 in April 2009 to 188,400 individuals in April 2010.

Based on this evidence, it's clear that there is no evidence to support the claim that minimum wage increases, when they are predictable and reasonable, lead to job losses. When you raise the bar for everyone equally, no competitive disadvantage is created. What happens is that the new requirements quickly become accepted.

2009-2010: Another Increase in the Minimum Wage During a Recession and Rising Unemployment, But More Albertans Than Ever are Working in Retail, Food Service, and Travel/Accommodation



What wage is needed to prevent an Albertan from living in poverty?

An Albertan working full-time at minimum wage earns several thousand dollars per year less than the Low-income Cut-off (commonly referred to as the “poverty line”).

An Albertan earning \$8.80/hour, working 40 hours per week and 50 weeks per year earns \$17,600 per year before taxes and deductions, which is \$4,533 below the Before-Tax Low-Income Cut-Off for an individual living in a city.

If one is the head of a lone-parent family with two children in Edmonton or Calgary, a full-time hourly wage of \$10/hour – the wage earned by 6.9% of working Albertans – still sees that family earning \$13,133 per year less than the Low-income Cut-off.

A starting point for setting a fair minimum wage should be that no Albertan working full-time for a full year should have to live in poverty. Yet, a single adult working full time and full year and living in Edmonton or Calgary would have had to earn \$12.20 per hour in order to live above the poverty line using the Low-income Cut-off Before-tax measure.

How Many Albertans Earn Low Wages?

The government is fond of reminding Albertans that very few workers earn minimum wage – as if this is a justification for keeping the minimum wage far below any accepted measure of poverty or constitutes a good reason for complacency. While it is true that only 1.4% of Alberta workers earn the bare minimum, fully 6.9% of the Alberta workforce earns less than \$10/hour and 13.7% earned less than \$12/hour, a wage that still constitutes a life of poverty.¹

Who Earns Low Wages?

Low-wage earners are overwhelmingly women. Two-thirds of those earning minimum wage are women. Women are also the vast majority of low-wage earners: 62% of those earning less than \$10/hour in 2009 were women. Furthermore, the low-wage gender gap increases with age – 75% of people over 45 years of age earning less than \$10/hour are women.

It is a myth that low-wage earners are predominantly high-school students living with their parents, only working to buy the latest video game or new cell phone. This stereotype is an insult to the tens of thousands of Albertans – predominantly women – who are working for low wages in order to put food on the table. Fifty-nine percent of low-wage earners (less than \$10/hour) are over 20, and 42% are over 25. In other words, 42% of low-wage earners are likely to have family responsibilities.²

Regional Breakdown of Low-Wage Work

Some Alberta cities are likely to have more low-wage earners than others. In Lethbridge, for example, 9% of workers earn less than \$10/hour. Given that Lethbridge has a large off-reserve aboriginal population and rental rates almost as high as Edmonton or Calgary, low-wage work has specific social consequences such as homelessness and high rates of aboriginal poverty.

- 112,200 (6.9%) of employed Albertans earn less than \$10/hour;
- 38,900 (7.35%) of employed Edmontonians earn less than \$10/hour;
- 32,200 (5.52%) of employed Calgarians earn less than \$10/hour;
- 3,400 (8.46%) of employed people from Red Deer earn less than \$10/hour;
- 3,000 (9.12 %) of employed people from Lethbridge earn less than \$10/hour;
- 7,500 (7.2%) of employed people from Athabasca, Grand Prairie, Peace River earn less than

1 Source: *We Can Do Better: Report on Child Poverty in Alberta*, Public Interest Alberta/Edmonton Social Planning Council, 2009.

2 Source: customized data, Statistics Canada, average hourly wage distribution for employees by census metropolitan areas and by economy regions in Alberta, 12 months average, April 2009-March 2010.

- \$10/hour; and
- 3,300 (5.48%) of employed people from Wood Buffalo earn less than \$10/hour.

Who Lives in Poverty, and Why?

One in ten Alberta children – 80,000 children in 2009 – lives in poverty. The vast majority of children who live in poverty live in families where parents participate in paid work. Seventy-eight per cent of Alberta children living in poverty are in families where at least one parent works part or all of the year. In other words, almost 80% of Alberta's child poverty is attributable to low wages.

Rates of low-income among families headed by female lone parents who work are higher in Alberta than in the rest of Canada. During the boom, Alberta's average wages were some of the highest in the country. But the boom did not benefit everyone equally. Because it is overwhelmingly women that are working for low wages, 24% of Alberta families headed by a female lone parent who works lived in low-income, compared to 16% in the rest of Canada.³

Anti-Poverty Strategies in Other Jurisdictions

Alberta's move to tie the minimum wage to the average weekly earnings index boosted our province to the middle of the national pack in 2009, but the reversal of that decision, as of May 2010, puts us third from the bottom among Canadian provinces and territories. Only P.E.I. and B.C. have lower minimum wages.

In his letter of invitation for groups to present to this review, Minister of Employment and Immigration Thomas Lukaszuk urged the Standing Committee on the Economy to examine practices in other jurisdictions. Minimum wage standards are part of an overall strategy to combat poverty and ensure economic security for all Albertans. However, Alberta is in a growing minority of provinces without some form of anti-poverty strategy. For example:

- New Brunswick, Nova Scotia, Ontario and Manitoba all have comprehensive anti-poverty strategies, and part of the strategy in all of these provinces is ensuring the minimum wage keeps pace with the economy;
- Six out of 10 provinces have provincial child benefits similar to the federal Child Tax Benefit, which supplements incomes for families headed by low-wage earners. Alberta is in the minority of provinces without a provincial child benefit.

The AFL Recommendation

The Alberta Federation of Labour applauded the government's 2007 decision to tie increases in the

³ Source: CANSIM, Statistics Canada. v1564341 Canada; Low income cut-offs after tax, 1992 base; Percentage of families in low income; Female lone-parent families, one earner 2007 ; v1566003 Alberta; Low income cut-offs after tax, 1992 base; Percentage of families in low income; Female lone-parent families, one earner, 2007.

minimum wage to the average weekly earnings index. Our position has not changed. With that in mind, we recommend the government return immediately to following its own policy, and boost the minimum wage immediately to \$9.05, as it was supposed to be as of April 2010. In addition, as the economy recovers, the government should consider a one-time boost to the minimum wage in the months ahead – to something closer to the \$12.20/hour that would be required to keep a worker working full-time, full-year out of poverty. While a jump of that magnitude may not be politically palatable, a move to a minimum wage of \$10/hour would be both desirable and easily achievable. As we have seen, thousands of Albertans earn less than \$10/hour, and many of them are likely to have family responsibilities. Based on past experience right here in Alberta, boosting the minimum wage to \$10/hour in the months ahead is unlikely to have any effect on the economy besides giving low-income families a little more breathing room.

