



PEI Advisory Council on the Status of Women

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Donald G. MacCormac
Employment Standards Board
Province of Prince Edward Island
PO Box 2000
Charlottetown, PEI C1A 7N8
hawalsh@gov.pe.ca

Dear Mr. MacCormac:

RE: Yearly Review of the Minimum Wage Order.

Thank you for inviting the PEI Advisory Council on the Status of Women to submit our views for the yearly review of the Minimum Wage Order. We are pleased to have this opportunity.

GENERAL RECOMMENDATIONS

We are in favour of increasing Prince Edward Island's minimum from its current level of \$8.00 per hour, incrementally until it reaches a living wage as determined by a comparison of costs of living and local poverty measures.

When the minimum wage reaches a living wage level, we would like to see future wage increases indexed more closely and more responsively to increases in real costs of living and continuously compared with local measures of poverty or selected poverty thresholds such as the Market Basket Measure.

About the PEIACSW Mandate

The Prince Edward Island Advisory Council on the Status of Women (PEIACSW) is a provincial government advisory body dedicated to supporting women's full and equal participation in social, legal, cultural, economic, and political spheres of life.

The nine-member, government appointed Advisory Council regularly works in collaboration with government and community groups, undertakes research on issues of concern to women, offers analysis and recommendations to policy-makers, responds to media, and creates public education resources.

The Advisory Council has a legislated mandate to recommend legislation, policies, and practices to improve the status of women on Prince Edward Island.

As you deliberate on the minimum wage for PEI, we urge you to begin with a similar methodology to that used by the Nova Scotia Minimum Wage Review Committee to develop their recommendations for a consistent formula for increasing the minimum wage. This group appears to have come up with some well-grounded policy recommendations regarding minimum wage for our neighbouring province (though we reserve judgment on some of their recommendations as inappropriate to Prince Edward Island's particular circumstances). The Nova Scotia Minimum Wage Review Committee determined that by 2010, an hourly wage of \$9.65 based on 2,080 work hours per year would be required to meet low-income cut-offs for a community the size of Charlottetown. This kind of assessment may be a good starting point, though we would advocate that a similar scale for Prince Edward Island might more appropriately use the Market Basket Measure (rather than the low-income cut-off) as its poverty threshold.

We are part of the PEI Working Group for a Livable Income, and, ultimately, we promote a shift in thinking away from "minimum wage" and towards livable incomes. The recommendations above and the comments below are only a step in that direction.

SOME PRINCIPLES OF LIVABLE INCOME

The Working Group holds that livable income lets us look at all the kinds of income that support individuals and families. For some, wages supply most income. For others, income may come from pensions, social assistance, disability support programs, or other non-wage sources. Also, much of the labour that sustains our communities is not paid. Non-paid labour includes housework, volunteer work, and caregiving to children and to older adults. Talking about "livable income" lets us consider more than just wages as the basis of healthy families and communities. Livable income supports citizens to live in health and in dignity. "Livable income" thinking encourages citizens to go beyond minimum standards. It promotes an understanding of the issues. It encourages creative searching for solutions.

WOMEN'S WAGES IN CONTEXT

In this light, we recognize that minimum wage is only part of the picture, and that even a minimum wage based on cost of living and poverty measures needs to be assessed in the local context and with ongoing gender inequality in mind. Below are some factors we would urge you to consider.

Recommendations from your committee will need to consider who are the lowest paid members of the Prince Edward Island workforce and those least likely to have power to negotiate fairer wages with their employers. These will almost certainly include women, visible minorities, immigrants, Aboriginal workers and younger workers. It is important to recognize that these workers face particular barriers to being treated fairly and equitably, and that these differences result in differences in wages.

Low wages across the board in PEI mean that the gender wage gap is not as pronounced as it is in other parts of Canada, but it is still significant. According to Women in Canada: A

Gender-Based Statistical Report (available <http://www.statcan.ca/english/freepub/89-503-XIE/0010589-503-XIE.pdf>), women's average earnings in Canada in 2003 were just 64% of men's average earnings; if we compare just full-time, full-year jobs, women make 71% of what men make. Across the board, women earn less than men in both professional and non-professional occupations. In PEI in 2003, women's average income was \$20,300, compared to \$30,100 for men, just 67.4% of men's earnings.

This gap persists even with increased numbers of women in post-secondary education. In 2005 on PEI, women with bachelor degrees working full time had a median earning of 82% of the earnings of their male counterparts, with all the same student loan costs.

Women accounted for 47% of the Canadian employed workforce in 2004. In Prince Edward Island, 57% of women aged 15 and over in Prince Edward Island were part of the paid workforce (compared to 64% in Alberta, the highest provincial rate, and 47% in Newfoundland and Labrador, the lowest provincial rate).

In 2004, 3,310 children under 18, 10.8% of Island children, were living in families that earned incomes under the low-income cut-off – and this despite extremely high workforce participation rate for mothers (80.6% of mothers of children under 2; 84.0% of mothers of children 3–5; 86.5% of mothers of children 6–15). (See Early childhood education and care in Canada 2006, Martha Friendly, Jane Beach, Carolyn Ferns, Michelle Turiano. Available: http://www.childcarecanada.org/ECEC2006/pdf/ECEC06_PE.pdf)

Still, despite their caregiving responsibilities (and perhaps because of them), women's attachment to the labourforce remains more precarious than men's attachment. Women are much more likely than their male counterparts to work part-time (less than 30 hours per week); women currently account for about seven in 10 of all part-time employees, a figure which has not changed appreciably since the mid-1970s. In 2004, 14% of female employees, compared with 12% of male employees, had a temporary work arrangement (with a predetermined end date). Women are more likely to participate in non-traditional employment throughout their lives. In 1999, 41% of women's jobs were categorized as non-standard compared with 29% of men's jobs (Status of Women Canada, 2003). The reasons for working part-time or temporarily are different for women and men: in 2004, a total of 18% of employed women said they worked part-time either because of child care or other personal or family responsibilities, compared with only 2% of males employed part-time.

The consequences of precarious workforce attachment are serious for women, too. Women's Network PEI found that 41% of Canadian women who work in the labour force cannot access maternity and parental benefits because their work is part-time, temporary, contract, seasonal, or self-employed. (Source: Looking Beyond the Surface: An In-Depth Review of Parental Benefits, Women's Network PEI 2003)

Women are affected by low incomes entrenched by a long history of "women's work" being undervalued. Mothers with young children are highly active in the labourforce and are particularly susceptible to problems of low wages. In addition, low income dangerously entraps women and families who live in situations of abuse and violence. Women often stay in abusive relationships because to leave would financially devastate them and their children. But the potential for violence can increase if a woman stays in an unsafe relationship, and, further,

poor economic conditions in a family may tend to contribute to the use of violence in the family (Circle of Prevention, 2002). Because jobs are often hard to find and wages are often low, sometimes the only option for a woman leaving an abusive relationship is to access social assistance and suffer the dual stigma of abuse and poverty

MINIMUM WAGE IN CONTEXT

At \$8.00/hour, the current minimum wage on Prince Edward Island is just \$.25/hour higher than the lowest rate in the country. PEI is tied for second-lowest minimum wage in Canada, with Newfoundland and Labrador and British Columbia. Women's Network PEI found that while a smaller percentage of workers receive the actual minimum wage, the "minimum" wage serves as an anchor on all income levels. Indeed, according to the Prince Edward Island Federation of Labour, 26% of PEI's employees earned less than \$10/hour in 2006, the second highest rate in the country, after Newfoundland and Labrador.

An oft-cited myth among employment recruiters on Prince Edward Island is that the cost of living on PEI is less than in other provinces and territories. This is also used as a justification of lower wages for Island workers. However, a July 2008 interprovincial "cost of living" inquiry by UPEI researchers Godfrey Baldacchino and Matt Funk in the Island Studies program looked at three cost of living measures and found that far from being lower than elsewhere, "the cost of living on PEI — in comparison to the costs of living in the other Canadian provinces — is the highest by one measure [the Consumer Price Index], the second-highest by another [discretionary income], and the third-highest in accordance with our most detailed, long-term measurement [total net worth]." (From "A Search for a Measure of the Quality of Life on Prince Edward Island, Godfrey Baldacchino and Matt Funk, 31 July 2008.) Any justification of lower wages based on perceived lower cost of living would appear to be invalidated by these data.

For these and other reasons, it is our finding that low income cut-offs (LICOs) do not provide an accurate picture of actual poverty levels on Prince Edward Island; Market Basket Measure (MBM) provides a better basis for assessing poverty levels for Prince Edward Island workers, and especially women.

Market Basket Measures look at the "disposable income to purchase the standard of consumption" for a given family size and community type. On this basis, the Market Basket Measure suggests much higher prevalence of low income on PEI than a simple LICO assessment suggests. A presentation prepared by Statistics Canada for the Deputy Ministers' Retreat on Poverty, held in June 2008 on Prince Edward Island shows an overall rate of low-income for PEI of just 6%, using post-tax LICO measures. However, the Market Basket Measure tells a markedly different story, revealing an overall rate of low income of 12.5%, more than double the LICO rate. This is an indicator of real take-home income levels compared to real costs of living in Prince Edward Island and is a clearer indication of the pressures on individuals and families in a province with limited access to affordable childcare, appropriate and accessible social housing, and widespread public transit that might ease the load of expenses associated with employment.

The Market Basket Measure provides a clearer picture of the income levels of people who receive part or all of their income from employment, but who still meet definitions of poverty. (This group is sometimes called the "working poor," but this reflects a destructively narrow

view of "work" considering the extent and value of women's — and many men's — unpaid work at home and in their communities.) Market Basket Measure takes into account expenses such as income and payroll taxes, mandatory deductions on income, costs for child care, and non-insured prescribed medications, devices and supports, and other health aids. The potential effect of increased minimum wages is more evident when we use Market Basket Measures.

It is true that a large number of jobs on Prince Edward Island, and particularly in rural Prince Edward Island, continue to be seasonal, and wage replacement under Employment Insurance is well below livable income. However, the Market Basket Measure demonstrates that wage levels matter: the depth and persistence of poverty are consistently, significantly less for families in which the main earner received pay for 910 or more hours during the year. For women, it is especially significant that maternity and parental benefits for new parents are delivered through the Employment Insurance system and low wage replacement levels mean many new parents are unable to afford to stay home with their new child.

It is also evident from MBM assessments that lack of public investment in child care, housing, and public transit, and similar social supports creates strong pressure for increased wages. According to HRSDC's analysis of poverty levels over 2000 to 2004, "The share of low income children and adults living in families whose main income recipient worked for pay at least 910 hours [in a year] is significantly higher using the MBM than using the LICO-IAT because child care spending and other work-related expenses are deducted from gross family income before comparing it to the low income thresholds." Increases to the minimum wage will help alleviate the depth and persistence of poverty for many families, but would be more effective in combination with supports such as child care, transit, and parental leaves that enable workers, especially women, to participate in the labourforce. (See Human Resources and Social Development Canada's Report on Low Income in Canada: 2000–2004 Using the Market Basket Measure. Available:

http://www.hrsdc.gc.ca/en/publications_resources/research/categories/inclusion/2007/sp_682_10_07_e/page03.shtml)

The final reason to consider the Market Basket Measure rather than LICO is to help connect the benefits of higher wages with the benefits to local businesses. We know that paying higher wages is a significant challenge to many employers who are barely able to make a livable income for themselves and their families. However, we also know that low-income earners spend a much larger percentage of their earnings, often on local goods and services. Increased wages to low-income workers are clearly a short-term challenge for employers; however, they have a significant long-term benefit for businesses when the increased wages begin to circulate in the economy. We would argue that a poverty measure that considers capacity for consumption is a better basis for setting minimum wage levels partly because it makes a clearer link between income and spending, and this is important to many Island employers.

In Calgary, the Living Wage Action Group conducted economic and policy analyses of (mostly municipal) living wage campaigns in the United States and cited concluded that cost increases for living wages and benefits came to less than one percent of businesses' total spending to produce goods and services, and benefits included less labour turnover, better quality of work, better co-operation with management, more flexibility in the operation of the business, and higher overall morale. The community saw benefits including increased spending at local businesses, higher rates of home ownership, greater investment in education and small

business, leading to more robust housing and small-business markets in low income neighbourhoods.

Education for employers about their responsibilities to workers for fair workplace practices could be accompanied by education on potential benefits of higher minimum wage. Transitional supports for local businesses might also be necessary, since there are currently few supports to assist local businesses to compensate for short-term hardships between the time that they increase wages to workers and begin to see increased general spending from these wage increases.

It is for these reasons that we support

- a minimum wage increased incrementally to an hourly rate that would raise full-time, full-year workers above a poverty level;
- indexing the minimum wage to cost of living after it has reached the appointed amount;
- consideration of the differential effects of low income on women as compared to men;
- use of methodology similar to that used by your counterparts on the Nova Scotia Minimum Wage Review Committee;
- use of the Market Basket Measure rather than LICO as a tool to assess basic levels of local poverty in urban and rural Prince Edward Island;
- a shift in thinking away from "minimum wage" to the concept of livable income, as part of comprehensive public policy priority-setting.

In conclusion, it should be noted that we are still waiting for legislative updates to the Employment Standards Act for Prince Edward Island to set better and more equitable terms to guide relationships between employers and employees. We have previously made submissions on this Act and have publicly stated our support for the changes recommended by the Employment Standards Review Committee. We believe that a change to the Minimum Wage Order is only part of a wider context in understanding work, workers, and labour relations and supporting good practices and excellence in the workforce on Prince Edward Island

Sincerely,



Lisa Murphy
Executive Director
PEI Advisory Council on the Status of Women