

# **SUBMISSION TO MINIMUM WAGE BOARD**

**Amber Alecxe  
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Saskatchewan Union of Nurses**



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**Introduction**

The Saskatchewan Union of Nurses (SUN) welcomes the opportunity to present our research and subsequent position regarding the provincial minimum wage. We greatly appreciate the Minimum Wage Board's consideration of our submission.

Since its formation under the Saskatchewan Trade Union Act in 1974, SUN has been active in the province as a trade union representing 7700 Registered Nurses (RNs) and Registered Psychiatric Nurses (RPNs). SUN members are recognized leaders who have the ability to bring about positive change for our patients, residents, and clients. Further, SUN is committed to working towards a healthy province, one that ensures equal access to high-quality health care.

**Raising the Minimum Wage as a Public Health Policy**

By increasing the minimum wage, the Government of Saskatchewan can make a significant contribution to improving the health of the population and reducing disparities. Too frequently, the minimum wage is overlooked as an effective tool for promoting a healthy population and preventing what often results in the chronic use and overburdening of our province's health care system. Increasing the minimum wage is a key component in devising a broader strategy to increase economic security, reduce poverty and improve the quality of life for low wage earners.

As the Government of Saskatchewan is aware, low income is directly correlated with diminished health. Those who live at or below the poverty line are at greater risk for diseases such as diabetes, depression and respiratory illness, as well as interpersonal violence, street and gang involvement, accidental injury, substance abuse, obesity and smoking. Consistent with the known burden of illness, people of lower socioeconomic status (SES) appear to use some health services more than those with higher SES.<sup>1</sup> This is particularly relevant given the current economic climate and the increased strain that economic downturn has put on our health system. The rising strain on health care is not simply due to staffing shortages or budgetary restraints, but is also related to the increased need for chronic treatment that often accompanies financial hardship.

**Environmental Scan**

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<sup>1</sup> Government of Saskatchewan. September 23rd 2009. Draft Environmental Scan. (accessed October 7<sup>th</sup>, 2009).



According to Statistics Canada, the average Canadian's net worth had fallen by \$14,000 resulting in a cumulative loss of \$252 billion (4.4%).<sup>2</sup> This setback has prompted some baby boomers to delay retirement and made it necessary for others to re-enter the labour force. The current average Canadian retirement age of 61 is now expected to rise, as economists project that the recession's aftermath will continue to impact the labour market for an additional five years.<sup>3</sup>

An economic recession is not just about financial health. A system-wide banking crisis increases population heart disease mortality rates by 6.4% in high income countries, particularly among elderly people who are much more likely to feel threatened by risks to their accumulated savings. And, according to the Canadian Medical Association's ninth annual National Report Card, the recession has affected 23% of Canadians ability to take care of their health needs; has caused 23% to skip meals; has caused 25% to delay or cancel dental appointments and is causing 40% to feel stressed or overwhelmed by economic worries.<sup>4</sup>

The poverty rate in Regina is still a source of significant concern. Poverty is much higher among persons living alone (unattached individuals where 28% had annual incomes below the LICO<sup>5</sup> in 2005) than among those living in families. Among families, the rate is 12% although it increases to 37% among lone parent families headed by women. Taken together, 13.5% of Regina residents lived in households with annual incomes below the LICO in 2005.<sup>6</sup> Poverty rates are declining particularly among lone parent families (although this could, at least in part, be explained by the fact that the average age of children in those families is increasing (i.e., fewer below the age of six) and older children living at home are able to contribute to the household income.

What is of particular concern, however, is the staggeringly high child poverty rate, with 20% of the children under six years of age living in a household with income below the LICO. 50% of the province's Aboriginal children live in poverty. These numbers are the highest in the country. The number of children who live in poverty in Saskatchewan, over 42, 000 or 1 in 5, should be an urgent issue among government and community leaders. Raising the minimum wage is one way to demonstrate concern for the health and well-being of the province's future generation, one that is unfairly burdened by inadequate food, shelter, and clothing, with little hope for positive change. According to the University of Regina's Social Research and Policy Unit, these children often go without enough food, adequate clothing to protect them from the harsh winters,

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<sup>2</sup> 3 GUELPH MERCURY. 2009. Personal net worth falls; Average Canadian \$14,000 poorer as global recession deepens. March 17

[online]. Available from <http://www.highbeam.com/doc/1G1-195752850.html> (Accessed July 10, 2009)

<sup>3</sup> 4 BELTRAME, J. 2009. Recession's legacy to be brutal and long-lasting, says new report *Yahoo Canada Finance*, July 2, [online]

Available from <http://ca.news>.

<sup>4</sup> 7 CANADIAN HEALTHCARE MONITOR. 2009. Economic woes raise health fears. August. [Online] Available from [http://www.chmonline.ca/news/article.jsp?content=20090820\\_153014\\_6596](http://www.chmonline.ca/news/article.jsp?content=20090820_153014_6596). (Accessed August 21, 2009)

<sup>5</sup> Statistics Canada's Low Income Cut-Offs (LICOs) are widely used to measure poverty in Canada (Statistics Canada, 2006b; Canadian Council on Social Development, n.d.). Statistics Canada (2006c) defines the LICO as the income level at which a family spends 20% more of their income on food, shelter, and clothing than the average family of a comparable size.

<sup>6</sup> Absolute measures of poverty are those that determine the annual income required to purchase a minimum acceptable set of goods and services. Wealth measures are based on assets rather than incomes.

they are more frequently sick, and have higher mortality rates. As the *Saskatchewan Health Disparity Report* points out, people in the city's poorest neighborhoods are 13 times more likely to suffer from diabetes. They're also 16 times more likely to attempt suicide, and infant mortality in the poorer neighborhoods is four times that of the more affluent areas.

While increasing and indexing the minimum wage cannot be the sole solution to the problem of child poverty in the province, it does give these children's caregivers an opportunity to move above the LICO and provide a more adequate standard of living for these children. Indexing the minimum wage, or tying increases in the minimum wage to rising inflation, would ensure that the value of minimum wage is not constantly eroded by rising costs of living. While family income trends have shown small increases in the last few years, Statistics Canada's *Consumer Price Index* indicates that the cost of living has also increased at an annual rate of about 2%, clawing back modest income gains<sup>7</sup>. Without the move to minimum wage indexing, low wage individuals' purchasing power is in a constant state of decline. Individuals become trapped in a cycle of poverty, working harder but without experiencing the benefits of this work.

## **Social Health Indicators**

**Housing affordability** – Between April 2008 and April 2009, the cost of renting an average two-bedroom apartment in Saskatoon and Regina rose to \$868 and \$786 per month respectively, or an increase of 15.5 % and 11.4%. The provincial average for rent on all unit types is now \$726 per month (CMHC Rental Market Report Spring 2009). Vacancy rates remain low in urban centres which is contributing to high rental prices, most notably, the vacancy rate in Regina stands at 0.7% with projected rental costs for a two-bedroom unit to rise to \$855 and again to \$860 monthly in 2010. The average resale price of a home was up 14.1% in Regina

**Consumer Price Index** – The Consumer Price Index, used to measure the rate of inflation in the province, indicates a notable rise in elements necessary to obtain a safe and healthy standard of living. The period between October 2007 to August 2009 has seen a 11.8% increase in food costs, a 11.4% rise in shelter, and a jump of 8.6% in health and personal care.<sup>8</sup> In roughly the same period of March 2007, the minimum wage rose from \$7.95 to \$9.25 as of May 2009, a difference of \$1.30 (labour.gov.sk.ca). And given the nature of long term trends, rising costs of living are showing no signs of reversing, since May of 2009 Health and Personal Care costs alone have increased 3.9%. In order for citizens of the province to maintain a subsistence living, wage must reflect levels of productivity, and correspond to standard of living costs.

**Poverty Rate** – Saskatchewan's poverty rate is 15.3%, (140,000), above Canada's average rate of 14.5%. For Saskatchewan children under 18 years of age, the poverty rate stands at 20.0% (42,000 children), whereas the national average is 15.8%. Saskatchewan is second only to British Columbia (21.9%) in having the highest child poverty rate in Canada.

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<sup>7</sup> Saskatchewan Bureau of Statistics, 2008.

<sup>8</sup> "Monthly Statistical Review" October 2009. Vol.36, No.10. [www.stats.gov.sk.ca/monthly/Oct09.pdf](http://www.stats.gov.sk.ca/monthly/Oct09.pdf) Accessed Oct. 20<sup>th</sup>, 2009.

## Health and Poverty Research Outcomes

According to the Canadian Institute of Health Research's (CIHR) October 2009 research profiles *Poverty: The Impacts on Health*, "You can argue that accident and injury hospitalizations are strongly related to poverty. We have found consistently in other studies that accidents and injuries are strongly related to income level." As Dr. Evelyn Forget points out, poverty, stress, and increased hospitalization rates are closely connected. "I think people living with poverty are living with a great deal of stress. In fact, stress is almost too mild a word for the kind of terror that people live in while trying to care for their children and make good decisions for their children when they don't have the capacity to enact those decisions."

Along with connections between poverty and stress, the study also links low income with higher rates of obesity, another growing concern for the health of the population and the already overburdened health care system. With an estimated 8% of Canadian children currently obese and the rate on the rise, finding effective solutions will be important to the health of the next generation - especially those growing up in lower-income families. Like other studies on the link between poverty and obesity, the CIHR's Dr. Lyons' preliminary findings indicate a higher body mass index for children from lower socioeconomic groups. The health of our society is at stake. If obesity rates continue to rise as they have been over the past two decades, then we are going to end up with a population that is almost entirely obese and at risk for chronic disease.

Increasing the minimum wage is, in fact, an evidence-based policy option that would significantly contribute to reducing the number of individuals, including families and children, who currently exist below the LICO. Research has shown that, through implementing a national minimum wage (along with tax credits), England became the country with the highest rates of employment and lowest rates of unemployment when judged against all other G8 countries. In addition, the new minimum wage policy allowed for 800,000 children to be raised out of poverty.

According to recent Organization for Economic Cooperation and Development (OECD) reports, Canada is suffering from growing inequality.<sup>9</sup> Economic growth has disproportionately benefited those in the highest income brackets without improving the situation of the country's lowest income earners. Further, there is a clear relationship between health and labour market outcomes. Lowered health levels are not only a financial strain on the government and healthcare system, but lead to reduced labour productivity and participation. The overall economic impact is staggering. When socioeconomic status is factored in, research shows that those in lower income brackets are more likely to use health services, this use occurs more frequently, and is required for a greater length of time. Many diseases that studies have linked to economic hardship (diabetes, heart disease, etc.) can be prevented by raising the poverty floor in the province, thereby saving the economy from long-term costs to the system.

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<sup>9</sup> Organization for Economic Cooperation and Development (OECD), [http://www.oecd.org/home/0,2987,en\\_2649\\_201185\\_1\\_1\\_1\\_1\\_1.00.html](http://www.oecd.org/home/0,2987,en_2649_201185_1_1_1_1_1.00.html). (accessed October 22, 2009).

In order to effect meaningful change, what must also be avoided is the implementation of a two-tier wage system. The attempt to reduce labour costs by introducing a lower wage for new workers might appear to save money but most often results in greater difficulty and stress for employer and employee alike. At a number of companies in the United States, implementing such policies has caused significantly higher rates of turnover, and made recruitment difficult. This is because often, employees never reach the upper wage rate, causing workers to leave and find jobs elsewhere and increasing levels of frustration and resentment in the workplace. Corporations such as American Airlines, Giant Foods Inc., etc. have made efforts to reverse two-tier wage policies after having brought them in and finding them unsuccessful. Moreover, individuals continue to struggle under this system, experience a lack of mobility, heightened stress and poor health, and are less likely to either stay in the job or produce adequate work for such a large disparity in pay.<sup>10</sup>

These detrimental effects are further exacerbated by what is known in the service industry as the two-tier “tipping-wage”. The tipping-wage would allow employers to pay a lesser wage to those who can supplement their income with tips. However, this idea has already been dismissed by other provinces due to its limited capacity for benefit, and much larger potential for negative outcomes. The above mentioned difficulties that face employers under the two-tier wage system are especially true of industries with a tipping-wage. However, the consequences for workers are even worse. A minimum wage supplemented by tips provides for inconsistent and unreliable income given the unpredictability of tipping, which often varies in accordance with days worked, time of day, and season of work. Tips also vary significantly due to the type of establishment.<sup>11</sup> Further, workers cannot fully predict or control their own tips as it is often up to the employer to divide tips among themselves and employees, or institute a system of “tip-sharing” between large numbers of workers in the establishment. This robs employees of the financial security needed to sustain a consistent standard of living, guarantee stability for dependents, or budget accurately for basic necessities such as food and shelter. Moreover, studies have shown that low-wage workers who make tips often take home less than low-wage workers who do not receive tips.<sup>12</sup> This creates a new level of inequality and prevents employees from having a stable, reliable source of income, both of which contribute to higher levels of employee resentment, lower quality service and ultimately, the move away from service sector employment. The impact of a two-tier wage system, and in particular the “tipping-wage”, not only contributes to stressful, unhealthy subsistence living for employees of the service industry, but poses a significant threat to the stability of the service industry as a whole.

## Conclusion

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<sup>10</sup> TWO TIER-WAGE SYSTEM. The New York Times. <http://www.nytimes.com/1987/07/21/business>. (Accessed October 30, 2009).

<sup>11</sup> MANITOBA REJECT 2-TIRED MINIMUM WAGE. CBC News. March 25, 2008. <http://www.cbc.ca/canada/manitoba/story/2008/03/25/minimum-wage.html> (Accessed October 30, 2008).

<sup>12</sup> The Minimum Wage and a "Tipping Wage" A Report on a Survey of People Who Work At or Near the Minimum Wage in Manitoba. Policy Alternatives. April 2001. [http://www.policyalternatives.ca/documents/Manitoba\\_Pubs/mb\\_minimum\\_wage.pdf](http://www.policyalternatives.ca/documents/Manitoba_Pubs/mb_minimum_wage.pdf) (Accessed October 30, 2009).

Currently, Saskatchewan's minimum wage is \$9.25/hour. Several jurisdictions outside Canada have minimum wages that offer more protection from poverty and some have indexed the minimum wage to protect low-income earners from increases in the cost of living. For example, this has been successful in American states including Washington, Oregon, Florida, and Vermont. This policy change has not caused an increase in inflation and has resulted in stability and predictability in low-wage sectors of the economy.<sup>13</sup> Clearly there are good working examples of policy alternatives that we can examine for this province.

Indeed, a comprehensive strategic plan is required to sufficiently address poverty among children, female lone-parent families, First Nations, the disabled, immigrants, and other groups. This calls for a broad commitment from government, community-based organizations, unions, business, and the general public. However, the Government of Saskatchewan has the opportunity to directly and immediately affect change in the lives of their citizens. And it is our society's most disadvantaged who are in the greatest need of attention. By raising the minimum wage, the provincial government would be taking immediate steps to address poverty and inequality in Saskatchewan. **The government should raise the minimum wage above the poverty line and tie that wage to the consumer price index (inflation).** This would ensure that work pays for working people in the province, and it would begin to move Saskatchewan out of a low wage economic arena.

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<sup>13</sup> SECURING THE WAGE FLOOR. Briefing Paper #177. Economic Policy Institute, October 2006.

**Table 11: Saskatchewan and Canada Poverty Rate, 2006**

|                                    | <b>Saskatchewan</b> | <b>Canada</b> |
|------------------------------------|---------------------|---------------|
| <b>Overall poverty</b>             | 15.3% (140,000)     | 14.5%         |
| <b>Children Under 18</b>           | 19.9% (42,000)      | 15.8%         |
| <b>Children Female Lone-Parent</b> | 47.5% (19,000)      | 42.6%         |
| <b>Unattached Elderly</b>          | 28.0% (13,000)      | 34.9%         |

Note: Statistics Canada's Low Income Cut-Offs (LICOs) used to determine poverty level.  
Source: HUNTER, G. et al. 2008. Will the Economic Boom Reduce Poverty in Saskatchewan? *Saskatchewan Notes. Canadian Centre for Policy Alternatives. Volume 7: Issue 3. August.* [Online]. Available from [http://www.policyalternatives.ca/documents/Saskatchewan\\_Pubs/2008/SaskNotes\\_Economic\\_Boom\\_Poverty.pdf](http://www.policyalternatives.ca/documents/Saskatchewan_Pubs/2008/SaskNotes_Economic_Boom_Poverty.pdf).

(Accessed October 28, 2009)