



Restoring Minimum Wages in Canada

by

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A severe recession with its tight fiscal aftermath is not a time when one expects improvements in social policy, when major programs like welfare and Employment Insurance struggle to cope with burgeoning caseloads and cost. But there is a bright light on one of Canada's oldest social programs – minimum wages, which have risen substantially in recent years in every province and territory except one (British Columbia). And BC just announced an end to its freeze on the province's minimum wage, starting with an increase on May 1, 2011.

In January 2003 the Caledon Institute of Social Policy published the first comprehensive analysis of minimum wages in Canada, *Minimum Wages in Canada: A Statistical Portrait With Policy Implications*. The report plotted trends in adult minimum wages in Canada's ten provinces and three territories¹ from 1965 through 2001, and investigated the size and key characteristics of the minimum wage workforce nationally and in each province.²

The Caledon study also calculated the national minimum wage, using a weighted average of provincial and federal rates.³ The purpose of this measure is to show the national trend in minimum wages, blended according to each province's relative weight in the workforce. Actual trends in minimum wages vary to a greater or lesser extent from one province and territory to another.

National average minimum wage

Our 2003 report found that, contrary to conventional wisdom of the day, minimum wages in Canada were not on a steady decline: The average minimum wage rose substantially in constant dollars between 1965 and 1976, fell (but not all the way back) in the late 1970s and first half of the 1980s, levelled off in the second half of the 1980s, gradually recovered somewhat in the first part of the 1990s, flattened between 1997 and 1999, and then fell slightly in 2000 and 2001. Figure 1 shows the trend in the value of the national average minimum wage, expressed in constant 2010 dollars.

The national trend does not, of course, paint precisely the same picture for each province and territory. However, the plateau-like pattern of the national average minimum wage was similar in almost all provinces and territories: A sharp increase in the value of the minimum wage between 1965 and the peak in the mid-1970s was followed by a similar or smaller decrease until the mid-1980s or early 1990s, then one of three trends throughout the rest of the 1990s and into the beginning of the new century – modest improvements (Prince Edward Island, Manitoba, Alberta and BC), stagnation (Newfoundland and Labrador, Nova Scotia, New Brunswick, Saskatchewan and Yukon) or decline (Quebec, Ontario, the Northwest Territories and Nunavut). The trend in the federal minimum wage, applicable from 1965 to 1996, showed a decline from 1965 (\$8.62) to 1969 (\$7.38), climbed to a peak of \$10.65 in 1976 and then fell to \$5.24 in 1996.

What has happened to minimum wage trends in the first decade of the 21st century? In a word, restoration. Figure 1 shows the trend in the national average minimum wage from 1965 through 2010, expressed in constant (inflation-adjusted) 2010 dollars. Let's focus on what has happened over the past decade.

The hourly minimum wage declined from \$8.13 in 2000 to \$8.04 in 2001, \$7.97 in 2002 and \$7.83 in 2003, but then changed course and rose steadily to \$7.89 in 2004, \$7.96 in 2005, \$8.11 in 2006, \$8.19 in 2007, \$8.52 in 2008, \$8.95 in 2009 and \$9.31 in 2010. Between 2000 and 2010, the national average minimum wage increased by 14.5 percent in real terms.

Looking at the long run, the national average minimum wage went from \$6.47 an hour in 1965 (in constant 2010 dollars) to a peak of \$10.21 in 1976. In 2010, it amounted to \$9.31 – just 90 cents below the mid-1970s high.

Another way of studying minimum wages is to compare them to average employment earnings. That measure shows how the lowest-paid worker compares to the average employee.

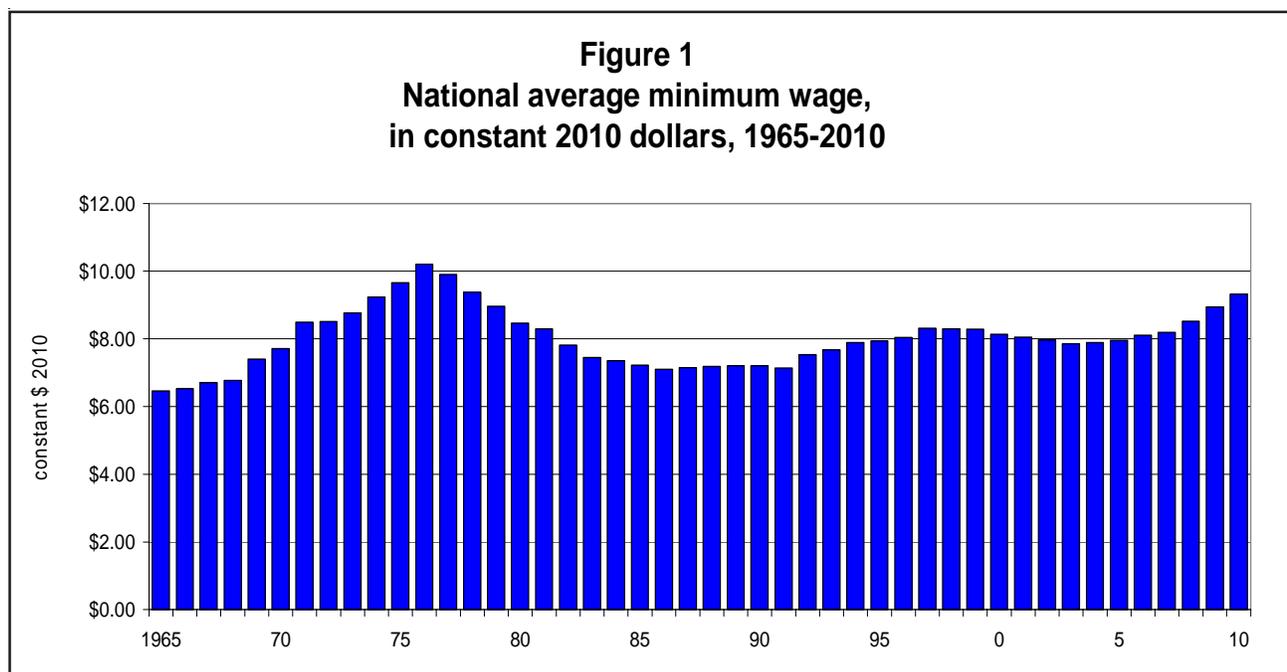
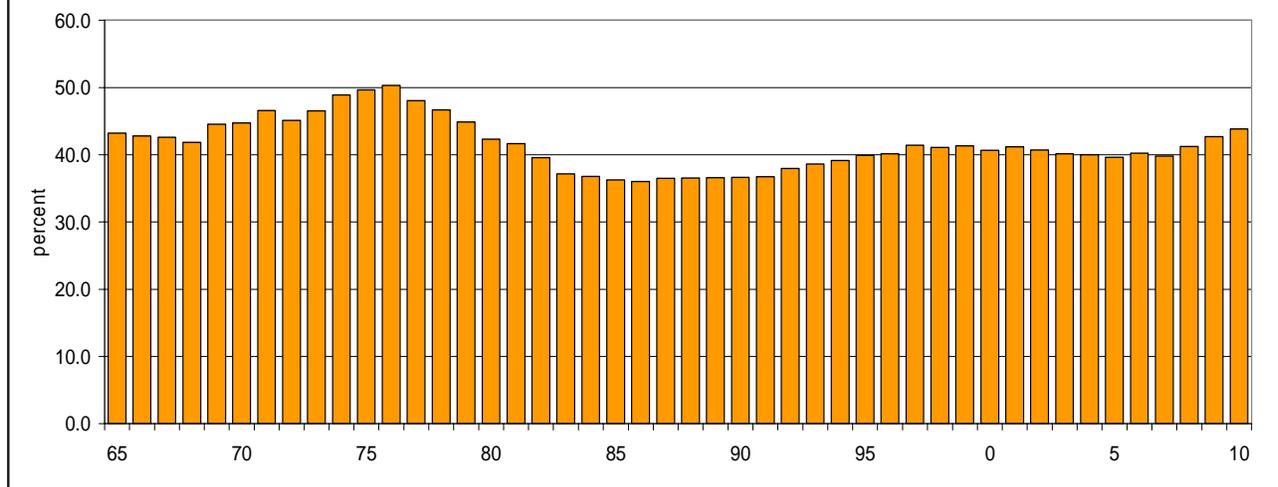


Figure 2 shows the trend in the national average minimum wage expressed as a percentage of average earnings. The overall pattern is similar to the value of the minimum wage over time. The average minimum wage rose as a percentage of average earnings between 1965 (43.2 percent) and 1976 (50.3 percent), declined slowly until the mid-1980s when it levelled off for the rest of that decade at around 36 percent, increased in the 1990s (to 41.4 percent in 1997) and stayed around 40 percent until 2007, after which it outpaced average earnings and climbed to 41.2 percent in 2008, 42.7 percent in 2009 and 43.8 percent in 2010.

Figure 2
National average minimum wage,
as percentage of average earnings, 1965-2010



Interprovincial comparison of minimum wages

Minimum wages in Canada range widely across the ten provinces and three territories – as of April 1, 2011, from a low of \$8.00 an hour in British Columbia to \$8.80 in Alberta, \$8.93 in Yukon, \$9.00 in Prince Edward Island, \$9.25 in Saskatchewan, \$9.50 in New Brunswick, \$9.50 in Quebec, \$9.50 in Manitoba, \$9.65 in Nova Scotia, \$10.00 in Newfoundland and Labrador, \$10.00 in the Northwest Territories, \$10.25 in Ontario and a high of \$11.00 an hour in Nunavut.

However, minimum wage rates often increase during the course of a year, so a point-in-time comparison as above can be misleading. Table A shows why.

In 2010, Newfoundland and Labrador increased its minimum wage from \$9.50 an hour as of January 1 to \$10.00 on July 1. Prince Edward Island’s minimum wage went from \$8.40 on January 1 to \$8.70 on June 1 and \$9.00 on October 1. Nova Scotia’s minimum wage rate was \$8.60 on January 1 and rose to \$9.20 on April 1 and \$9.65 on October 1. New Brunswick went from \$8.25 on January 1 to \$8.50 on April 1 and \$9.00 on September 1 (and will rise to \$9.50 on April 1, 2011 and \$10.00 on September 1, 2011). Quebec’s minimum wage was \$8.50 on January 1 and increased to \$9.50 on May 1 (and will rise to \$9.65 on May 1, 2011). Ontario’s minimum wage increased from \$9.50 on January 1 to \$10.25 on March 31 (and will remain at that level in 2011). Manitoba’s was \$9.00 in January and rose to \$9.50 on October 1. The minimum wage in Saskatchewan remained at \$9.25 all year, in Alberta at \$8.80 all year and at \$8.00 for the year in British Columbia (though BC’s minimum wage will rise to \$8.75 on May 1, 2011, \$9.50 on November 1, 2011 and \$10.25 on May 1, 2012). Yukon’s minimum wage

increased from \$8.89 on January 1 to \$8.93 on April 1. The minimum wage in the Northwest Territories was \$8.25 in January 1 and increased to \$9.00 on April 1. Nunavut's minimum wage rate was \$10.00 all year.

Table A
Minimum wage rates, by jurisdiction, 2010

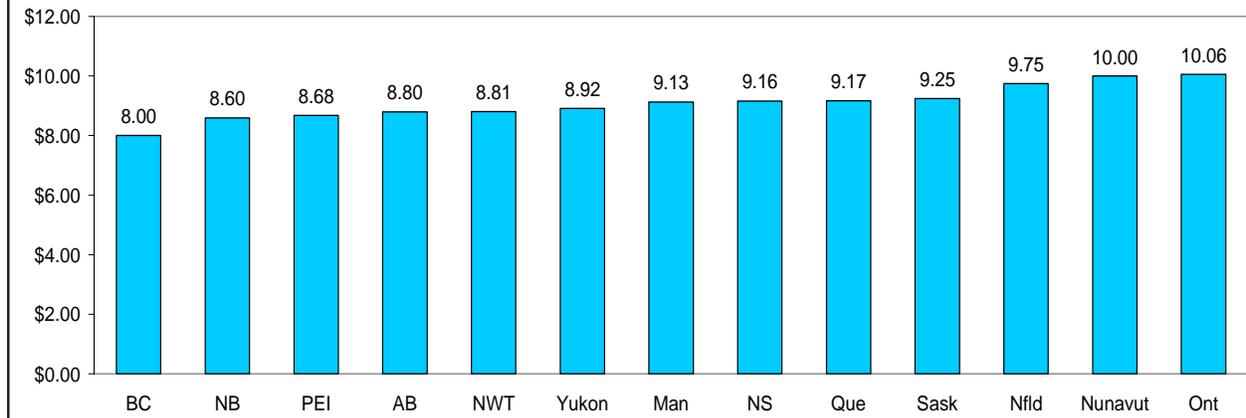
jurisdiction	\$		\$		\$	
Nfld	January 1	9.50	July 1	10.00		
PEI	January 1	8.40	June 1	8.70	October 1	9.00
NS	January 1	8.60	April 1	9.20	October 1	9.65
NB	January 1	8.25	April 1	8.50	September 1	9.00
Que	January 1	8.50	May 1	9.50		
Ont	January 1	9.50	March 31	10.25		
Man	January 1	9.00	October 1	9.50		
Sask	January 1	9.25				
AB	January 1	8.80				
BC	January 1	8.00				
Yukon	January 1	8.89	April 1	8.93		
NWT	January 1	8.25	April 1	9.00		
Nunavut	January 1	10.00				

To take into account these within-year changes, Figure 3 shows the average hourly minimum wage in 2010 in each province and territory, assuming the maximum full-time (40 hours a week) year-long (52 weeks) employment.

Average hourly minimum wages in 2010 ranged from \$8.00 in British Columbia to \$8.60 in New Brunswick, \$8.68 in Prince Edward Island, \$8.80 in Alberta, \$8.81 in the Northwest Territories, \$8.92 in Yukon, \$9.13 in Manitoba, \$9.16 in Nova Scotia, \$9.17 in Quebec, \$9.25 in Saskatchewan, \$9.75 in Newfoundland and Labrador, \$10.00 in Nunavut and \$10.06 in Ontario.

Minimum wages have risen in recent years in every jurisdiction except British Columbia. The increase is substantial, as indicated in Table B. The second column gives the year that the recent series of increases began (the year varies from one jurisdiction to another) and the third

Figure 3
Minimum wage, hourly average,
by province and territory, 2010



column the latest year for which rates have been published – 2010 in most cases, except for New Brunswick, Quebec, Ontario, BC, the Northwest Territories and Nunavut for which 2011 rates have been announced. The fourth column shows the dollar change in rates and the final column gives the change in percentage terms.

British Columbia's freeze is over

When we published our 2003 study, British Columbia had the highest minimum wage, at \$8.00 an hour for 2002, which works out to \$9.32 in 2010 dollars. But the province had frozen its adult minimum wage since 2002; its rate in 2010 was the lowest of all provinces and territories. BC is the only jurisdiction that has seen a steady decline in the value of its minimum wage in recent years, falling between 2002 and 2010 by 87 cents an hour for a 9.2 percent loss.

BC has (as does Nova Scotia) a special minimum wage rate for 'inexperienced employees' (defined as employees who had no paid employment experience prior to November 15, 2001 and who have since accumulated less than 500 hours of paid employment experience with one or more employers). The 'training wage,' as it is widely known, has been frozen at \$6.00 since November 15, 2001, and is \$2.00 less than the \$8.00 regular rate for adults.

However, on March 16, 2011, the British Columbia government announced it will end the freeze by raising its minimum wage to \$8.75 an hour on May 1, 2011, \$9.50 on November 1, 2011 and \$10.25 on May 1, 2012. It also will eliminate the training wage as of May 1, 2011.

Table B
Recent changes in minimum wages,
by jurisdiction, in constant dollars (2010 or 2011)*

jurisdiction	year and rate		year and rate		dollar change	percentage change
		\$		\$	\$	%
Nfld	2005	6.70	2010	9.75	3.05	45.5
PEI	1995	6.32	2010	8.68	2.36	37.3
NS	2002	6.81	2010	9.13	2.35	34.5
NB	2003	6.93	2011	9.54	2.61	37.7
Que	2002	8.37	2011	9.60	1.23	14.7
Ont	2003	7.92	2011	10.25	2.33	29.4
Man	1994	6.79	2010	9.13	2.34	34.5
Sask	2005	7.38	2010	9.25	1.87	25.3
AB	2004	6.57	2010	8.80	2.23	33.9
BC	2002	9.50	2011	8.63	-.87	-9.2
Yukon	2005	7.84	2010	8.92	1.08	13.8
NWT	2009	8.57	2011	9.75	1.18	13.8
Nunavut	2007	9.06	2011	11.00	1.94	21.4

* 2011 for New Brunswick, Quebec, Ontario, BC, NWT and Nunavut, 2010 for the rest

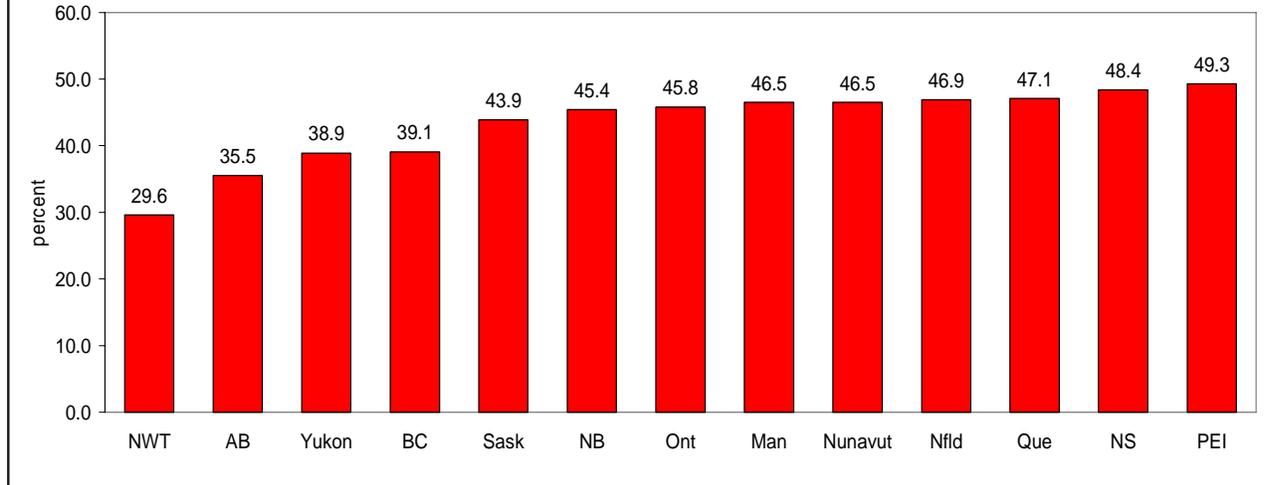
Minimum wages as percentage of average earnings

Measured as a percentage of average earnings, minimum wages range widely from one part of Canada to another – from a low of 29.6 percent in the Northwest Territories to a high of 49.3 percent in Prince Edward Island. Figure 4 shows the rankings.

Poverty reduction strategies and minimum wages

The recent increase in minimum wages in all jurisdictions (except British Columbia) is due in part to the creation of poverty reduction strategies. Starting in Quebec and then Newfoundland and Labrador, poverty reduction strategies – comprehensive and far-reaching

Figure 4
Minimum wage as percentage of
average earnings, by province and territory, 2010



plans to reduce, prevent and eliminate poverty – have been launched by all provinces and territories except Saskatchewan, Alberta and British Columbia.

The minimum wage is only one tool among many required to build an effective poverty reduction strategy, but is crucial to the task. The province of Newfoundland and Labrador stated the case succinctly [Government of Newfoundland and Labrador 2010]:

“Increases to the minimum wage rate play a key role in advancing our government’s Poverty Reduction Strategy,” said the Honourable Susan Sullivan, Minister of Human Resources, Labour and Employment. “Increasing the minimum wage helps individuals and families achieve increased self-reliance and contributes to a stronger provincial economy. Reducing poverty aims to balance opportunity for all.”

In some cases, action to strengthen minimum wages predates poverty reduction strategies. Ontario is a case in point. The previous Conservative government had frozen the province’s minimum wage for eight years, shrinking its value from \$9.29 in 1995 to \$7.92 in 2003 (expressed in 2011 constant dollars). The incoming Liberal government not only made up for lost ground, but went further and introduced a series of increases that boosted the minimum wage to \$10.25 by the end of March 2010. (On the other hand, Ontario has frozen its minimum wage at \$10.25 for 2011, as discussed later.) Ontario views a strong minimum wage as an essential part of its poverty reduction strategy, but doubtless would have increased the minimum wage as an important social policy and anti-poverty advance even if it had not launched its poverty reduction strategy in 2008.

Protecting minimum wages: indexation

An important design feature of income security programs such as old age pensions, the Canada and Quebec Pension Plans, Employment Insurance and child benefits is provision to protect benefits from increases in the cost of living, typically by automatically adjusting them annually to the increase in the Consumer Price Index. Failure to fully index programs results in ‘social policy by stealth’ [Battle 1990], eroding their value over time in a manner that is not transparent to the public (who typically do not have an accurate sense of the difference between current and constant dollars).

Freezing minimum wage rates for considerable stretches of time – for example, as Ontario did from 1965 to 1968 and 1995 to 2003, and British Columbia from 1981 to 1987 and 2002 to 2011 – cuts their value by the amount of inflation each year, which really adds up to a substantial amount over the years. Even if governments make occasional increases in minimum wage rates, those changes may not be enough to compensate for past losses, let alone maintain their full value over the years. That is what happened to Canadian minimum wages when they fell in value between the mid-1970s and mid-1980s, as illustrated for the national average in Figure 1.

Our 2003 study of minimum wages found only one North American jurisdiction that indexed its minimum wage – the state of Washington, to the annual change in the Consumer Price Index for urban wage earners and clerical workers. Since then, nine more states have joined Washington in indexing their minimum wages to the cost of living – Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon and Vermont.

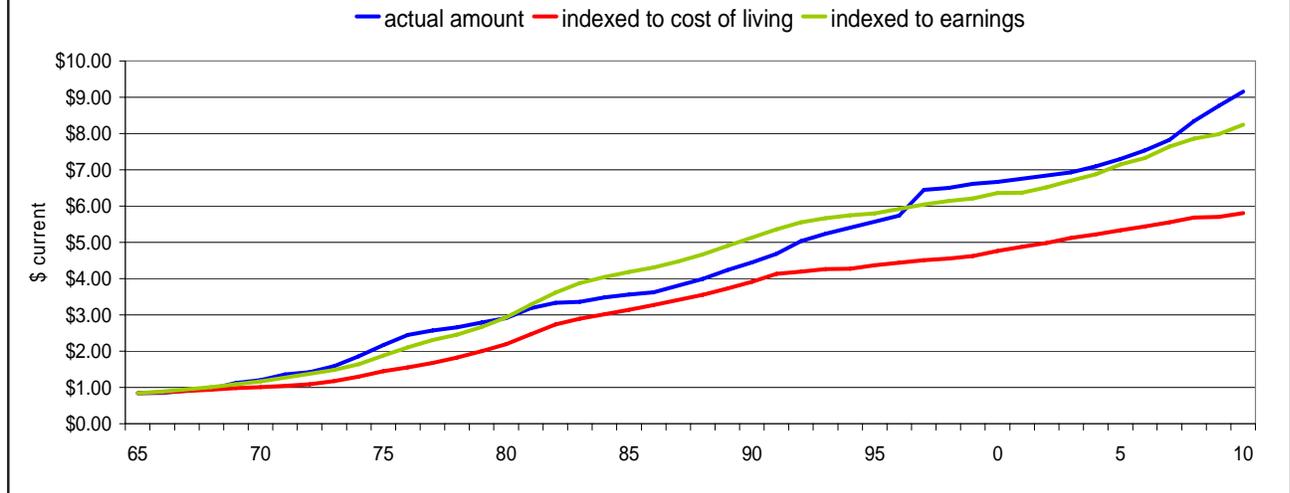
In Canada, currently only Yukon indexes its minimum wage, to the cost of living in Whitehorse. New Brunswick is phasing in a series of increases that will bring its minimum wage to \$10.00 as of September 2011, after which it will be indexed to the cost of living in 2012 and annually thereafter. Alberta had planned to index its minimum wage to the province’s average weekly earnings index, but decided to freeze the minimum wage at its 2009 rate of \$8.80 pending the outcome of an all-party committee review of its current policy.

Indexing minimum wages might seem a no-brainer reform, but in fact there is more to the matter upon closer investigation.

We devised a mental experiment to help probe this question. We charted the trend in Canada’s national average minimum wage between 1965 and 2010 in three ways – the actual amount, the amount it would have been had it been indexed to the cost of living (as measured by the Consumer Price Index) and the amount it would have been if indexed to the change in average earnings. The results are revealing, as shown in Figure 5.

In 1965, the national average minimum wage was 94 cents an hour in current dollars. By 2010, it reached \$9.31 per hour, as indicated by the blue line. If the national average minimum wage had been indexed to the cost of living, it would have been \$6.47 in 2010, as shown by the

Figure 5
National average minimum wage, actual amount
versus indexed to cost of living and to earnings, 1965-2010



red line. If it had been indexed to the increase in average earnings, it would have been \$9.18 in 2010, as illustrated by the green line.

So in fact the actual, unindexed national average minimum wage turned out to be higher than it would have been under either indexation method!

What about the provinces and territories individually? Table C shows the results.

In seven jurisdictions (Newfoundland and Labrador, New Brunswick, Quebec, Ontario, Manitoba, Yukon and Nunavut), the actual minimum wage in 2010 was highest. In another six jurisdictions (Prince Edward Island, Nova Scotia, Saskatchewan, Alberta, British Columbia and the Northwest Territories), the minimum wage if indexed to earnings would have been highest. In 11 of the total 13 jurisdictions, the minimum wage in 2010 if indexed to the cost of living would be the lowest; it came second in Nunavut and Yukon. So, as with the national average minimum wage, indexing to the cost of living would have produced the lowest rate in the large majority of jurisdictions. Jurisdictions where the actual rate came first were almost balanced by those in which indexation to earnings would have produced the largest minimum wage in 2010.

What this means is that more than half of the jurisdictions in Canada increased their minimum wages over the 1965-2010 period enough overall that they exceeded the rise in both the cost of living and average earnings. So what we have dubbed ‘ad hocery’ trumped indexation when it comes to setting minimum wage rates in half of the provinces and territories.

Table C
Actual minimum wage versus
if indexed to cost of living and to earnings, 2010

jurisdiction	actual amount 2010 \$	indexed to cost of living since 1965* \$	indexed to change in earnings since 1965* \$
Nfld	9.75	4.83	7.15
PEI	8.68	6.90	9.79
NS	9.16	7.24	10.43
NB	8.60	5.35	7.86
Que	9.17	5.09	6.68
Ont	10.06	6.90	9.79
Man	9.13	5.23	7.25
Sask	9.25	6.55	9.56
AB	8.80	6.90	12.00
BC	8.00	6.90	8.93
Yukon	8.92	7.71	7.65
NWT	8.81	7.71	9.71
Nunavut	10.00	7.74	7.29
national average	9.31	6.47	9.18

* 1968 for Yukon and NWT, 2001 for Nunavut.

But this does not mean that supporters of indexing minimum wages should give up on the idea? For one thing, though our analysis indicates that indexing to the cost of living would have produced the most disappointing result over the long term (i.e., 1965 to 2010), indexing to the change in average earnings (which have outpaced the increase in the cost of living overall) would have produced the best result in six of the jurisdictions.

There is a missing part to this puzzle. No method of indexation will produce a satisfactory outcome if the minimum wage rate itself is inadequate. Minimum wage rates in 1965 were not adequate, as evidenced by their rapid growth from 1965 to 1975; just indexing the 1965 early rates to the cost of living could not have produced an adequate minimum wage over the years.

Table D
Indexing mid-70s* peak minimum wage to cost of living
and to change in average earnings

jurisdiction	mid-70s peak*	indexed to cost of living since mid-70s* \$	indexed to change in earnings since mid-70s* \$
Nfld	1976	9.33	9.25
PEI	1977	9.00	8.47
NS	1976	9.52	9.46
NB	1977	9.69	9.50
Que	1977	10.64	10.08
Ont	1976	9.71	10.51
Man	1976	10.25	10.37
Sask	1976	10.45	11.13
AB	1977	10.25	12.20
BC	1976	11.19	10.40
Yukon	1976	10.91	9.46
NWT	1976	10.44	12.64
Nunavut	2004	9.46	9.34
national average	1976	10.21	10.69

* 2004 for Nunavut.

What would the two indexation methods produce if we started with a higher minimum wage? We repeated the analysis using a different time frame – starting at 1976 or 1977 (in the case of Nuavut, 2004), depending on the jurisdiction, which was the highest minimum wage in the early period.

In 1976 the national average minimum wage was \$2.74 an hour in current dollars. If it were indexed to the cost of living from 1976 through 2010, it would come to \$10.21 in 2010 dollars. If it had been indexed to the change in average earnings, it would have been \$10.69 in 2010. Indexing to the increase in average earnings would result in a higher national average minimum wage by a modest amount (48 cents an hour) because national earnings growth has moderately outpaced inflation.

Looking at the individual provinces and territories, in eight jurisdictions (Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, British Columbia, Yukon and Nunavut), the minimum wage if its mid-70s peak were indexed to the cost of living was highest. In another five jurisdictions (Ontario, Manitoba, Saskatchewan, Alberta and the Northwest Territories), the mid-70s minimum wage if indexed to earnings would have been highest.

Overall, then, indexing – whether to the cost of living or the change in average earnings – works if there is an adequate minimum wage to begin with. So that raises the question of what constitutes an adequate minimum wage – an issue that has received surprisingly little public debate or analysis. Two approaches have been proposed.

One is to set the minimum wage rate so that it equals (or exceeds) the poverty line. In 2008 Nova Scotia’s Minister of Environment and Labour, accepting the recommendations of the province’s minimum wage review committee, announced that the minimum wage would receive annual increases that, by 2010, “will have them earning more than the low-income cutoff line, a commonly used poverty indicator” [Parent 2008]. True to his word, Nova Scotia’s minimum wage rose to 117.9 percent of the after-tax low income cutoff for a single person in 2010.

Our later analysis will show that minimum wages in 2010 exceeded the after-tax LICO for one person in eight provinces – Newfoundland and Labrador (127.8), Prince Edward Island (115.2), Nova Scotia (127.3), New Brunswick (112.8), Quebec (103.7), Ontario (111.6), Manitoba (101.2) and Saskatchewan (121.3). Because the LICO is indexed annually to the cost of living, this target of adequacy would automatically index the minimum wage. The same applies to the low income measure (LIM), which adjusts each year to the change in average income.

Another possible definition of adequacy is to target each jurisdiction’s minimum wage as a certain proportion of earnings. One could, for example, set the minimum wage at half of a jurisdiction’s average or median earnings – just as the low income measure (LIM) is set at half of the median family income. One advantage of this approach is that it would allow comparison of Canada’s minimum wages to those in other countries, just as the half-of-median-family income measure is used to compare nations’ low income statistics. This approach also provides a built-in method of indexation, since the minimum wage is set as a proportion of average earnings each year.

Currently no minimum wage in Canada reaches the 50 percent of average earnings level. Our analysis showed that the rankings for 2010 ranged from the Northwest Territories (whose minimum wage amounts to 29.6 percent of average earnings) to Alberta (35.5 percent), Yukon (38.9 percent), British Columbia (39.1 percent), Saskatchewan (43.9 percent), New Brunswick (45.4 percent), Ontario (45.8 percent), Manitoba (46.5 percent), Nunavut (46.5 percent), Newfoundland and Labrador (46.9 percent), Quebec (47.1 percent), Nova Scotia (48.4 percent) and Prince Edward Island (49.3 percent). A variant of this approach would be to use median rather than average earnings.

But there is a strong impediment to indexation that must be confronted – most governments’ preference for what we earlier dubbed ‘adhocery’ in setting their minimum wage rates. While there has been growth in indexation in recent years, the majority of jurisdictions in the US and Canada still do not index their minimum wages: Of the 50 US jurisdictions with minimum wages, 40 do not index their rates. Of the 13 Canadian jurisdictions, only two index or plan to index their minimum wage rates.

The UK, which created its national minimum wage relatively recently (1999), does not index its rate. However, the UK government has increased its minimum wage by more than inflation each year. Its minimum wage rose from 3.60 pounds in 1999 to 5.93 pounds in 2010; if it had been indexed only to the cost of living, it would have been 4.47 pounds in 2010.

Governments like the flexibility that comes with adhocery: Depending on their political and economic priorities, they can reduce their minimum wage by freezing the rate; *de facto* index the rate by adjusting it to inflation or wages; or increase the rate by raising it by more than inflation or wages. Jurisdictions in Canada have among them employed all three of these methods over the years.

In tough economic times, governments may decide to freeze their minimum wage so as to accede to pressure from employers and economists who argue that higher minimum wages will increase labour costs, make businesses less competitive and create unemployment. For example, Alberta suspended indexation to wages and instead froze its minimum wage in 2010 at the 2009 (\$8.80) hourly rate. A government news release said the wage freeze is intended to preserve jobs for people who work in entry-level positions: “This decision reflects what government feels will both protect jobs during these uncertain economic times and support the economy,” said Thomas Lukaszuk, Alberta’s minister of employment and immigration [Government of Alberta 2010]. In the same vein, Ontario’s Premier defended his government’s decision to freeze the minimum wage in 2011 at the March 31, 2010 level on the grounds that “We’ve just come through a terrible recession...businesses are just beginning to grow at a very modest pace. We think that we’ve struck the appropriate balance, given the times” [Toronto Star 2011]. In the autumn of 2011 the Ontario government will appoint a committee representing both employers and workers to provide advice on the minimum wage in advance of the 2012 budget.

On the other hand, a government can increase its minimum wage by more than the rate of inflation in order to make up for losses under a previous government. The current Liberal government in Ontario brought in a series of increases to its minimum wage since 2003 to offset nine years of cuts from freezing the rate under the Conservative government.

However, indexation can be useful to governments in the politics of the minimum wage. Governments that index their minimum wage can claim their hands are tied by legislation when pressured by employers not to increase the minimum wage rate. By the same token, they can use the same argument if pressed by labour and social groups to increase minimum wages by more than inflation. As noted earlier, indexation is no panacea if the minimum wage rate itself is inadequate.

Setting and sustaining minimum wages, then, is no easy task. Ideally, the provincial and territorial governments should – in conjunction with key actors including business, labour, experts and social groups – work together to define what constitutes an adequate minimum wage and how to protect its value over time through some form of indexation, as is done for most social programs. In reality, though, most governments likely will continue to pursue the politics of adhocery when it comes to the contentious matter of establishing minimum wage rates.

All the more important, then, for governments to create and follow a transparent and ongoing process for setting minimum wages that provides for public input from employers, employees, experts and public policy organizations. The nascent structure for this process already exists in a number of jurisdictions, in the form of minimum wage or labour boards. As explained in the federal government’s Minimum Wage Database [Human Resources and Skills Development Canada 2011]:

Though certain jurisdictions have since abolished them, minimum wage boards (or equivalent labour boards) have basically the same role today as in the past: they are authorized by law to recommend minimum wage rates, after the necessary inquiries, investigation and research (as is the case in Manitoba, New Brunswick and Newfoundland) or to establish such rates, subject to the approval of the Lieutenant-Governor in Council (in Prince Edward Island, Saskatchewan and the Yukon). In other jurisdictions where no boards exist, the review of the minimum wage rates is incumbent upon the Lieutenant-Governor in Council (i.e. the Cabinet assisted by the governmental administration). The rates are reviewed and increased from time to time by minimum wage orders or regulations pursuant to the provinces employment standards legislation, which are approved by order in council. In other words, the final decision always rests with the government.

Prince Edward Island, for example, has an Employment Standards Board composed of representatives of employers and employees, with a neutral chairperson. The Board meets to review the minimum wage rate each year and make recommendations to government. The Board considers the social and economic effects of the minimum wage rates in the province, cost of living increases, current economic conditions and the minimum wages in neighbouring provinces [Government of Prince Edward Island 2011].

Canadian governments usefully could observe the work and workings of the UK’s Low Pay Commission, which provides advice and recommendations to the central government on the national minimum wage [Low Pay Commission 2011]. The Commission undertakes the following activities:

- Extensive research and consultation
- Commission research projects
- Analyse relevant data and actively encourage the Office of National Statistics to establish better estimates of the incidence of low pay
- Carry out surveys of firms in low-paying sectors
- Consultation with employers, workers and their representatives
- Take written and oral evidence from a wide range of organisations

- Fact-finding visits throughout the UK to meet employers, employees and representative organisations.

The Low Pay Commission's 2010 Annual Report summarizes the rationale for its minimum wage rate recommendation for 2010 [Low Pay Commission 2010: xi]:

The economic growth outturn was worse than we had anticipated in our 2009 Report when recommending the minimum wage increases for October 2009. However, employment falls and unemployment increases were less than expected. As we anticipated in our last report, average earnings growth was not as strong as forecast. The 1.2 per cent increase in the minimum wage was in line with median pay settlements, private sector and whole economy average earnings growth (including and excluding bonuses) and it was between the increase in the two main measures of inflation (Consumer Prices Index and Retail Prices Index).

Of course the UK has the advantage of having a unitary government with a single Low Pay Commission, whereas Canada has 10 provinces, three territories and a federal government. These various governments doubtless will design their minimum wage bodies to suit themselves. However, we urge them to undertake the research, deliberation and consultation required to define, achieve and sustain an adequate minimum wage. And, to borrow a term from the UK, Canada's minimum wage boards should expand their purview from minimum wages to low wages generally, to get a better grasp of the size, characteristics and dynamics of this country's working poor.

Governments should share their work on minimum wages and low wages. We have recommended that the provincial, territorial and federal governments establish a task force (with provision for public input) to examine the functions and adequacy of minimum wages [Battle and Torjman 2002: 7].

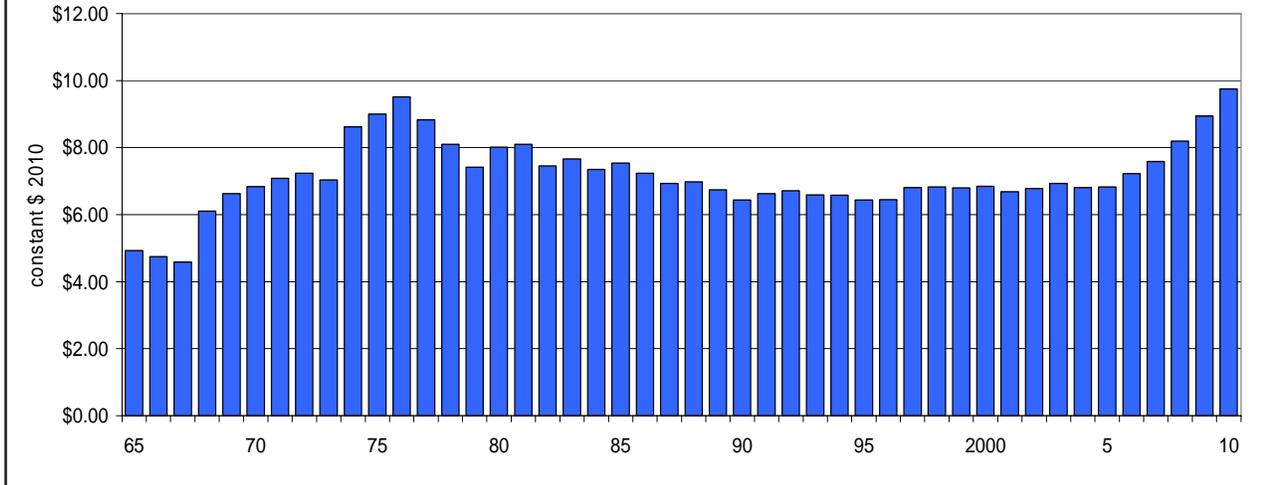
Minimum wage trends by jurisdiction

This section tracks three key minimum wage-related trends in each province and territory – in constant dollars, as a percentage of average earnings and compared to the poverty line.

Newfoundland and Labrador

Figure 6 shows the trend in the minimum wage in Newfoundland and Labrador, expressed in constant 2010 dollars. The picture is similar to that for the national average minimum wage, with its up-down-up twin peak pattern. There was a substantial increase in the province's minimum wage from the mid-1960s to the mid-1970s, followed by a decline until it flatlined in the 1990s and first half of the 2000s, followed by a sharp rise after 2005. The minimum wage went from \$4.83 in 1965 to \$9.33 in 1976, fell gradually to \$6.31 in 1990, levelled off around that amount in the 1990s and first half of the 2000s and then increased rapidly from \$6.70 in 2005

Figure 6
Newfoundland and Labrador minimum wage,
in constant 2010 dollars, 1965-2010



to \$9.75 in 2010 – the peak rate for the entire 1965-2010 period. The increase in the minimum wage from 2005 to 2010 was substantial; it rose by \$3.05 an hour or 45.5 percent.

Figure 7 illustrates the long-range pattern in the minimum wage expressed as a percentage of average earnings in Newfoundland and Labrador. Again, the picture is much the same as for the national average showed earlier. The province’s minimum wage in 1965 was 34.4 percent of average earnings and rose to 44.5 percent in 1974 and 1976, then gradually declined to a low of 33.7 percent by 1990, rose a bit in the latter part of the 1990s and first half of the 2000s, and climbed rapidly from 36.1 percent in 2005 to 46.9 percent in 2010 – the highest result in the 1965-2010 period.

Statistics Canada’s low income cutoffs (LICOs) vary by size of family and of community. In 2010 the estimated after-tax low income cutoff for the largest city in Newfoundland and Labrador – St. John’s, whose 2006 population of 181,113 puts it in the 100,000-499,999 size category – was \$15,865 for one person.

The long-term trend when we compare the minimum wage to Statistics Canada’s after-tax low income cutoff is the same as the trend in dollar amount. Newfoundland and Labrador’s minimum wage rose from 63.3 percent of the after-tax LICO for one person in St. John’s in 1965 to 122.3 percent in 1976, falling to 82.8 percent in 1995 and more or less levelling off for the first half of the 1990s. However, the trend increased sharply after 2005, rising to 127.8 percent of the low income cutoff in 2010 – the peak for the entire 1965-2010 period. Figure 8 shows the trend.

Figure 7
Newfoundland and Labrador minimum wage,
as percentage of average earnings, 1965-2010

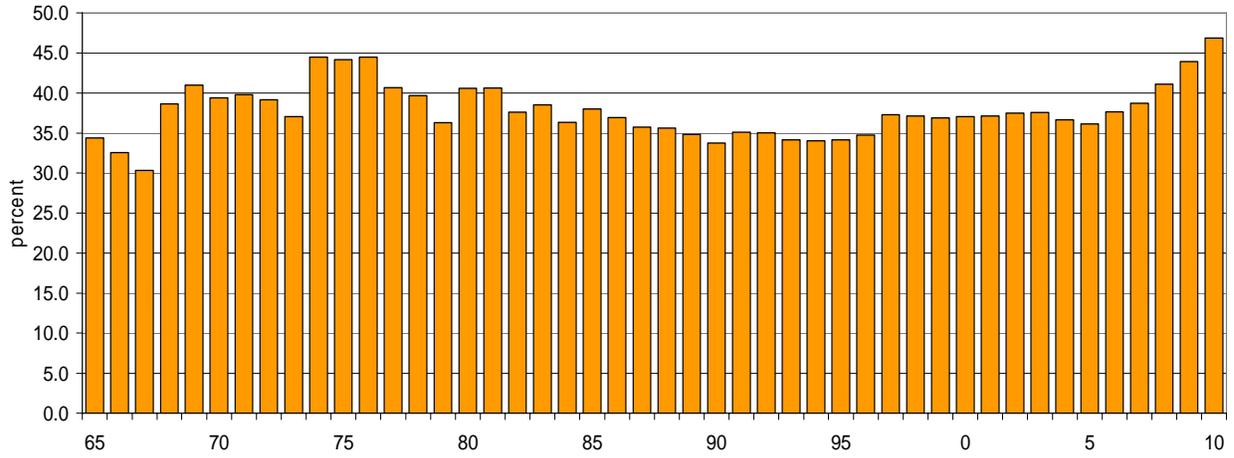
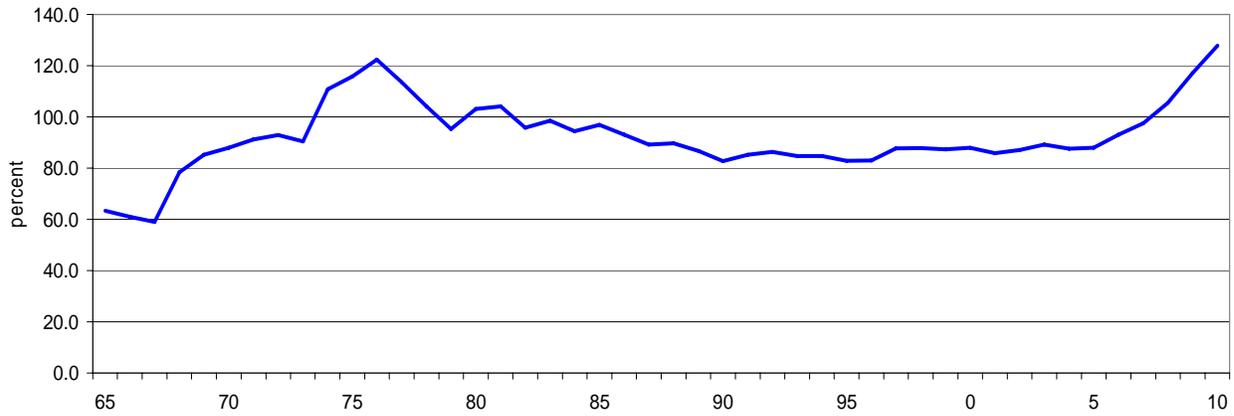


Figure 8
Newfoundland and Labrador minimum wage,
as percentage of after-tax low income cutoff
for one person, 1965-2010



Prince Edward Island

Figure 9 plots the trend in the minimum wage in Prince Edward Island, shown in constant 2010 dollars. The trend is very similar to that for the national average minimum wage, with its up-down-up twin peak pattern. There was a substantial increase from the mid-1960s to the mid-1970s, followed by a slow decline until 1995 and a gradual upward trend from 1996 to 2010. The minimum wage went from \$6.90 in 1965 to \$9.00 in 1977, fell to \$6.32 in 1995 and rose to \$8.68 in 2010. The increase in the minimum wage from 1995 to 2010 was substantial; it rose by \$2.36 per hour or 37.3 percent.

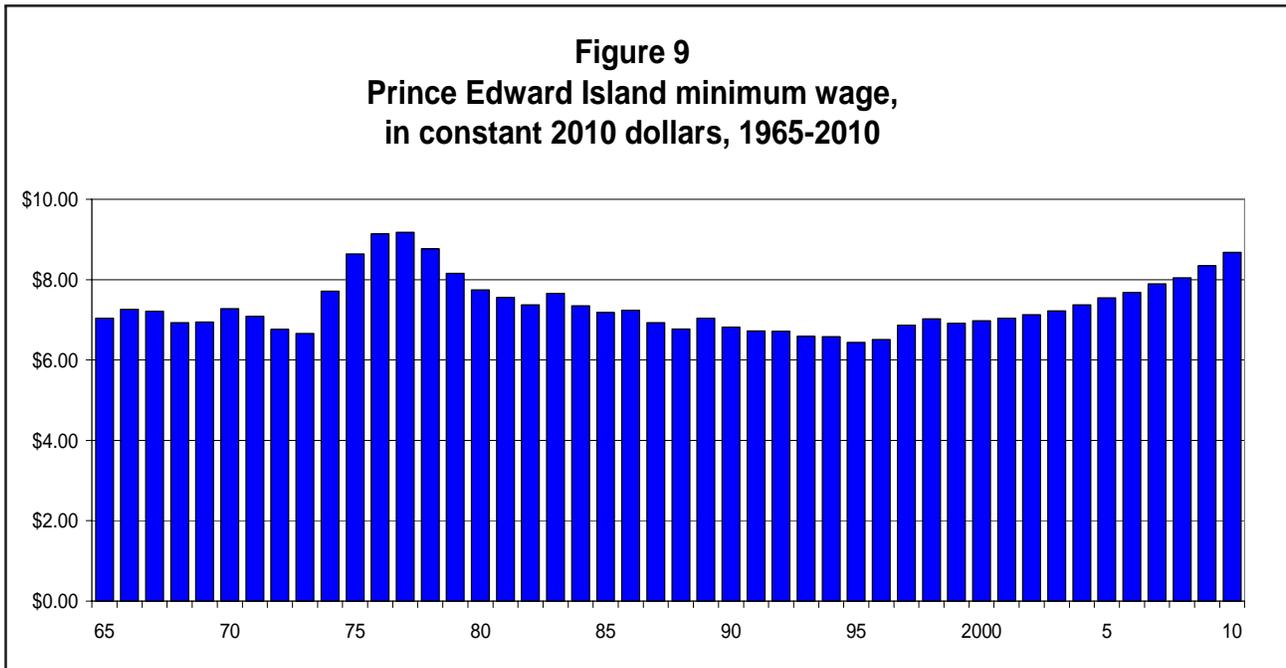
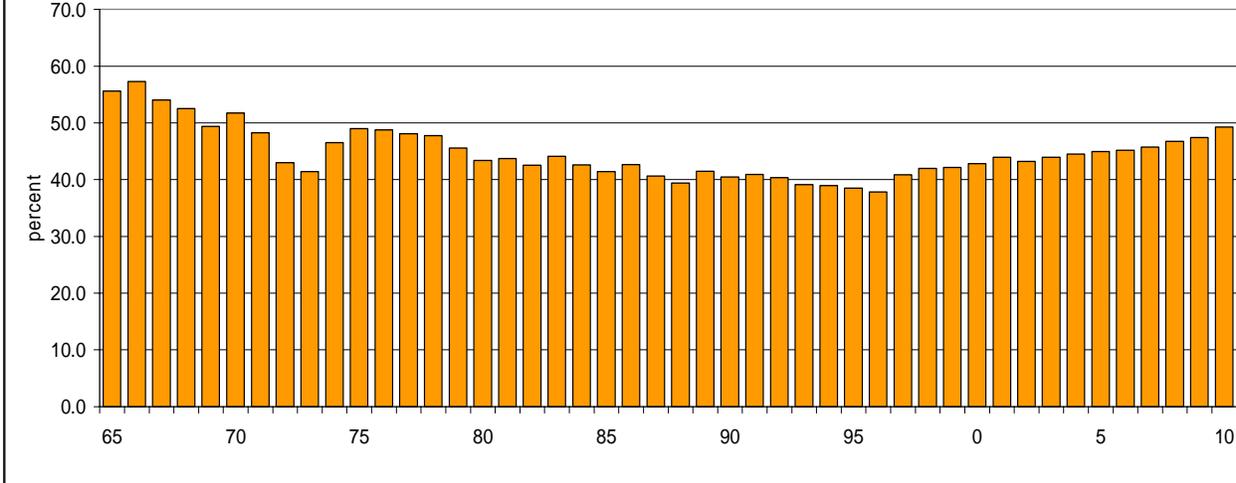


Figure 10 gives the long-range trend in Prince Edward Island’s minimum wage as a percentage of average earnings. The minimum wage in 1965 was 55.6 percent of average earnings, fell to 41.4 percent in 1973, rose to 49.0 percent in 1975, and then gradually declined to a low of 37.9 percent in 1996, after which it climbed back to 49.3 percent by 2010.

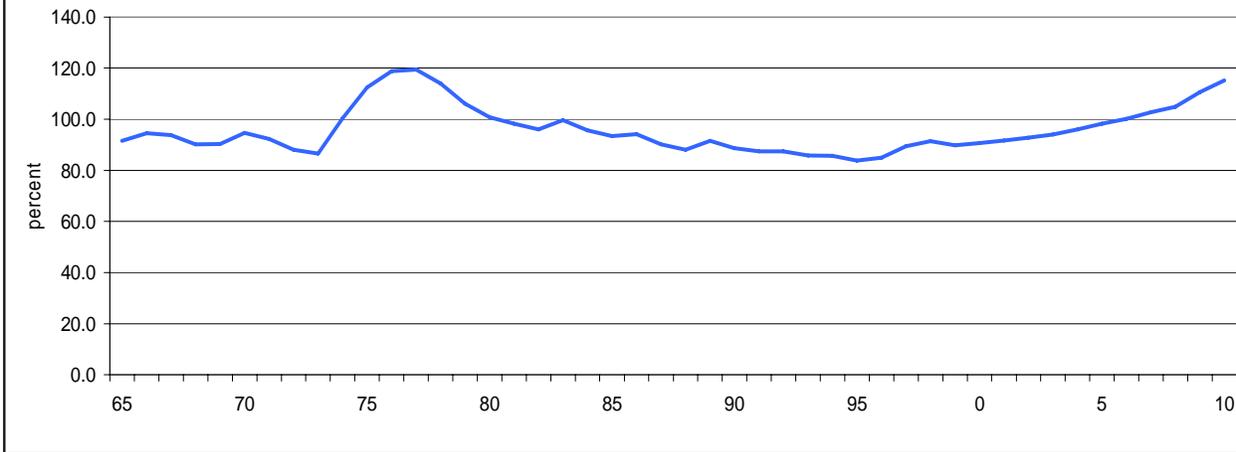
Statistics Canada’s low income cutoffs (LICOs) vary by size of family and of community. In 2010 the after-tax LICO for the largest community in Prince Edward Island – Charlottetown, whose 2006 population of 58,625 places it in the 30,000-99,999 size category – was an estimated \$15,667 for one person.

Figure 10
PEI minimum wage, as percentage
of average earnings, 1965-2010



The long-term trend when we compare the minimum wage to Statistics Canada’s after-tax low income cutoff is the same as the trend in dollar amount. Prince Edward Island’s minimum wage rose from 91.6 percent of the after-tax LICO for one person in Charlottetown in 1965 to 119.5 percent in 1977, falling to 83.9 percent in 1995 and then increasing steadily to 115.2 percent of the low income line in 2010. Figure 11 shows the trend.

Figure 11
Prince Edward Island minimum wage,
as percentage of after-tax low income cutoff
for one person, 1965-2010



Nova Scotia

Figure 12 plots the trend in the minimum wage in Nova Scotia, shown in constant 2010 dollars. The picture is very similar to that for the national average minimum wage, with its up-down-up twin peak pattern. There was a substantial increase from the mid-1960s to the mid-1970s, followed by a slow decline until 1991, a plateau from 1992 to 2005 and then a sharp increase to 2010. Nova Scotia's minimum wage went from \$7.24 in 1965 to \$9.52 in 1977, fell to \$6.68 in 1991 and rose to \$9.16 in 2010. The increase in the minimum wage from 2002 to 2010 was substantial; it rose by \$2.35 an hour or 34.5 percent.

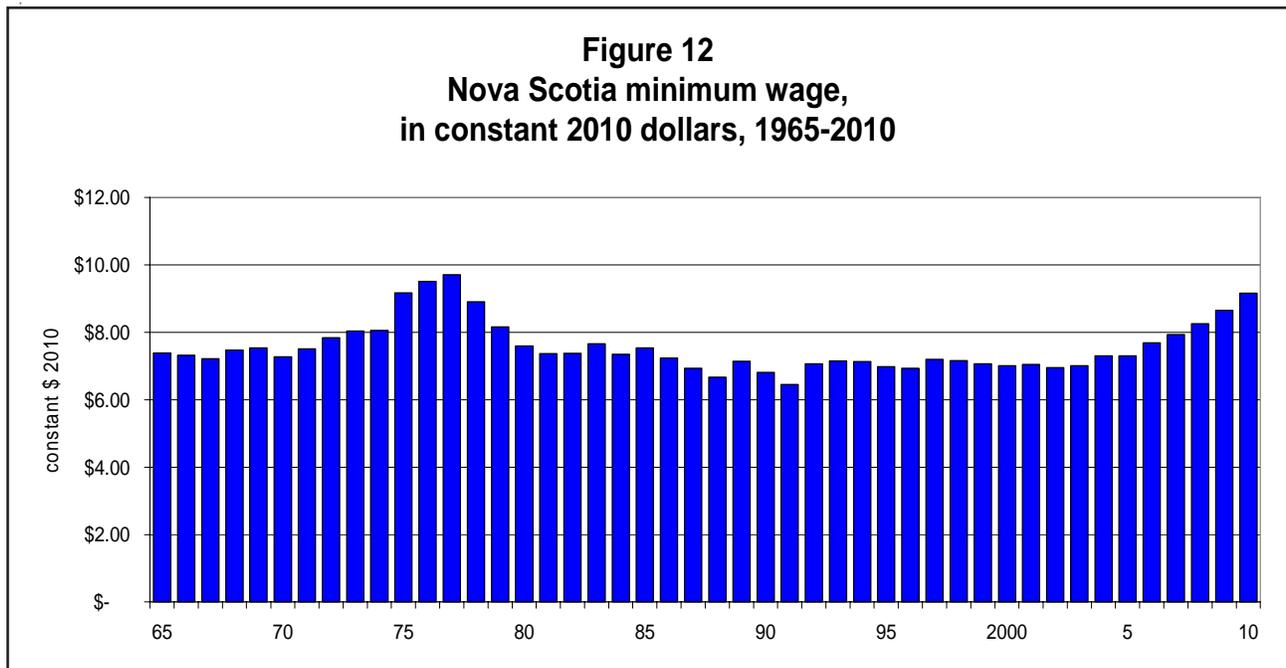
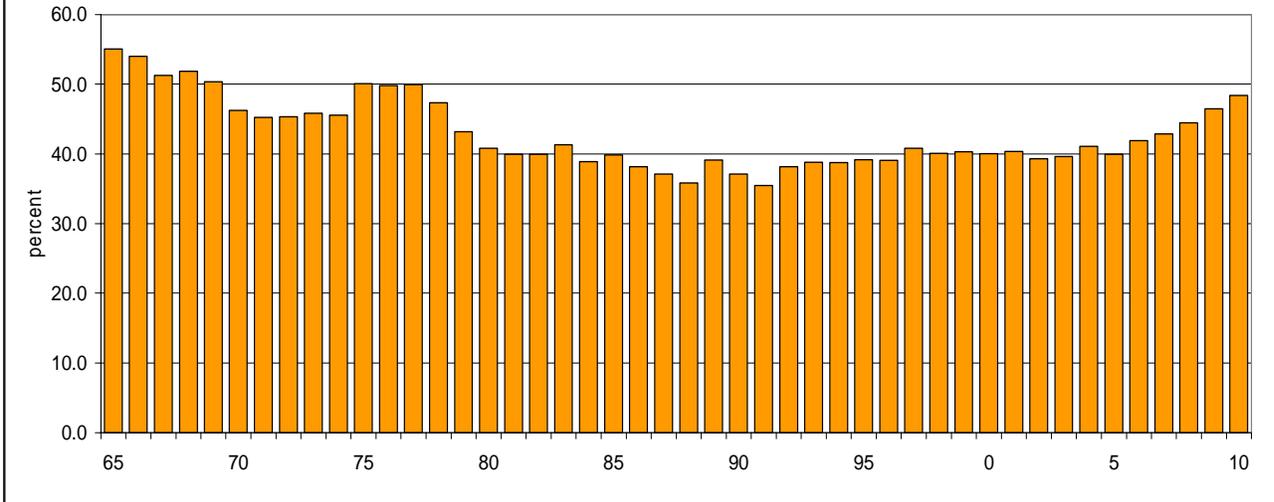


Figure 13 gives the long-range trend in Nova Scotia's minimum wage expressed as a percentage of average earnings. The minimum wage in 1965 was 55.1 percent of average earnings, fell to 45.2 percent in 1971, went back up to 50.1 percent in 1975, declined to a low of 35.5 percent in 1991, after which it grew slowly until 2005 and then rose rapidly to 48.4 percent in 2010.

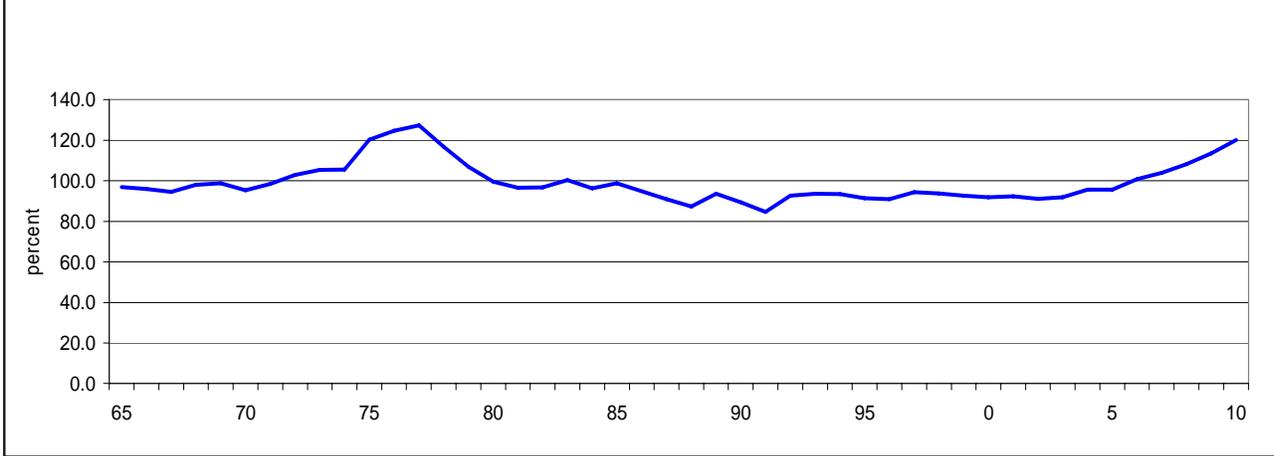
Statistics Canada's low income cutoffs (LICOs) vary by size of family and of community. In 2010 the estimated after-tax LICO for the largest city in Nova Scotia – Halifax, whose 2006 population of 372,558 places it in the 100,000-499,999 size category – was \$15,865 for one person.

Figure 13
Nova Scotia minimum wage,
as percentage of average earnings, 1965-2010



The long-term trend when we compare the minimum wage to Statistics Canada’s after-tax low income cutoff is the same as the trend in dollar amount. Nova Scotia’s minimum wage rose from 96.9 percent of the after-tax LICO for one person in Halifax in 1965 to 127.3 percent in 1977, falling to 84.6 percent in 1991 and then increasing to 120.1 percent of the LICO in 2010. Figure 14 shows the trend.

Figure 14
Nova Scotia minimum wage, as percentage
of after-tax low income cutoff
for one person, 1965-2010



New Brunswick

Figure 15 plots the trend in the minimum wage in New Brunswick, shown in constant 2011 dollars. The trend is very similar to that for the national average minimum wage, with its up-down-up twin peak pattern. There was a substantial increase from the mid-1960s to the mid-1970s, followed by a slow decline until 1988, a slow and erratic increase between 1989 and 2005 and then a sharp increase to 2011. New Brunswick's minimum wage went from \$5.45 in 1965 to \$9.88 in 1977, fell to \$6.66 in 1988 and rose to \$9.54 in 2011. The increase in the minimum wage from 2003 to 2011 was substantial, rising by \$2.61 an hour or 37.7 percent.

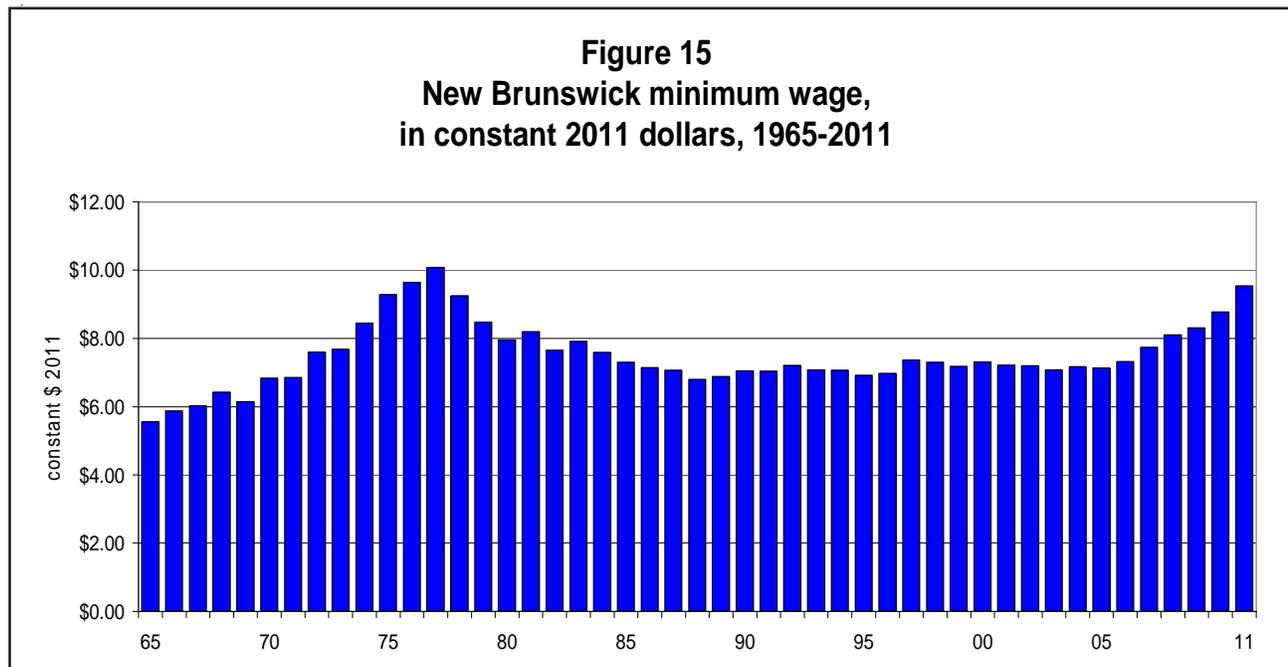
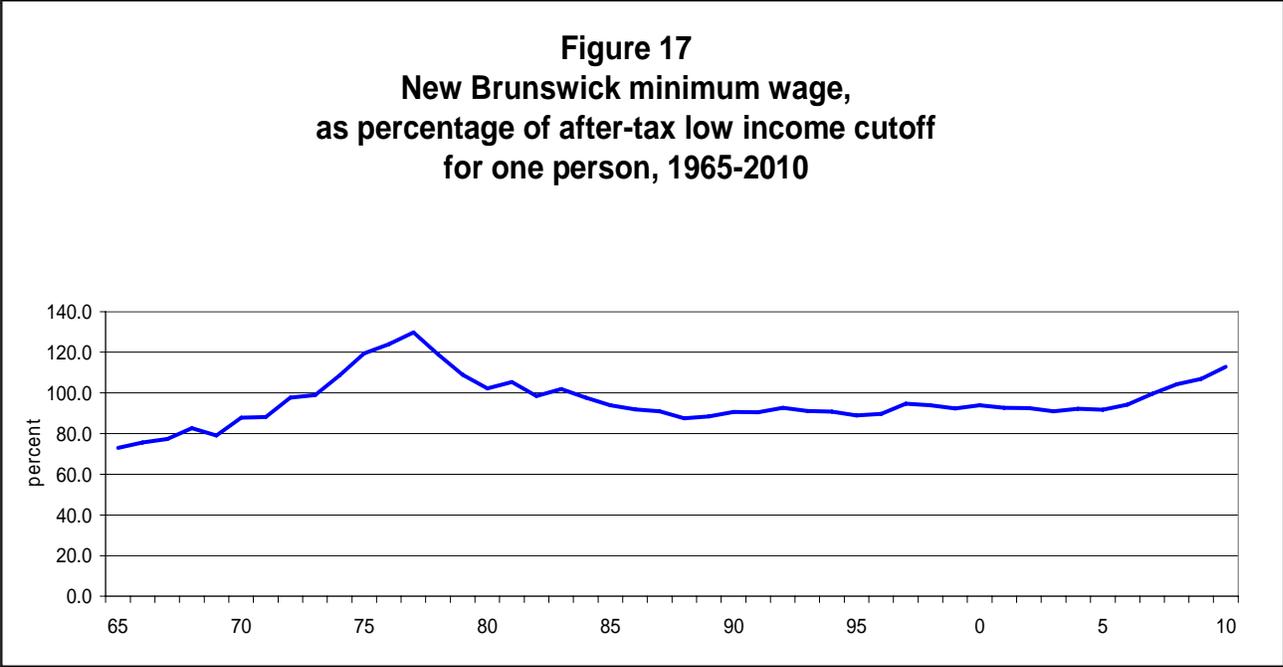
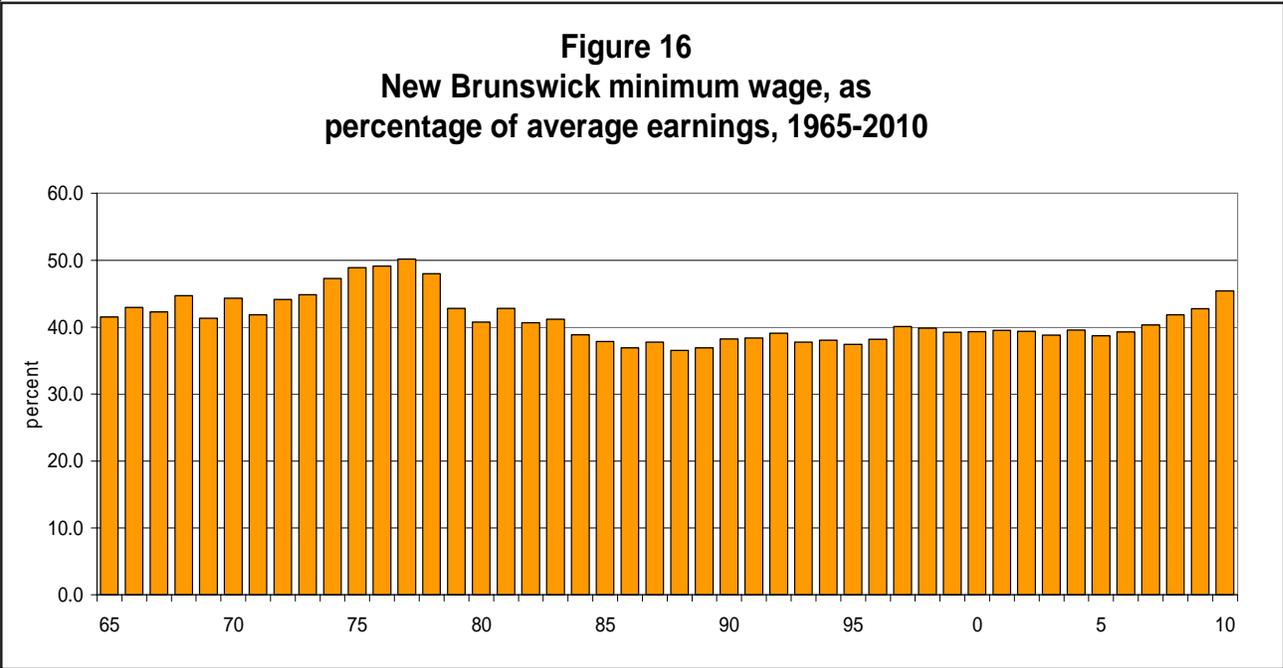


Figure 16 gives the long-range picture in New Brunswick's minimum wage expressed as a percentage of average earnings. The minimum wage in 1965 was 41.5 percent of average earnings, rose to 50.2 percent in 1977, declined to 36.5 percent in 1988 and increased rapidly from 38.7 percent in 2005 to 45.4 percent in 2010.

Statistics Canada's low income cutoffs (LICOs) vary by size of family and of community. In 2010 the estimated after-tax LICO for the largest city in New Brunswick Scotia – Saint John, whose 2006 population of 181,113 places it in the 100,000 size category – was \$15,865 for one person.

The long-term trend when we compare the minimum wage to Statistics Canada's after-tax low income cutoff is the same as the trend in dollar amount. New Brunswick's minimum wage rose from 72.9 percent of the after-tax LICO for one person in Saint John in 1965 to 129.7

percent in 1977, falling to 87.5 percent in 1988 and then increasing to 112.8 percent of the low income cutoff in 2010. Figure 17 shows the trend.



Quebec

Figure 18 plots the trend in the minimum wage in Quebec for 1965 through 2011, expressed in constant 2011 dollars. The picture is a bit different than that for the national average minimum wage, in that Quebec shows an up-down-up-down-up triple peak pattern. There was a substantial increase from the mid-1960s to the mid-1970s, followed by a slow decline until 1986, an increase until 1998, a slight decline and then a plateau in the first half of the 2000s – followed by an increase to 2011. Quebec’s minimum wage went from \$5.19 in 1965 to \$10.86 in 1977, fell to \$7.39 in 1986 and rose with some ups and downs to \$9.60 in 2011. Between 2002 and 2011, the minimum wage increased by \$1.23 an hour or 14.7 percent in real terms.

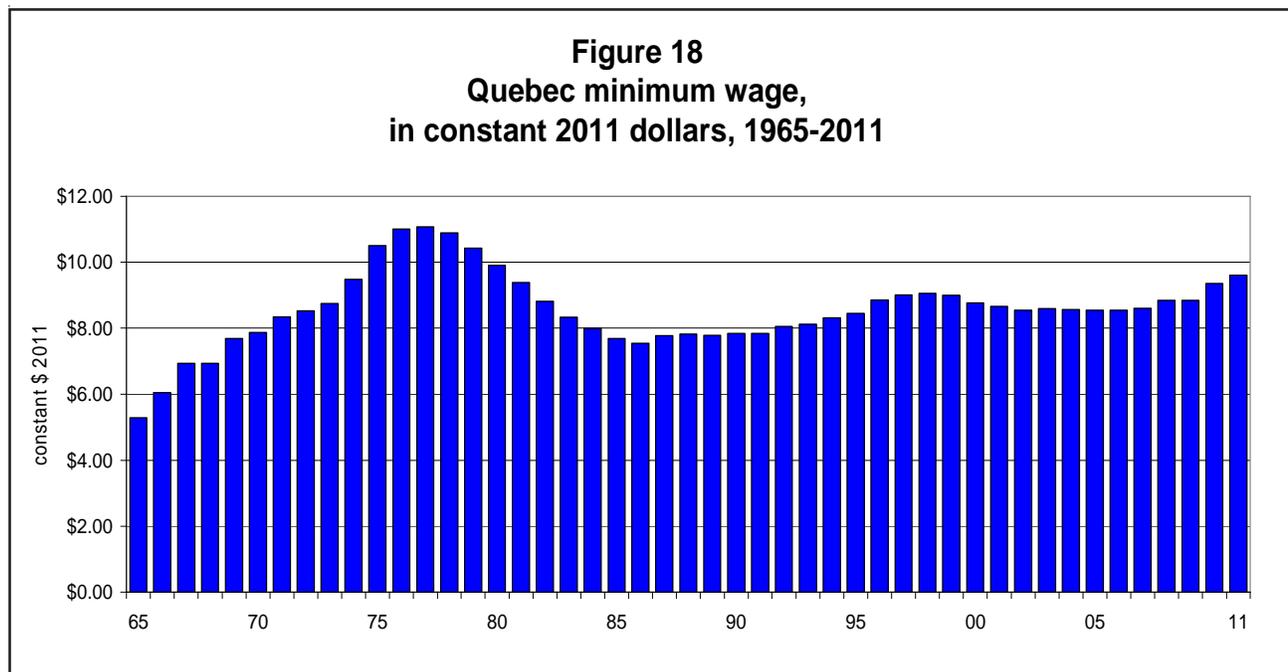
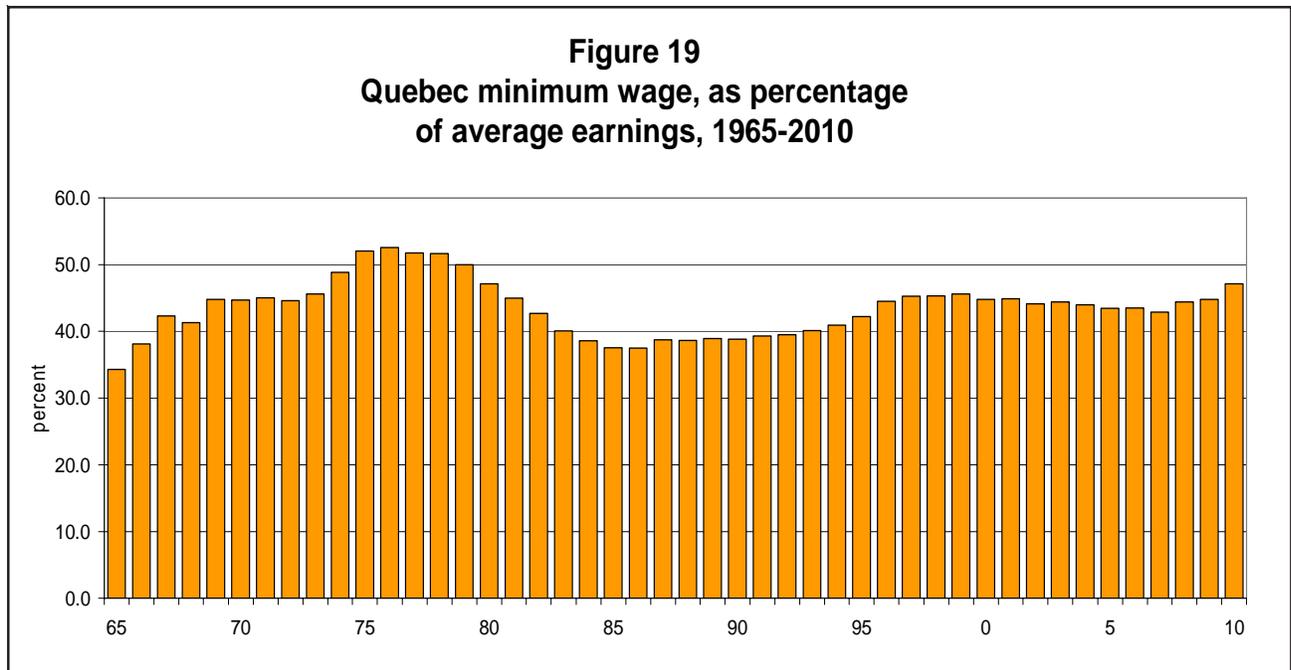
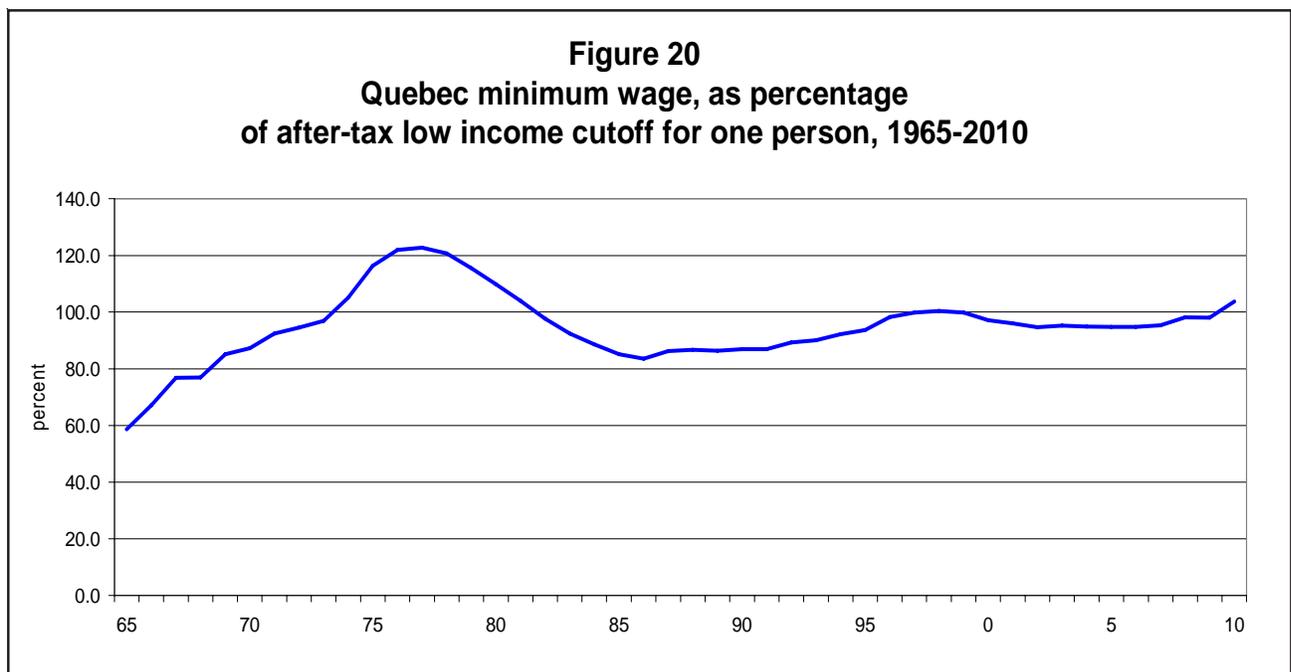


Figure 19 gives the long-term trend in Quebec’s minimum wage as a percentage of average earnings. The minimum wage in 1965 was 34.3 percent of average earnings, rose to 52.5 percent in 1976, declined to 37.5 percent in 1985, increased to 45.6 percent in 1999, fell to 42.9 percent in 2007 and then went up again to 47.1 percent in 2010.

Statistics Canada’s low income cutoffs (LICOs) vary by size of family and of community. In 2010 the estimated after-tax LICO for the largest city in Quebec – Montreal, whose population of 3,635,571 places it in the 500,000 and over size category – was \$18,760 for one person.



The long-term trend when we compare the minimum wage to Statistics Canada’s after-tax low income cutoff is the same as the trend in dollar amount. Quebec’s minimum wage rose from 58.7 percent of the after-tax LICO for one person in Montreal in 1965 to 122.8 percent in 1977, falling to 83.6 percent in 1986 and then increasing to 103.7 percent of the LICO in 2010. Figure 20 shows the trend.



Ontario

Figure 21 plots the trend in the minimum wage in Ontario, for 1965-2011. The government has just released the rate for 2011, which is frozen at the March 31, 2010 rate of \$10.25. The trend is somewhat different from that of most jurisdictions, in that Ontario (like Quebec) displays three rather than just two peaks, with an up-down-up-down-up pattern. Ontario's minimum wage went from \$7.04 in 1965 to \$9.90 in 1976, fell to \$7.15 in 1983, rose to \$9.28 in 1994, slipped back down to \$7.92 in 2003 but increased steadily to \$10.26 in 2010, though it lost a cent to \$10.25 for 2011 due to the 2011 rate being frozen at the March 31, 2010 rate. Between 2003 and 2011, Ontario's hourly minimum wage increased by \$2.33 or 29.4 percent.

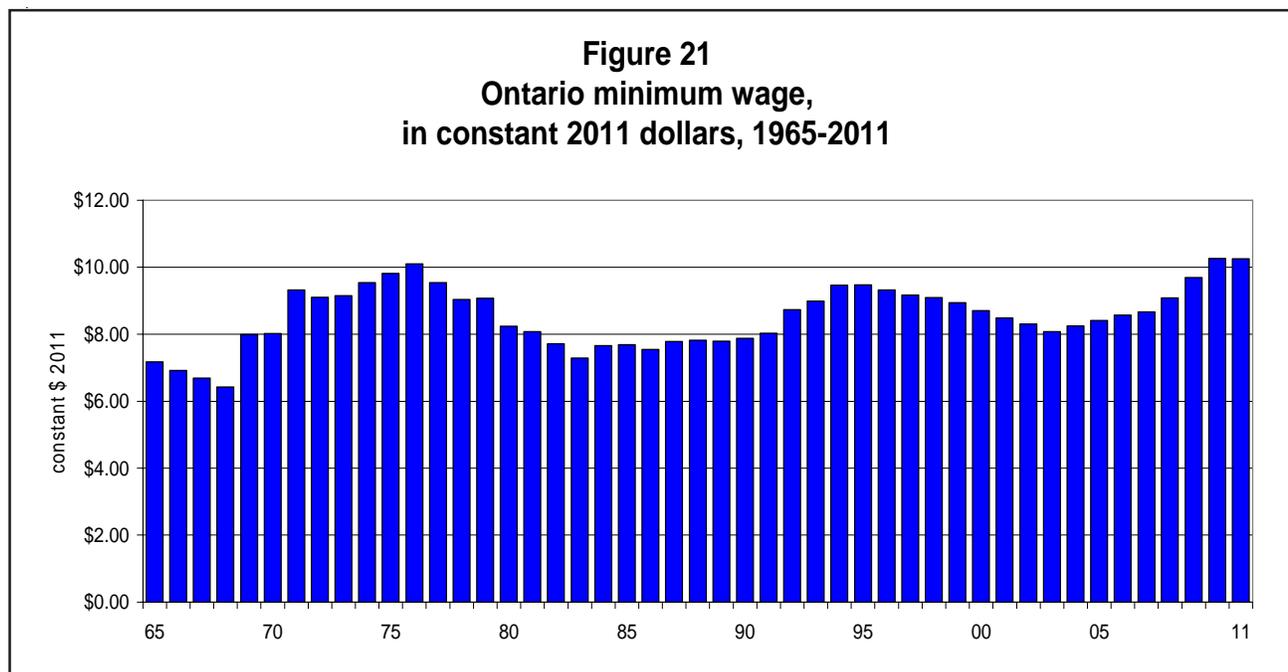
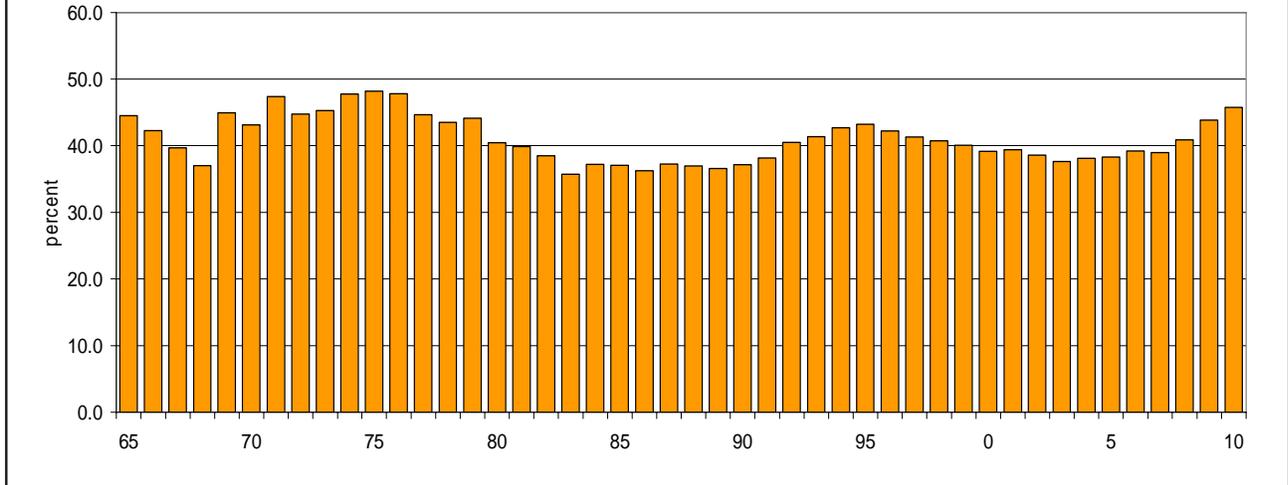


Figure 22 gives the long-range trend in Ontario's minimum wage shown as a percentage of average earnings. The minimum wage in 1965 was 44.5 percent of average earnings, fell to 37.0 percent in 1968, rose to 48.2 percent in 1975, declined to 35.7 percent in 1983, increased to 43.2 percent in 1995, fell to 37.7 percent in 2003 and then went up again to 45.8 percent in 2010.

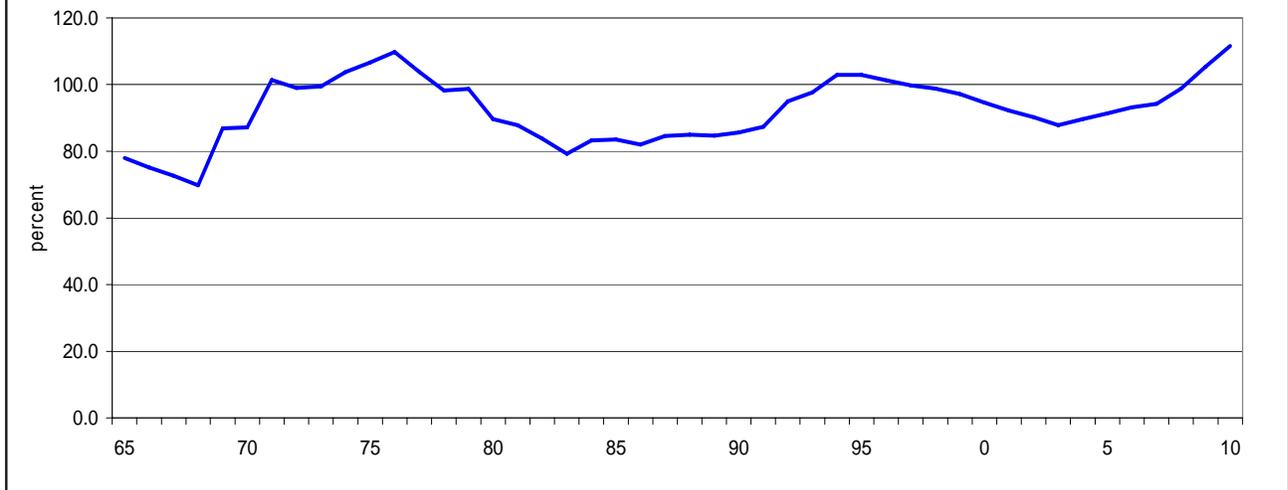
Statistics Canada's low income cutoffs (LICOs) vary by size of family and of community. In 2010 the after-tax LICO for the largest city in Ontario – Toronto, whose 2006 population of 5,113,149 places it in the 500,000 and over size category – was an estimated \$18,760 for one person.

Figure 22
Ontario minimum wage, as percentage
of average earnings, 1965-2010



The long-term trend when we compare the minimum wage to Statistics Canada’s after-tax LICO is the same as the trend in dollar amount. Ontario’s minimum wage rose from 78.0 percent of the after-tax low income cutoff for one person in Toronto in 1965 to 109.8 percent in 1976, falling to 79.3 percent in 1983, increasing to 102.9 percent in 1994 and 1995, slipping to 87.8 percent in 2003 and rising to 111.6 percent of the low income line in 2010 – the peak. Figure 23 shows the trend.

Figure 23
Ontario minimum wage, as percentage
of after-tax low income cutoff for one person, 1965-2010



Manitoba

Figure 24 plots the trend in the minimum wage in Manitoba, shown in constant 2010 dollars. The trend is similar to that for the national average minimum wage, with its up-down-up twin peak pattern. There was a substantial increase from the mid-1960s to the mid-1970s, followed by a slow decline until 1994, then a slow overall increase to reach \$9.13 in 2010. Manitoba's minimum wage went from \$5.23 in 1965 to \$10.25 in 1976, fell to \$6.79 in 1994 and rose to \$9.13 in 2010. Between 1994 and 2010, Manitoba's minimum wage increased by \$2.34 per hour or 34.5 percent.

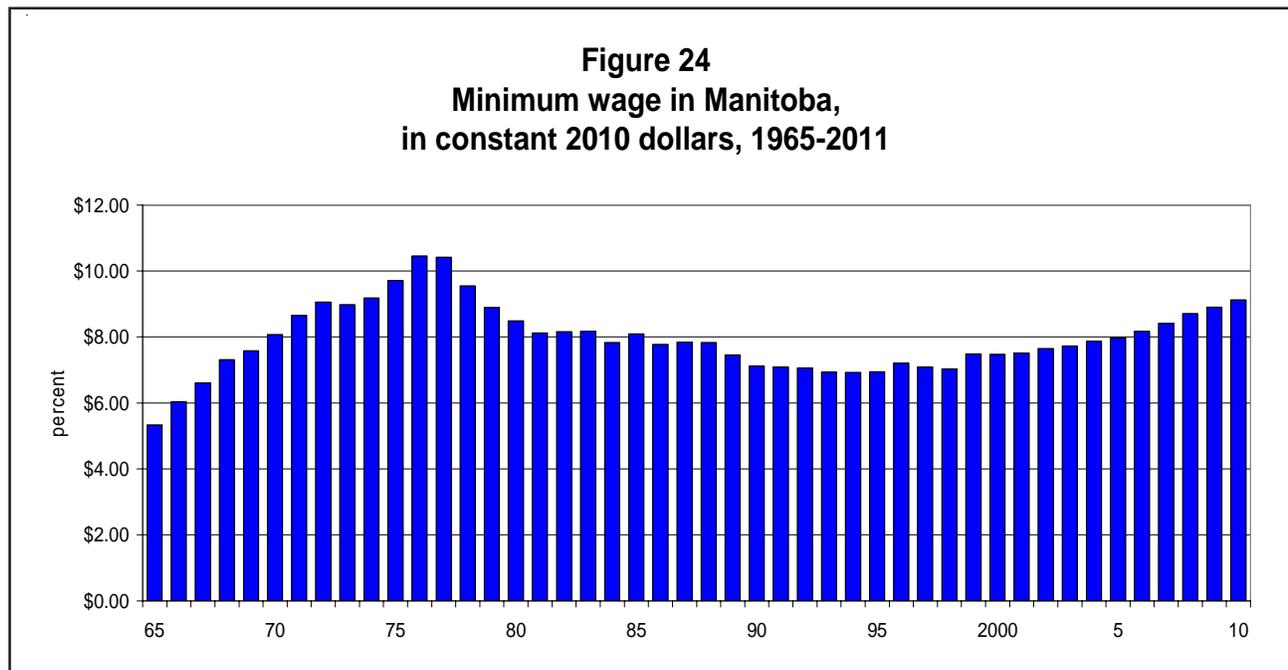
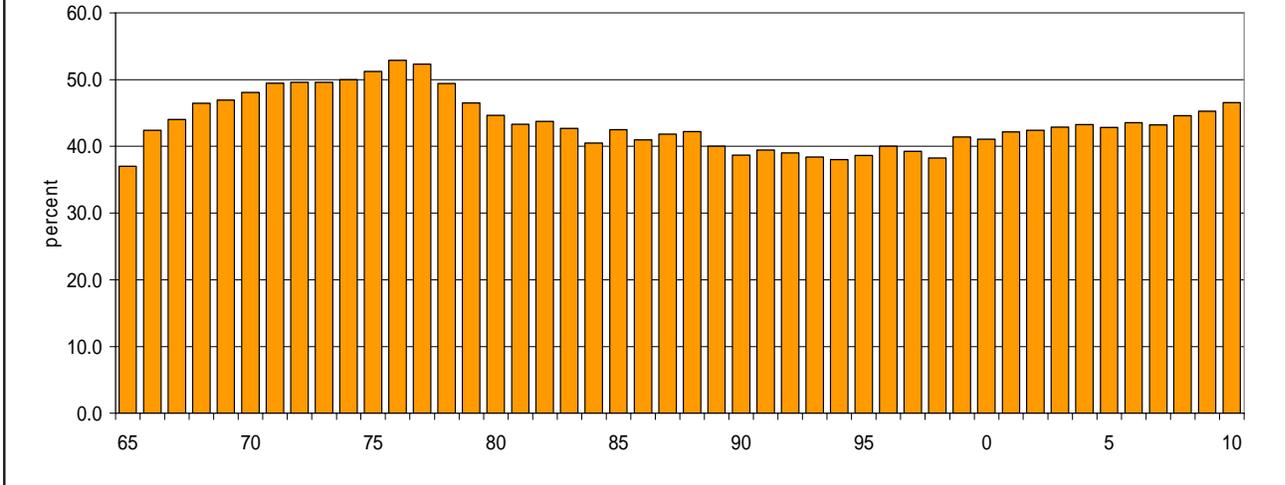


Figure 25 gives the long-range trend in Manitoba's minimum wage expressed as a percentage of average earnings. The minimum wage in 1965 was 37.0 percent of average earnings, rose to 52.9 percent in 1976, declined to 38.0 percent in 1994 and increased to 46.5 percent in 2010.

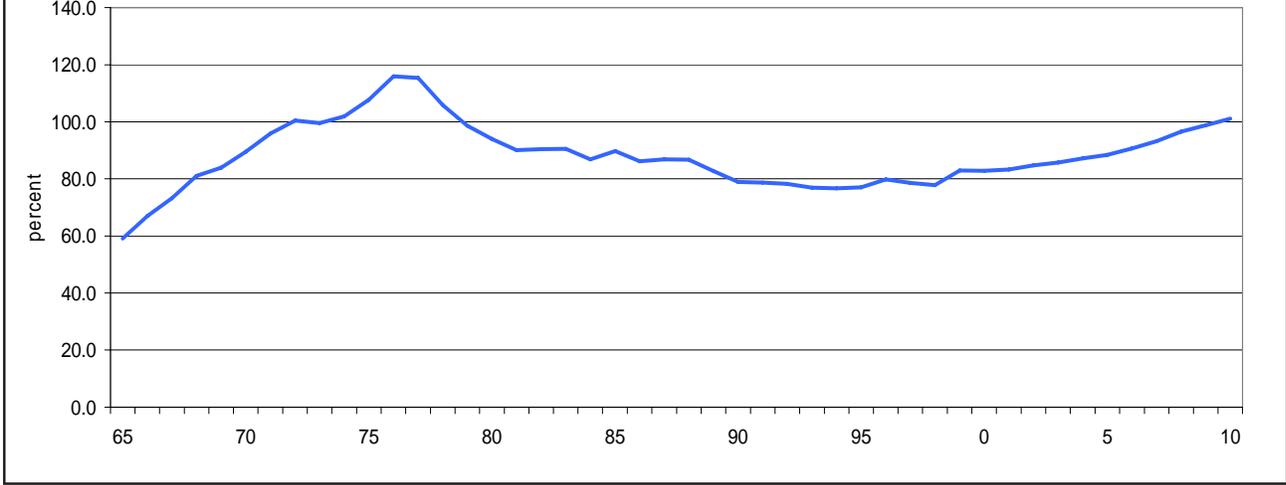
Statistics Canada's low income cutoffs (LICO) vary by size of family and of community. In 2010 the after-tax LICO for the largest city in Manitoba – Winnipeg, whose 2006 population of 694,668 places it in the 500,000 and over size category – was an estimated \$18,760 for one person.

Figure 25
Manitoba minimum wage, as percentage
of average earnings, 1965-2010



The long-term trend when we compare the minimum wage to Statistics Canada’s after-tax LICO is the same as the trend in dollar amount. Manitoba’s minimum wage rose from 59.1 percent of the after-tax LICO for one person in Winnipeg in 1965 to 115.9 percent in 1976, falling to 76.8 percent in 1994 and increasing to 101.2 in 2010. Figure 26 shows the trend.

Figure 26
Manitoba minimum wage, as percentage of
after-tax low income cutoff for one person, 1965-2010



Saskatchewan

Figure 27 plots the trend in the minimum wage in Saskatchewan, in constant 2010 dollars. The trend is similar to that for the national average minimum wage, with its up-down-up twin peak pattern – albeit the most recent peak is small. There was a substantial increase from the mid-1960s to the mid-1970s, a decline to 1992 and then a plateau until 2005, after which the value of the minimum wage increased to 2010. The minimum wage went from \$6.55 in 1965 to \$10.45 in 1976, fell to \$6.97 in 1992 and rose to \$9.25 in 2010. Between 2005 and 2010, Saskatchewan’s minimum wage grew by \$1.87 an hour or 25.3 percent.

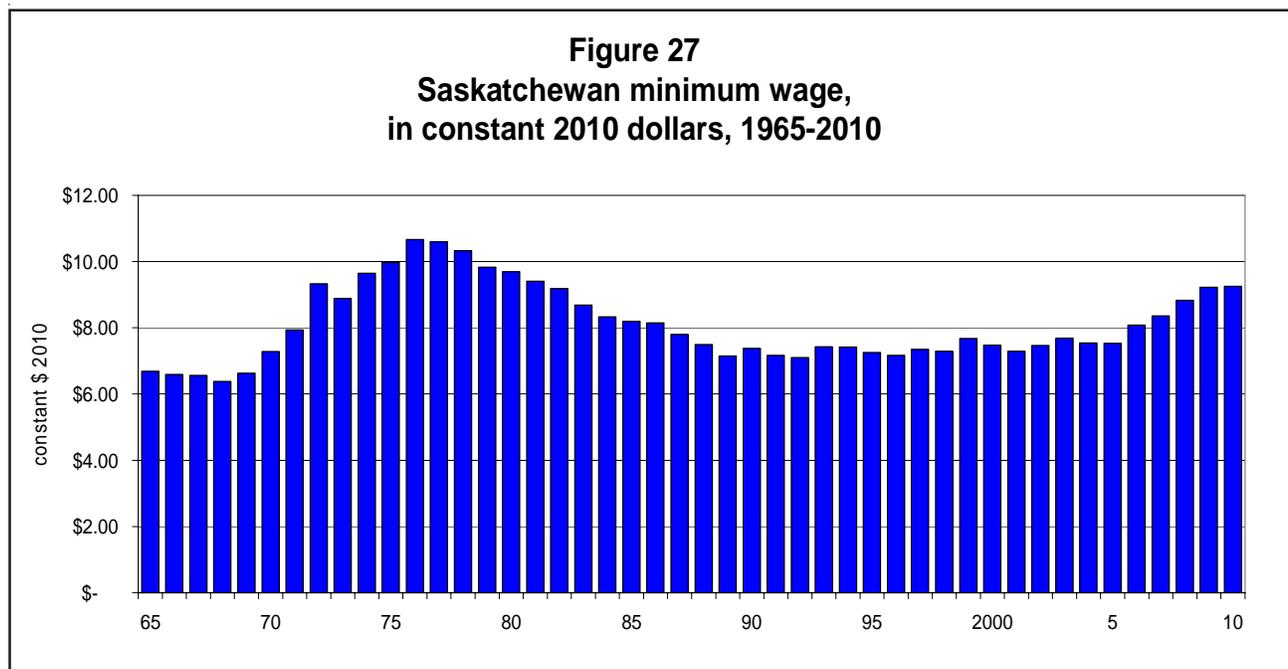
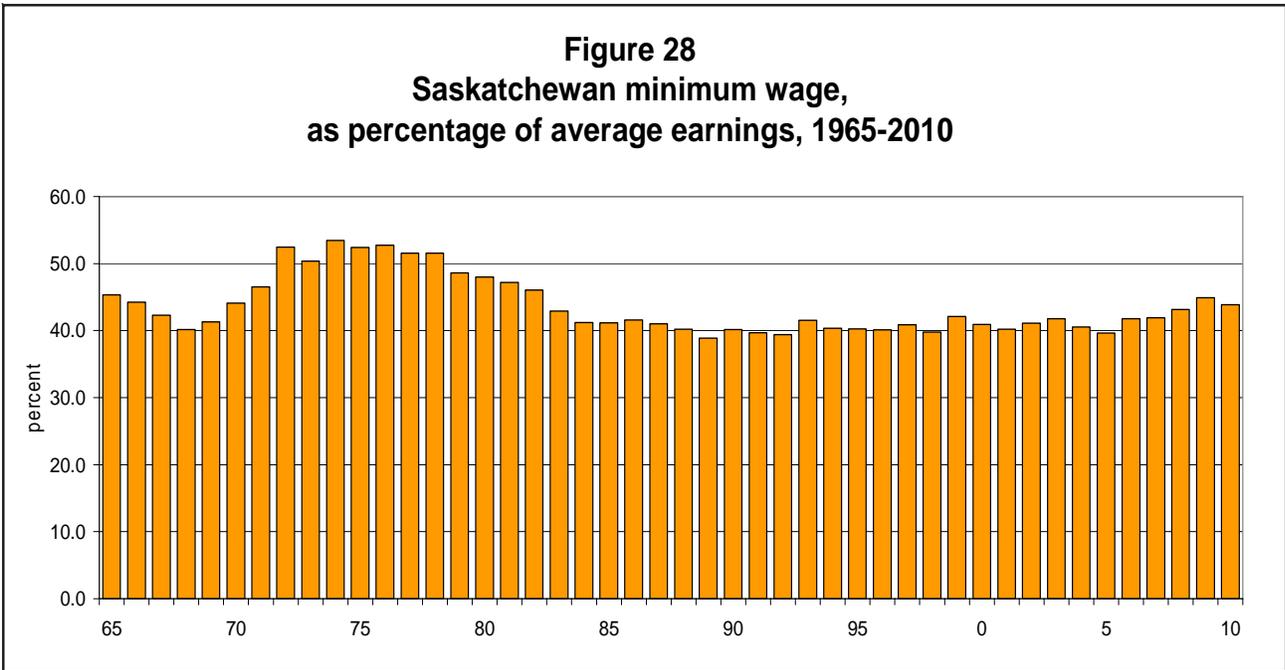
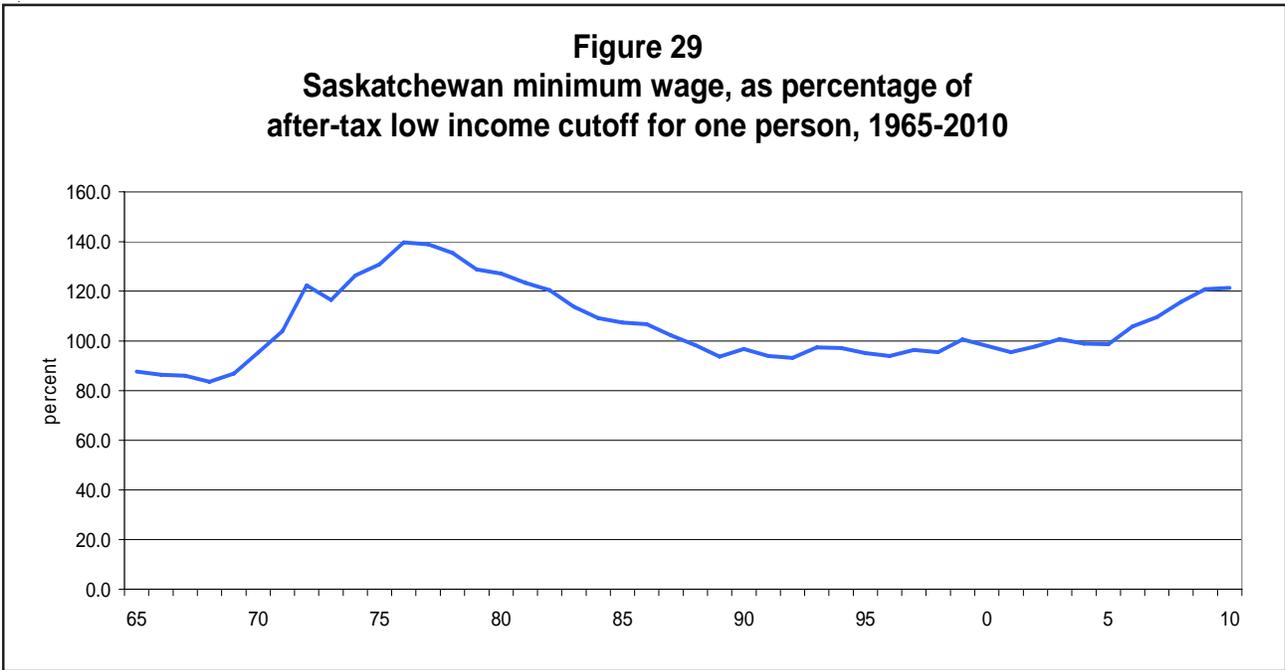


Figure 28 gives the long-range trend in Saskatchewan’s minimum wage as a percentage of average earnings. The minimum wage in 1965 was 45.3 percent of average earnings, fell to 40.2 percent in 1968, climbed to 53.5 percent in 1974 and slipped to a low of 38.9 percent in 1989, after which it hovered around the 40 percent level, standing at 43.9 percent in 2010.

Statistics Canada’s low income cutoffs (LICOs) vary by size of family and of community. In 2010 the after-tax LICO line for the largest city in Saskatchewan – Saskatoon, whose 2006 population of 233,923 places it in the 100,000-499,999 size category – was an estimated \$15,865 for one person.



The long-term trend when we compare the minimum wage to Statistics Canada’s after-tax low income cutoff is the same as the trend in dollar amount. Saskatchewan’s minimum wage rose from 87.6 percent of the after-tax LICO for one person in Saskatoon in 1965 to 139.7 percent in 1976, falling to 93.1 percent in 1992 and increasing to 121.3 percent in 2010. Figure 29 shows the trend.



Alberta

Figure 30 plots the trend in the minimum wage in Alberta, expressed in constant 2010 dollars. The trend is similar to that for the national average minimum wage, with its up-down-up twin peak pattern. There was a substantial increase from the mid-1960s to the mid-1970s, a decline to 1991 and then a rough plateau until 2005, after which the value of the minimum wage increased significantly to 2010. The minimum wage went from \$6.90 in 1965 to \$10.25 in 1977, fell to \$6.33 in 1991 and rose to \$8.80 in 2010. Between 2004 and 2010, Alberta’s minimum wage increased by \$2.23 an hour or 33.9 percent.

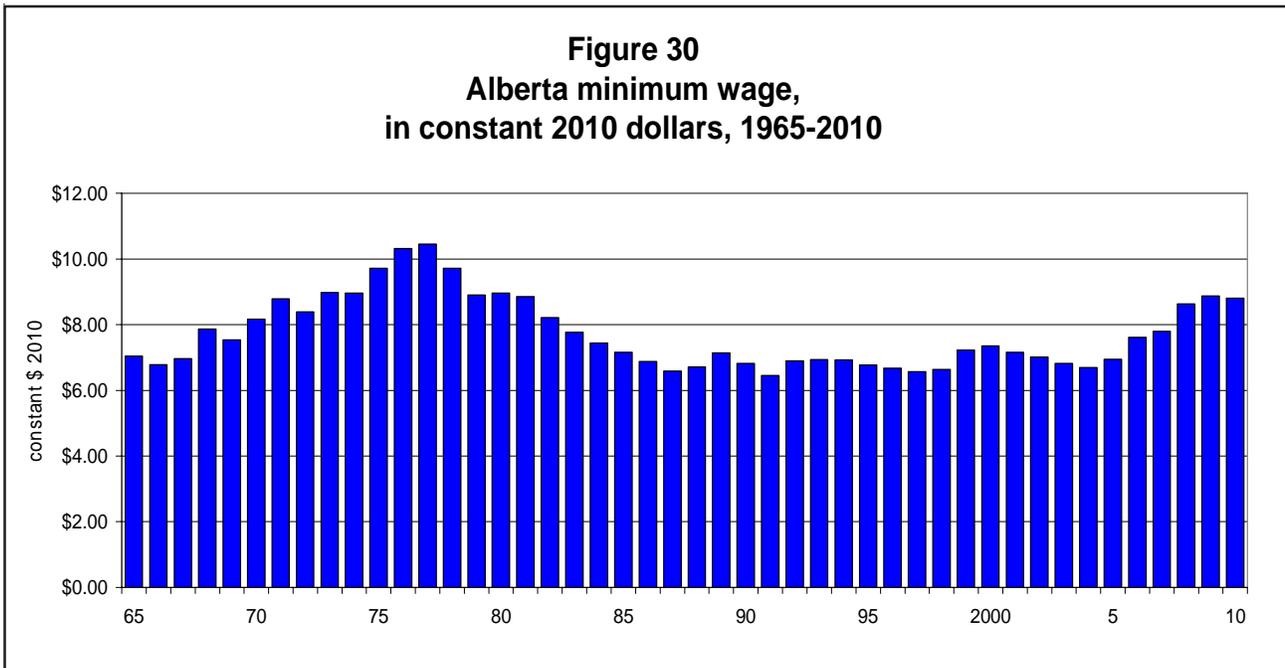
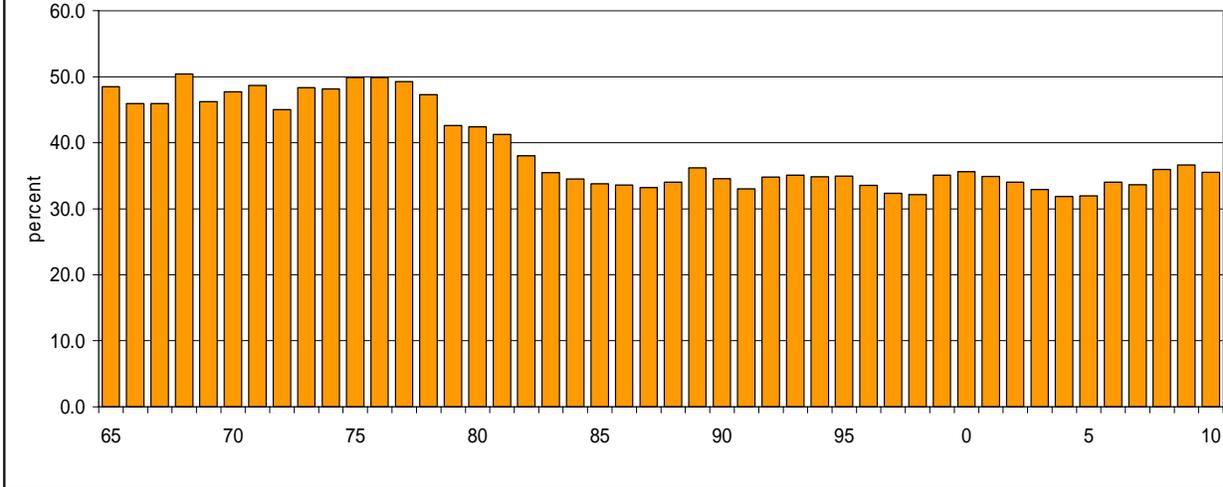


Figure 31 gives the long-range trend in Alberta’s minimum wage shown as a percentage of average earnings. The minimum wage in 1965 was 48.5 percent of average earnings, peaked at 50.4 percent in 1968, declined over the years to 32.1 percent in 1998, and then showed a small up, down up to stand at 35.5 percent in 2010.

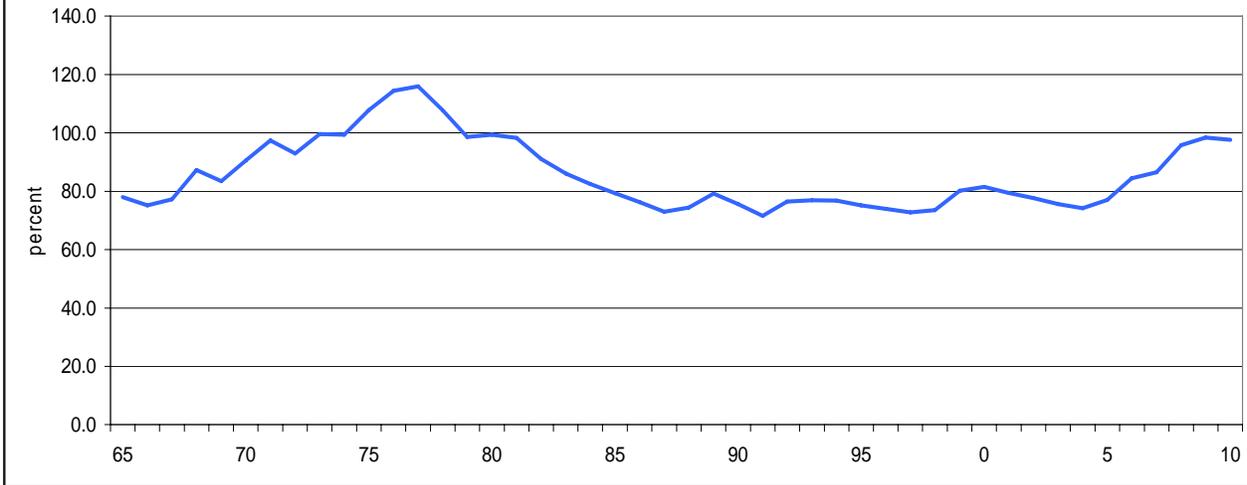
Statistics Canada’s low income cutoffs (LICOs) vary by size of family and of community. In 2010 the after-tax LICO for the largest city in Alberta – Calgary, whose 2006 population of 1,079,310 places it in the 500,000 and over size category – was an estimated \$18,760 for one person.

Figure 31
Alberta minimum wage, as percentage
of average earnings, 1965-2010



The long-term trend when we compare the minimum wage to Statistics Canada’s after-tax low income cutoff is the same as the trend in dollar amount. Alberta’s minimum wage rose from 78.0 percent of the after-tax LICO for one person in Calgary in 1965 to 115.9 percent in 1977, falling to 71.5 percent in 1991 and increasing to 97.6 percent in 2010. Figure 32 shows the trend.

Figure 32
Alberta minimum wage, as percentage of
after-tax low income cutoff for one person, 1965-2010



British Columbia

Figure 33 plots the trend in the minimum wage in British Columbia, expressed in constant 2012 dollars to take into account the recent announcement of rate increases in 2011 and 2012. The pattern shows three peaks, the latest reflecting the impending rate increases after the freeze from 2002 to 2010. British Columbia’s minimum wage went from \$7.32 in 1965 to \$11.88 in 1976, fell to \$6.58 in 1987, rose to \$9.89 in 2002 and slid to \$8.32 in 2010; it will increase to \$8.81 in 2011 and \$9.75 in 2012. Even with the new rate increases, the 2012 amount (\$9.75) will not quite make up for the effects of the freeze, which started in 2002 when the minimum wage was \$9.89. Between 2002 and 2011, the minimum wage declined by 87 cents or 9.2 percent. But the restoration of BC’s minimum wage will be remarkable and rapid.

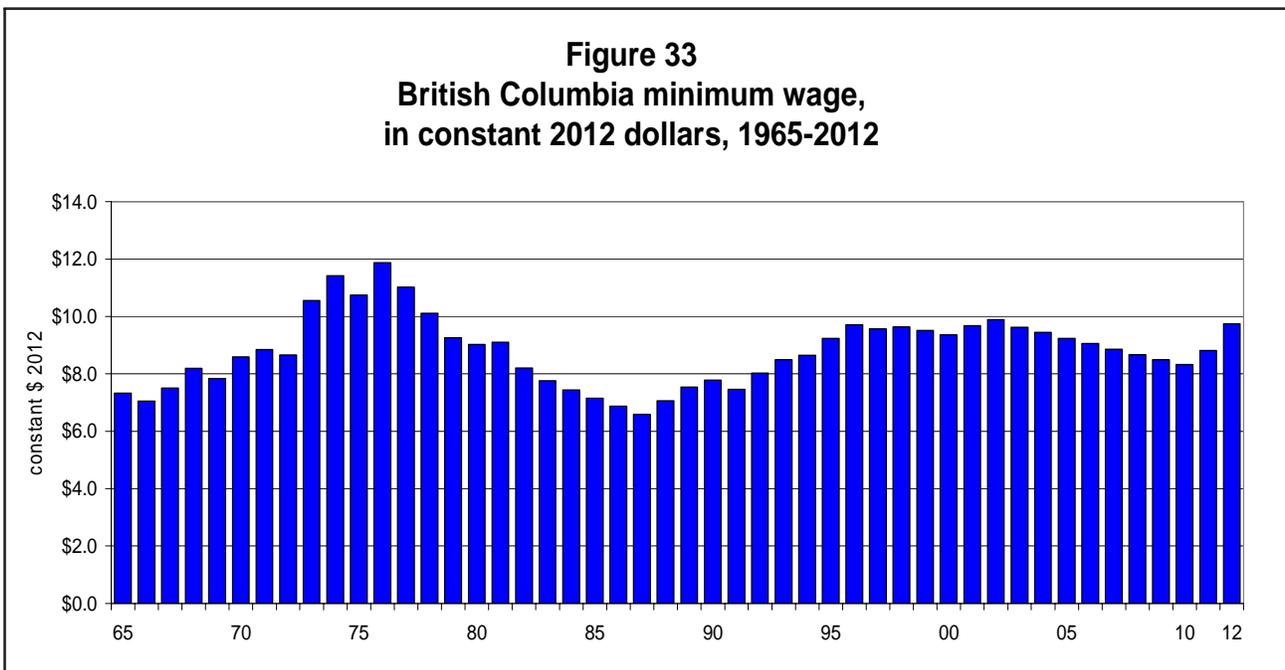
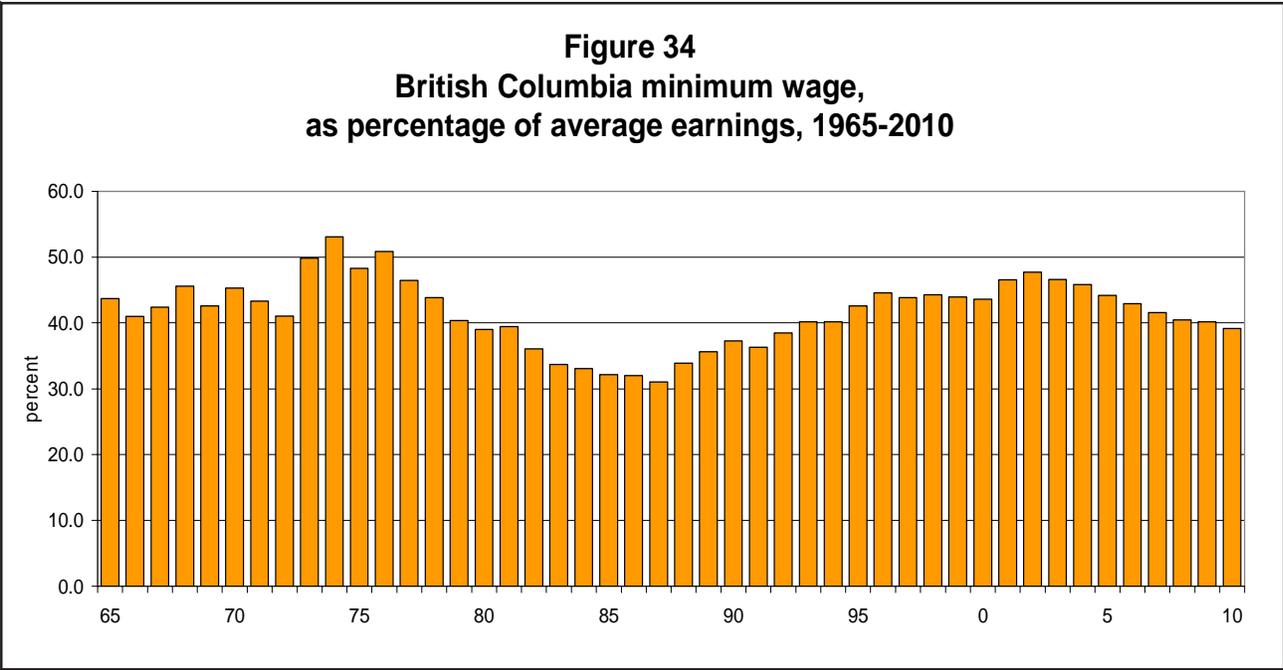
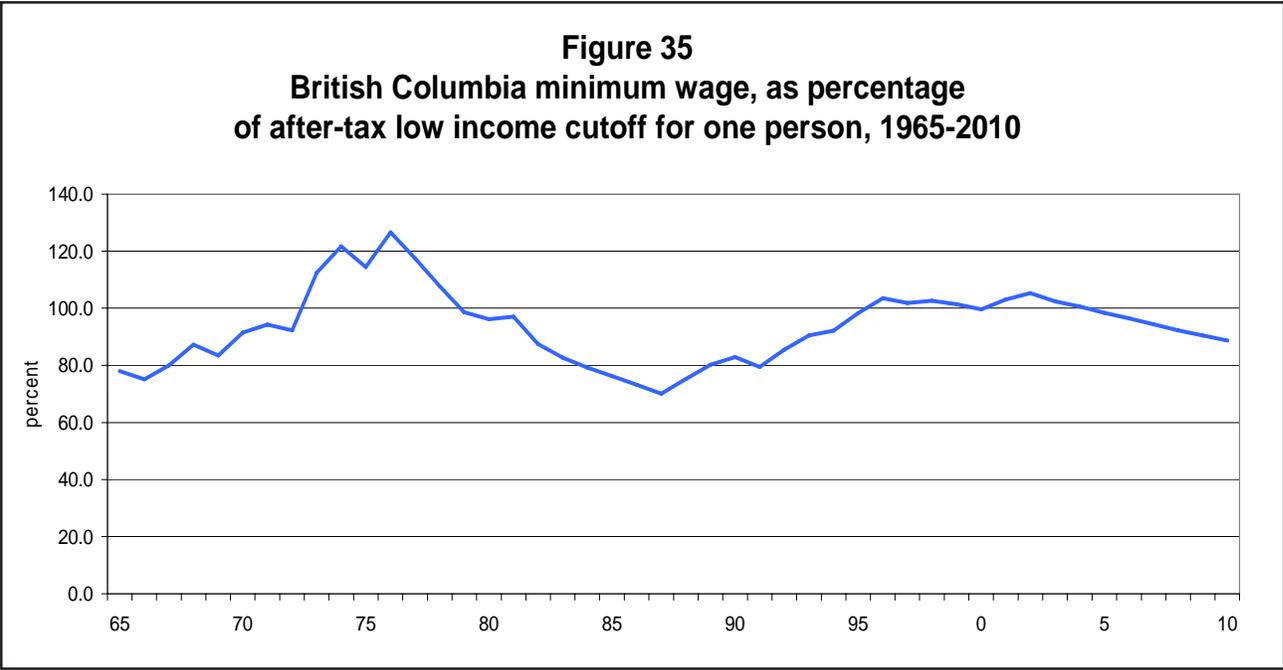


Figure 34 gives the long-range trend in British Columbia’s minimum wage shown as a percentage of average earnings. The minimum wage in 1965 was 43.7 percent of average earnings, peaked at 53.1 percent in 1974, declined to 31.0 percent in 1987, climbed back up to 47.7 percent in 2002 and declined steadily to 39.1 percent in 2010.

Statistics Canada’s low income cutoffs (LICO) vary by size of family and of community. In 2010 the after-tax LICO for the largest city in British Columbia – Vancouver, whose 2006 population of 2,116,581 places it in the 500,000 and over size category – was an estimated \$18,760 for one person.



The long-term trend when we compare the minimum wage to Statistics Canada’s after-tax low income cutoff is the same as the trend in dollar amount. British Columbia’s minimum wage rose from 78.0 percent of the after-tax LICO for one person in Vancouver in 1965 to 126.6 percent in 1976, falling to 70.1 percent in 1987 and increasing to 105.4 percent in 2002, though it then fell sharply to 88.7 percent by 2010. Figure 35 shows the trends.



Yukon

Figure 36 plots the trend in the minimum wage in Yukon, in constant 2010 dollars. The pattern is not easy to describe: It shows only one peak, between 1968 and 1984, but then a hill-shaped section between 1985 and 2005 and a small plateau in the last few years. Yukon's minimum wage went from \$7.71 in 1968 to \$10.91 in 1976, fell to \$6.91 in 1984, rose to \$8.99 in 1995, declined to \$7.84 in 2005 and stood at \$8.92 in 2010. Between 2005 and 2010, Yukon's hourly minimum wage increased by \$1.08 or 13.8 percent.

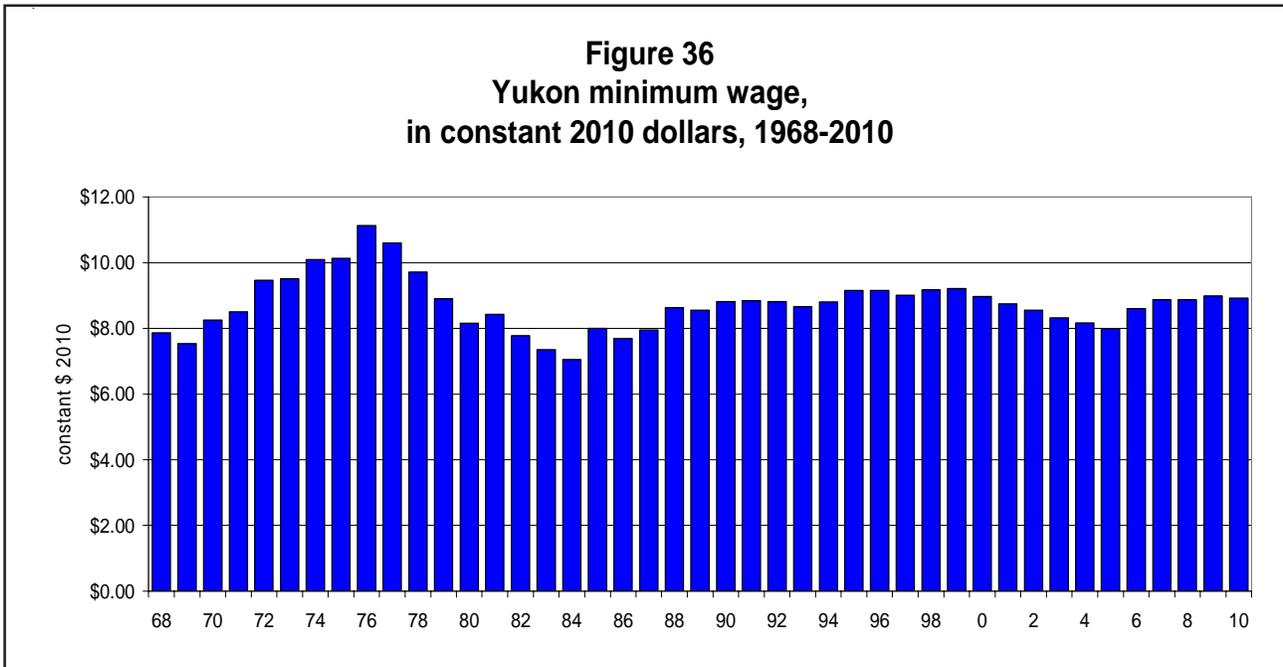
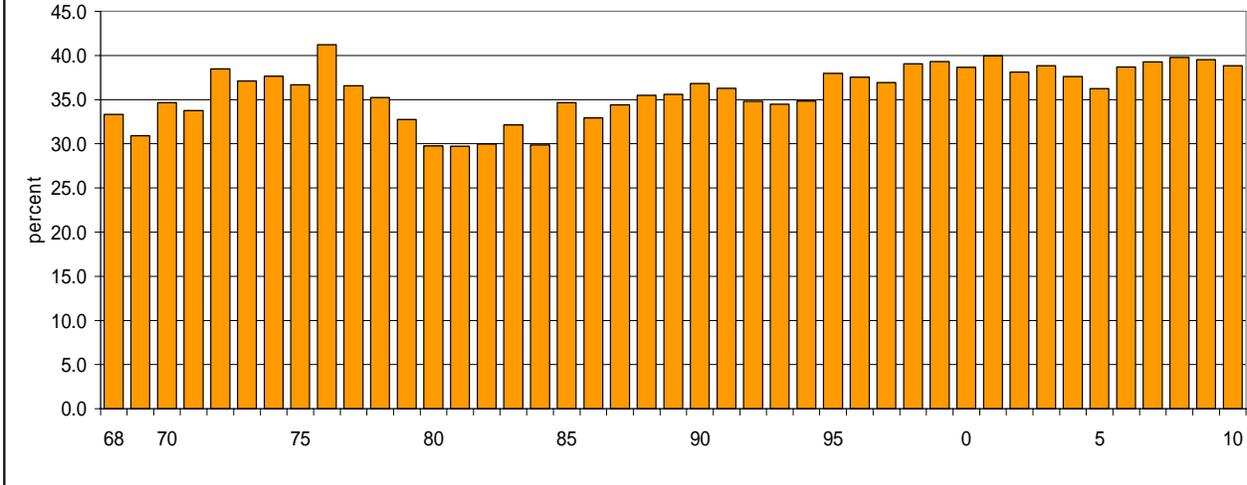


Figure 37 gives the long-range trend in the Yukon's minimum wage as a percentage of average earnings. The minimum wage in 1968 was 33.3 percent of average earnings, peaked at 41.2 percent in 1976 and declined to 29.7 percent in 1981, climbing back up to 40.0 percent in 2001, falling to 36.3 percent in 2005 and standing at 38.9 percent in 2010.

Note that the income survey does not cover the territories, so we cannot compare their minimum wages to low income lines.

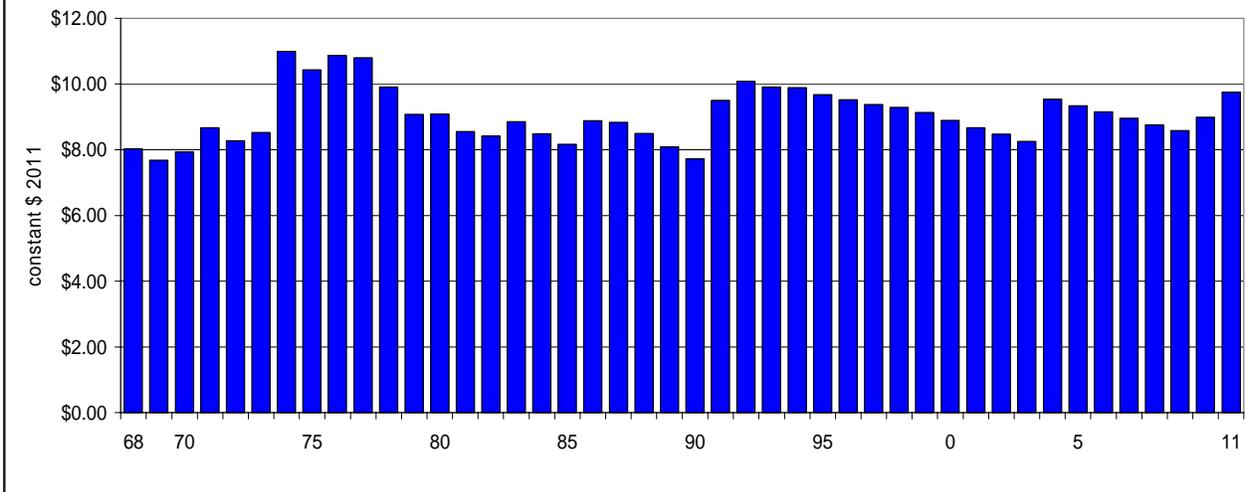
Figure 37
Yukon minimum wage, as
percentage of average earnings, 1965-2010



Northwest Territories

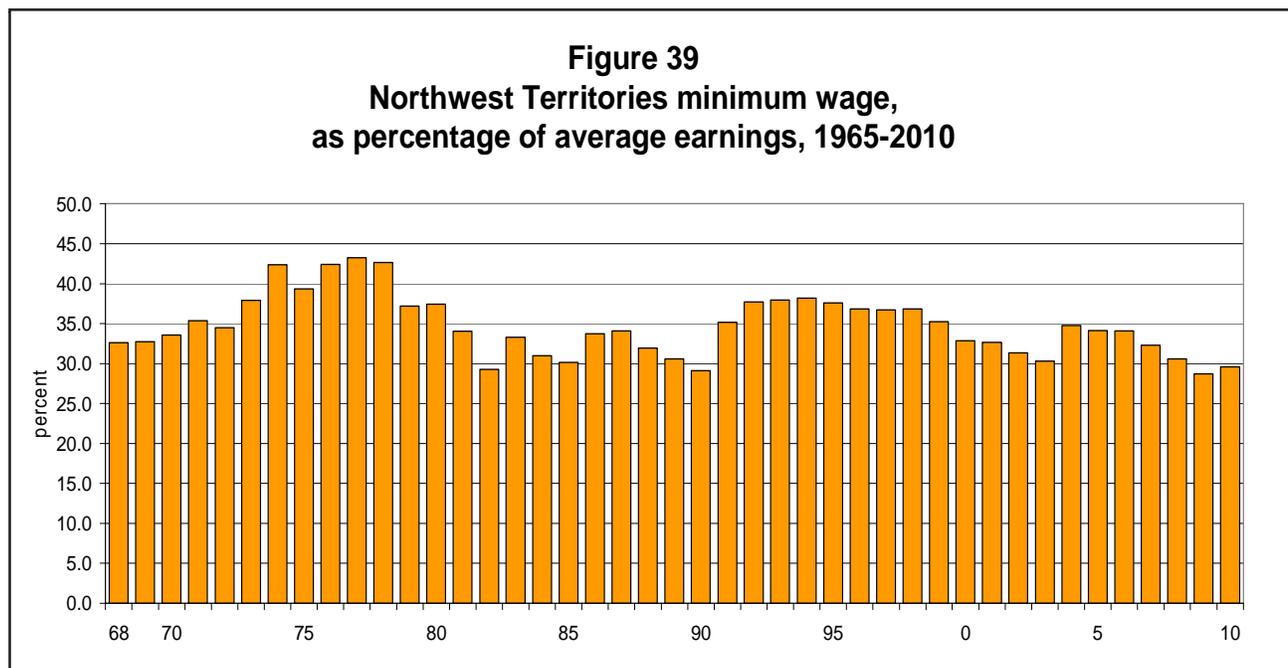
Figure 38 plots the trend in the minimum wage in the Northwest Territories, expressed in constant 2011 dollars. The pattern is unlike the other jurisdictions in that it shows four peaks: The Northwest Territories’ minimum wage went from \$7.87 in 1965 to \$10.78 in 1974, fell to

Figure 38
Northwest Territories minimum wage,
in constant 2011 dollars, 1968-2011



\$7.57 in 1990, rose to \$9.90 in 1992, declined to \$8.09 in 2003, increased to \$9.36 in 2004, slipped to \$8.57 in 2009 and climbed to \$9.75 in 2011. Between 2009 and 2011, the Northwest Territories' minimum wage increased by \$1.18 per hour or 13.8 percent.

Figure 39 gives the long-range trend in the Northwest Territories' minimum wage expressed as a percentage of average earnings. The minimum wage in 1968 was 32.6 percent of average earnings, peaked at 43.2 percent in 1977 and declined to 29.1 percent in 1990, climbing back up to 38.2 percent in 1994, falling to 30.3 percent in 2003, increasing to 34.8 percent in 2004 and declining to 29.6 percent in 2010.

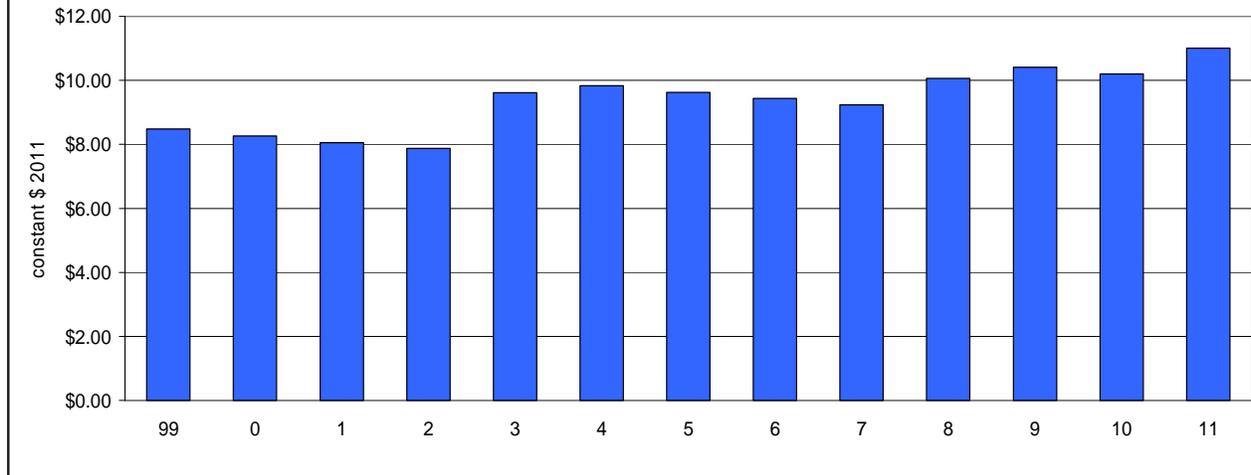


Nunavut

Figure 40 plots the trend in the minimum wage in Nunavut, in constant 2011 dollars. The pattern shows the minimum wage rising in three plateaus: Nunavut's minimum wage fell from \$8.31 in 1999 to \$7.72 in 2002, rose to \$9.65 in 2004, slipped to \$9.06 in 2007 and increased to a peak of \$11.00 in 2011. From 2007 to 2011, Nunavut's hourly minimum wage rose by \$1.94 or 21.4 percent.

Figure 41 gives the trend in Nunavut's minimum wage shown as a percentage of average earnings. The minimum wage in 2001 represented 33.9 percent of average earnings, increased to 43.5 percent in 2004, fell to 37.0 percent in 2007 and rose to a high of 46.5 percent in 2010.

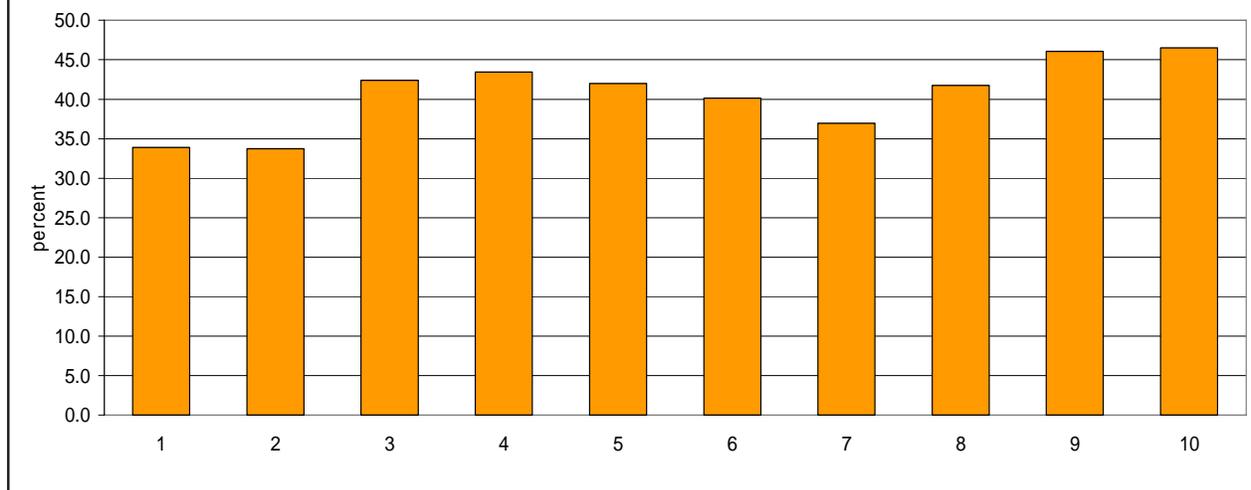
Figure 40
Nunavut minimum wage,
in constant 2011 dollars, 1999-2011



federal minimum wage

We noted earlier that the federal government administers its own minimum wage for federally-protected workers in each jurisdiction. However, since July 17, 1996 Ottawa has set the federal minimum wage equal to the provincial/territorial rate in which workers covered by the federal government minimum wage live.

Figure 41
Nunavut minimum wage, as
percentage of average earnings, 2001-2010



We show the trend in the federal minimum wage from 1965 through 1995 in Figure 42. The hourly minimum wage fell from \$8.62 (in constant 2010 dollars) in 1965 to \$7.38 in 1969, rose to a peak of \$10.65 in 1976 and fell to \$5.32 in 1995. The federal minimum was frozen from 1987 to July 1996 when it was converted to provincial/territorial rates.

The picture is similar for the federal minimum wage as a percentage of average earnings. Figure 43 indicates that the federal minimum wage declined from 57.6 percent in 1965 to 44.5 percent in 1969, rose to 52.5 percent in 1976 and fell to a low of 26.7 percent in 1995.

Statistics Canada’s low income cutoffs (LICOs) vary by size of family and of community. In 2010 the after-tax LICO for metropolitan centres of 500,000 or larger was an estimated \$18,760 for one person.

The federal minimum wage was 97.5 percent of the after-tax low income cutoff in 1965, declined to 83.5 percent in 1969, rose to 120.4 percent in 1976 and fell to 60.1 percent in 1995. Figure 44 plots the trend.

How do Canadian minimum wages compare internationally?

Canadian minimum wages are comparable to US minimum wages and rank mid-pack when compared to OECD countries.

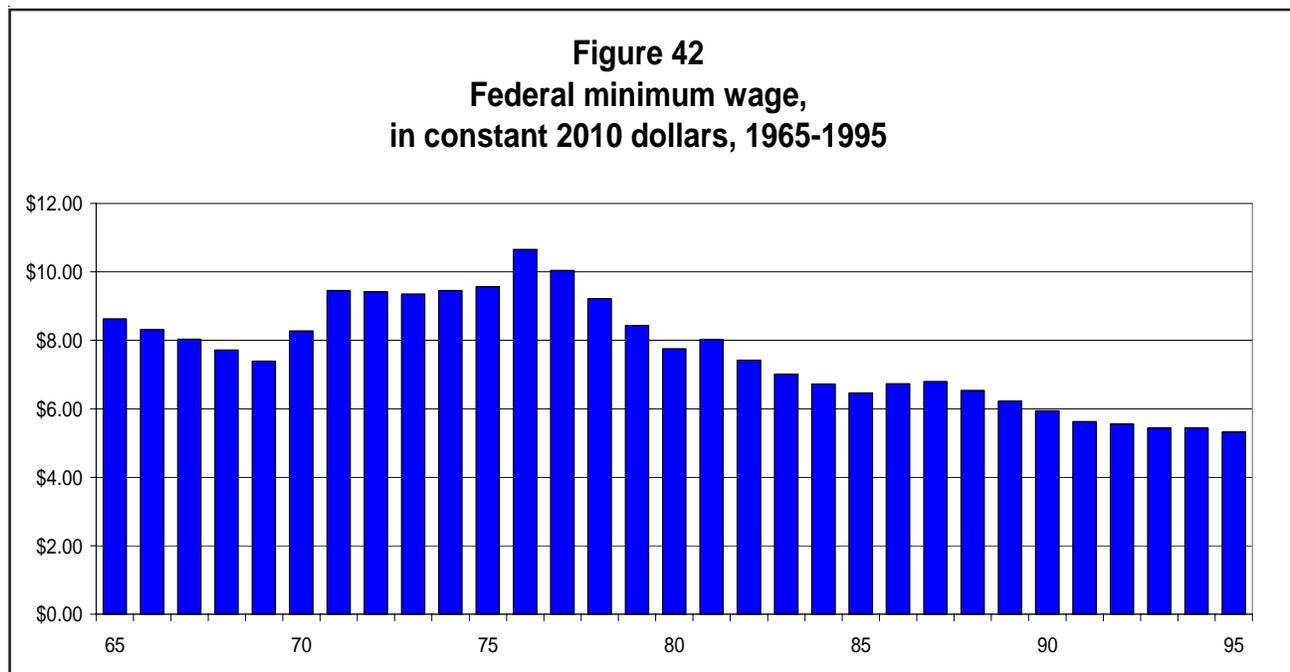


Figure 43
Federal minimum wage as
percentage of average earnings, 1965-1995

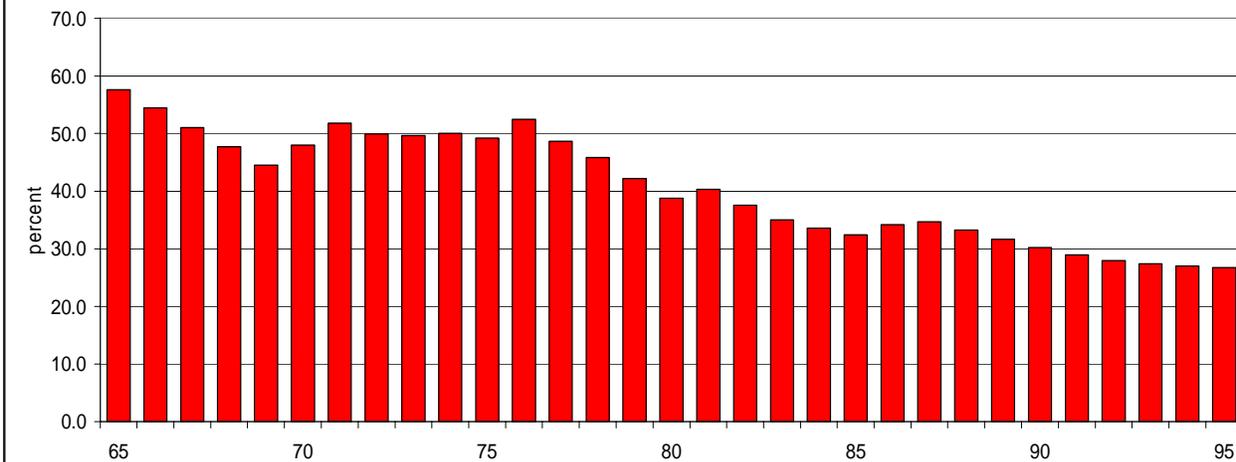
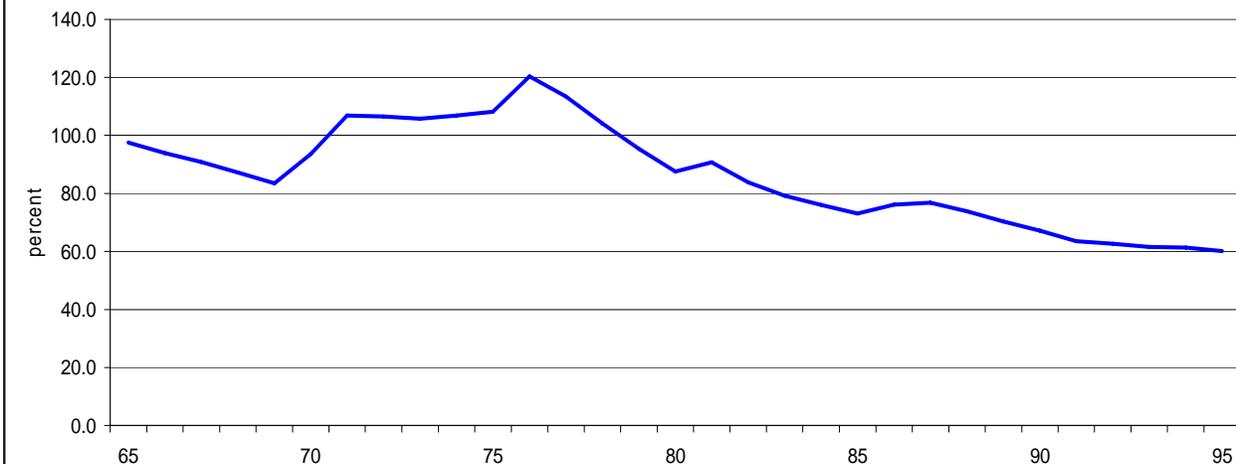


Figure 44
Federal minimum wage as percentage
of low income cutoff for one person, 1965-1995



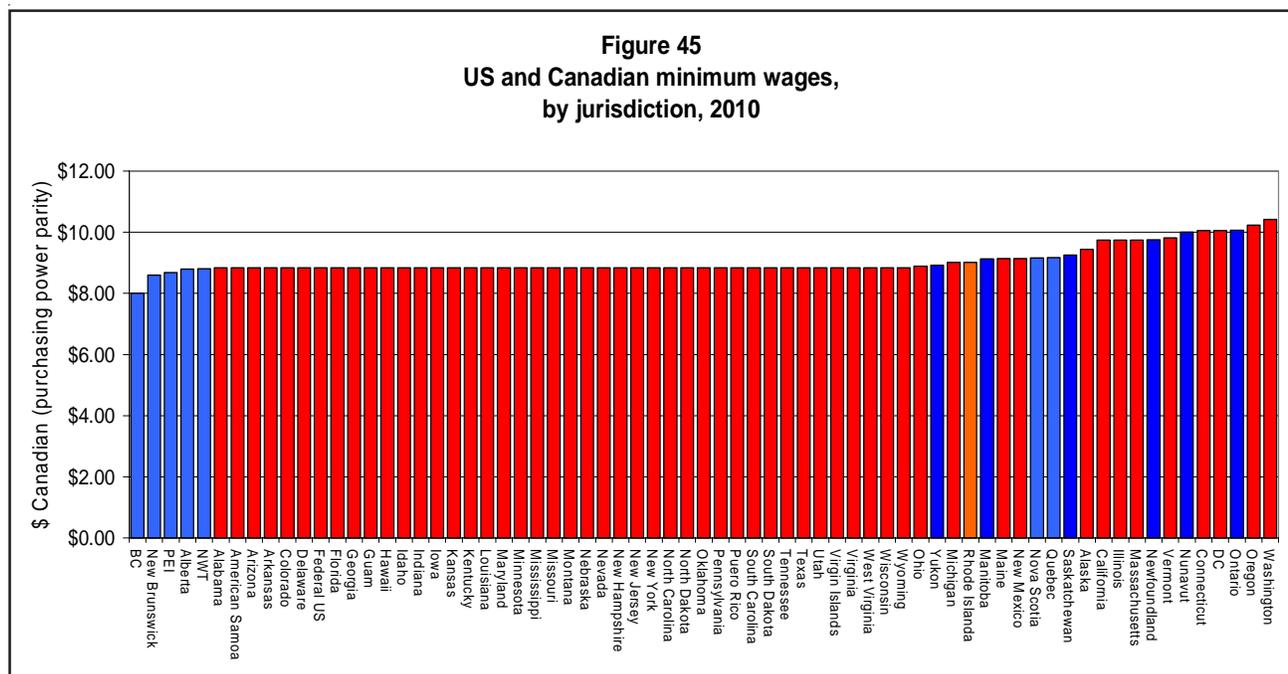
Canada and the US

Figure 45 ranks the value of minimum wages in the US [US Department of Labor] and Canada in 2010. The American minimum wage rates have been converted to comparable price levels as calculated in terms of purchasing power parity, expressed in Canadian dollars. Purchasing power parity “is the amount of money in each national currency needed to buy a common basket of goods and services” and is a better measure for comparing minimum wages than the exchange rate because the latter “is highly responsive to other influences that have nothing to do with the purchasing power of the currency, such as short-term flows of investment capital” [Battle and Mendelson 2001: 9].

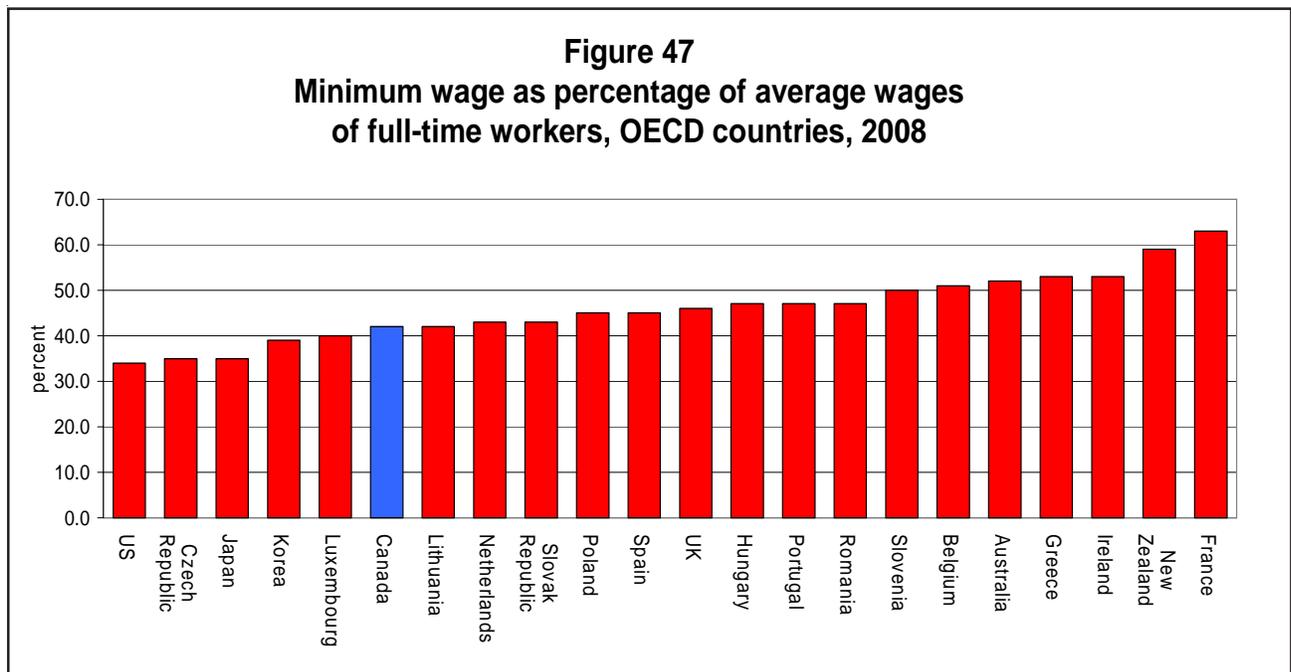
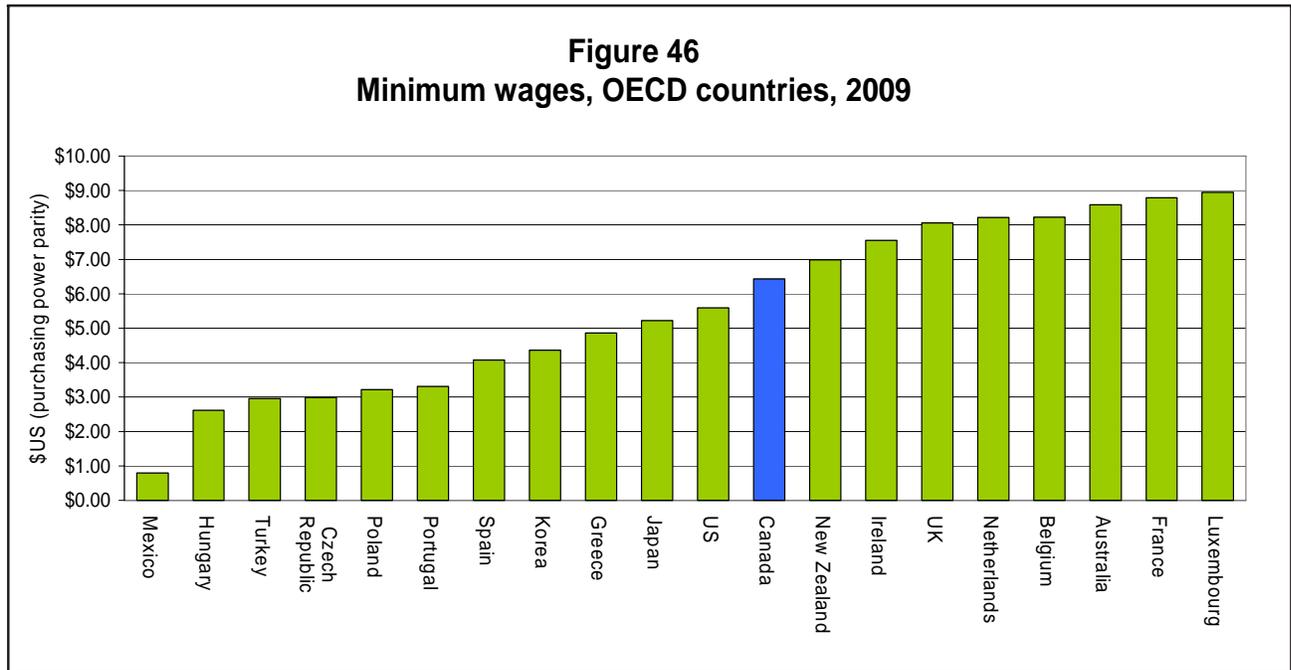
Five Canadian jurisdictions – British Columbia (\$8.00), New Brunswick (\$8.60), Prince Edward Island (\$8.68), Alberta (\$8.80) and the Northwest Territories (\$8.81) – had lower minimum wages than the US federal rate (\$8.83) in 2010 and so rank at the bottom in Figure 45. The other eight Canadian jurisdictions had higher minimum wages than the US federal rate – Yukon (\$8.92), Manitoba (\$9.13), Nova Scotia (\$9.16), Quebec (\$9.17), Saskatchewan (\$9.25), Newfoundland and Labrador (\$9.75), Nunavut (\$10.00) and Ontario (\$10.06). Canada’s highest minimum wage in 2010 – Ontario – ranked third highest in Canada and the US.

Canada and other OECD countries

Canada ranks mid-pack internationally in terms of minimum wage rates but poorly when comparing minimum wages with average wages. Figure 46 compares Canada with a number of OECD nations, expressing rates in US purchasing power parity dollars [OECD 2011a].



Canada ranks low internationally when its minimum wage is compared to average earnings. Canada's national average minimum wage amounted to 42 percent of the wages of full-year full-time workers in 2008 [OECD 2011b]. Of the 22 nations listed in Figure 47, Canada comes sixth lowest, ahead of only Luxembourg, Korea, Japan, the Czech Republic and the US.



Conclusion

In recent years, minimum wages have improved substantially in all provinces and territories but one – British Columbia – and BC has just ended its freeze and will phase in several raises over the next few years. The growth of provincial and territorial poverty reduction strategies has focused attention on the importance of minimum wages and doubtless been a factor in rising minimum wage rates throughout Canada.

But history shows that what goes up can later go down when it comes to minimum wage rates. To preserve the value of minimum wages, governments should arrive at a definition of what constitutes adequate rates and methods of indexing them. To undertake this work, we urge jurisdictions to develop minimum wage boards along the lines of the UK's Low Pay Commission, and create a provincial/territorial/federal task force on low incomes to share their knowledge and experience. The federal government should play a leadership role by restoring its practice of paying a single minimum wage to all workers across Canada falling under federal jurisdiction, as it did before 1996. A restored federal minimum wage should pay an adequate amount (e.g., pegged to the after-tax low income cutoff or, alternately, half of average earnings) and protect its value over time via indexation.

Endnotes

1. The federal government also administers its own minimum wage – since July 17, 1996 set equal to the provincial/territorial rate for federally-protected workers in each jurisdiction – under the Canada Labour Code to cover private sector industries that are interprovincial or international in scope, including air, marine, rail and road transportation, telecommunications, banks and some federal Crown corporations. Ottawa also in practice applies the federal minimum wage to federal government employees. In total, 14 governments – the federal government, the ten provinces and the three territories – set and enforce minimum wages. Note that the self-employed are not covered by minimum wage legislation.
2. There are no data available on the minimum wage workforce or the low-income population for the three territories (Yukon, the Northwest Territories and Nunavut). However, data are available on minimum wage rates in the territories.
3. Because the national weighted average requires data on each jurisdiction's share of the labour force, we cannot include the three territories since they are not included in the labour force survey.
4. In the US, the federal minimum wage applies under the *Fair Labor Standards Act* to employees of companies with revenues of \$500,000 or more a year and that are engaged in interstate commerce or in the production of goods for commerce; to workers in construction and laundry/dry cleaning firms with revenues over \$500,000; and to employees of federal, state or local government agencies and of hospitals, schools and postsecondary institutions. The federal minimum wage also applies to smaller firms that do not fall under the *Fair Labor Standards Act* if the workers are engaged in interstate commerce or in the production of goods for commerce, and to domestic workers.
5. Most (29) state and territorial minimum wages – that apply to workers not covered by the federal minimum wage – are the same as the federal rate. However, 14 states (Alaska, California, Connecticut, Illinois, Maine, Massachusetts, Michigan, Nevada, New Mexico, Ohio, Oregon, Rhode Island, Vermont, and Washington) and the District of Columbia have set higher minimum wage rates than the federal level. Six jurisdictions – Arkansas,

Colorado, Georgia, Minnesota, Puerto Rico and Wyoming – have lower minimum wages than the federal rate. Five states – Alabama, Louisiana, Mississippi, South Carolina and Tennessee – have no minimum wage, though the federal minimum wage law applies to employees in those states who come under the protection of the federal *Fair Labour Standards Act*; we include these employees in our graph. Federal minimum wage law supersedes state minimum wage laws where the federal minimum wage is greater than the state minimum wage. In those states where the state minimum wage is greater than the federal minimum wage, the state minimum wage prevails. Federal minimum wage law supersedes state minimum wage laws where the federal minimum wage is greater than the state minimum wage.

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