SASKATCHEWAN MINIMUM WAGE BOARD
REPORT ON INDEXATION
2011

February 28, 2011

Honourable Don Morgan
Minister of Labour Relations and Workplace Safety
Room 355, Legislative Building
REGINA SK S4S 0B3

Dear Minister Morgan:

The Saskatchewan Minimum Wage Board, appointed pursuant to section 15 of *The Labour Standard Act,* respectfully submits this report of its review on indexing Saskatchewan's minimum wage.

The Board members appreciate the opportunity to provide service to the people of the Province of Saskatchewan.

Sincerely,

Wayne Watts, Chair

Sandy Ewert

Margaret Hasein

Judith Riddell

Wayne Sannes
(Did not participate in this review)

ACKNOWLEDGEMENTS

The Minimum Wage Board wishes to extend its gratitude to the organizations that participated in the review process through written submission or presentation.

The Board would like to thank the Ministry of Labour Relations and Workplace Safety under the direction of the Honourable Don Morgan and Deputy Minister Mike Carr. Their leadership and support was extremely helpful during the review process. The Board would further like to acknowledge the assistance of Peggy Buckley, Interim Policy Director and Michael Berry, Senior Policy Analyst in the Central Services Division of the Ministry.

The Board would also like to thank Mr. Doug Elliott of Sask Trends Monitor for providing meaningful information that assisted in the review.

BACKGROUND

The current Minimum Wage Board (the Board) was appointed by the Lieutenant Governor in Council on July 9, 2009. The members of the Board are: Wayne Watts, Chairperson; Sandy Ewert; Margaret (Peggy) Hasein; Judith Riddell; and Wayne Sannes.

The mandate of the Board is based on legislative requirements established in Sections 15 and 15.1 of *The Labour Standards Act.* At least once every two years the Board reviews and makes recommendations on the minimum wage. The last review was completed in 2009.

In its 2009 final report, the Board recommended further consideration be given to indexing Saskatchewan's minimum wage. The Government accepted this recommendation and the Minister of Labour Relations and Workplace Safety requested the Board undertake a review of indexation.

Throughout November and December 2010 and January 2011, the Minimum Wage Board requested and received submissions. It heard from a number of stakeholders on whether Saskatchewan should adopt a policy to index its minimum wage.

LIST OF SUBMISSIONS

The Board would like to take this opportunity to thank all those who participated in the review process.

Canadian Federation of Independent Business

Canadian Restaurant and Foodservices Association

Enterprise Saskatchewan

Retail Council of Canada

Saskatchewan Chamber of Commerce

Saskatchewan Federation of Labour

Women Entrepreneurs of Saskatchewan

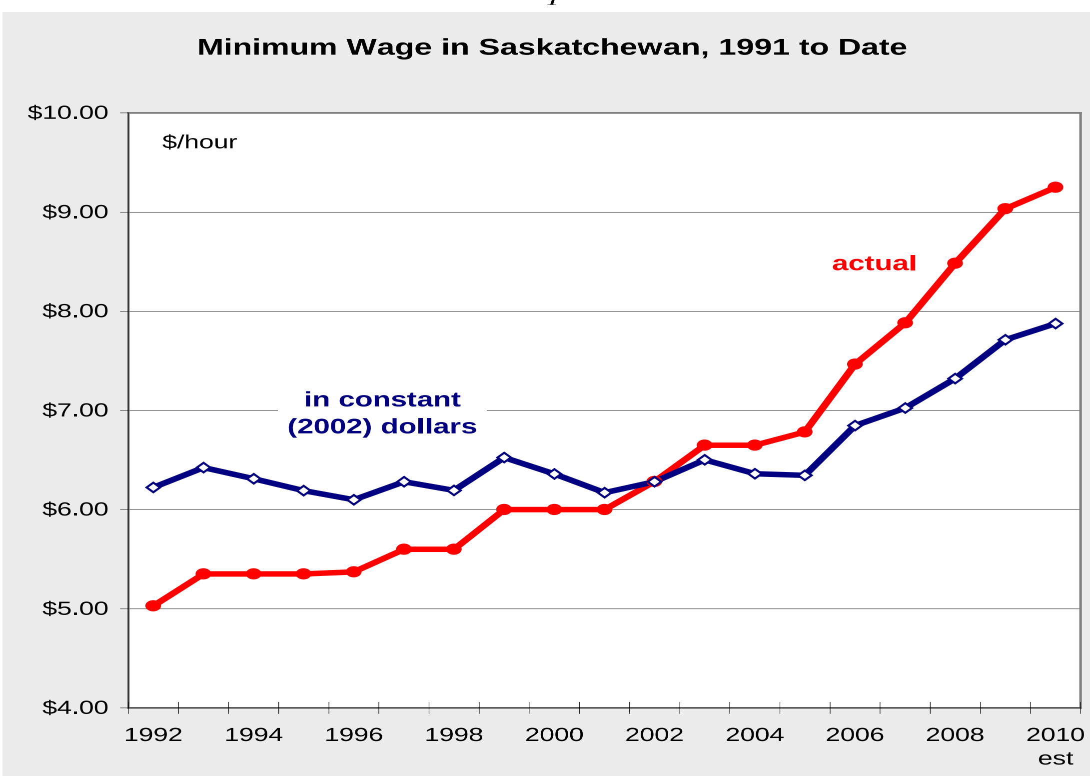
STATEMENT BY THE BOARD

The Board is of the opinion that the minimum wage is not the most effective tool available to address poverty or help low-income earners in Saskatchewan. It believes the provincial government should continue to examine alternatives such as the basic personal tax exemption, the child tax credit, and the Saskatchewan Low-Income Tax Credit to assist low-income earners and reduce poverty levels.

SUMMARY

Since 2005, Saskatchewan's minimum wage has increased five times. In Graph 1 below, the Statistics Canada Consumer Price Index (CPI) for Saskatchewan illustrates the minimum wage in *constant* and *actual* dollars[1]. Between 2005 and 2010, raises to the minimum wage were above the rate of inflation, increasing the purchasing power of minimum wage earners by 24 per cent.

Graph 1



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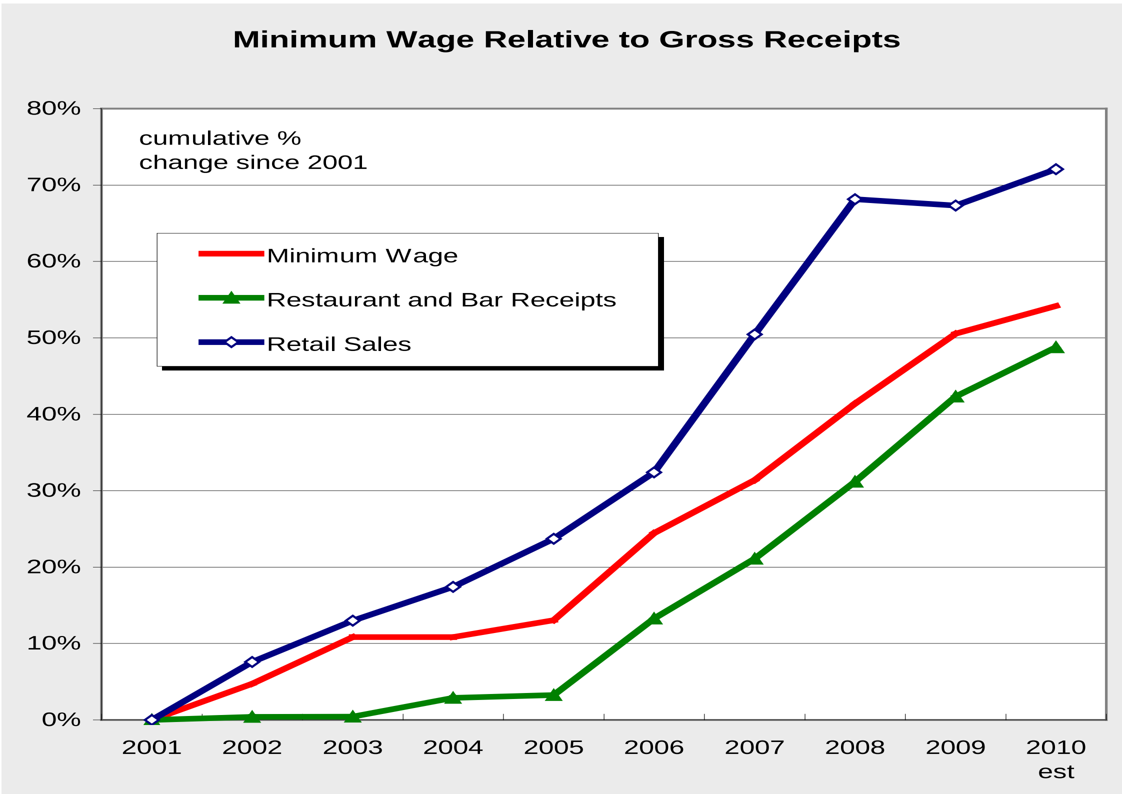
[1] The *constant* dollar line in Graph 1 illustrates changes to the minimum wage adjusted for the rate of inflation. Between 2003 and 2005, the purchasing power of the minimum wage decreased because it was exceeded by the rate of inflation. The red line represents annual increases to the *actual* dollar amount of Saskatchewan's minimum wage.

Graph 2 compares trends in the minimum wage with trends in gross sales in the retail sales and restaurant and bar sector. Since 2001, retail sales have grown by 72 per cent and restaurant/bar receipts have grown 49 per cent. The minimum wage has increased by 54 per cent. Though the minimum wage has been rising greater than the rate of inflation, these figures show that it has been increasing at a comparable rate with the gross receipts of the two sectors where the majority of minimum wage earners work.

Graph 2



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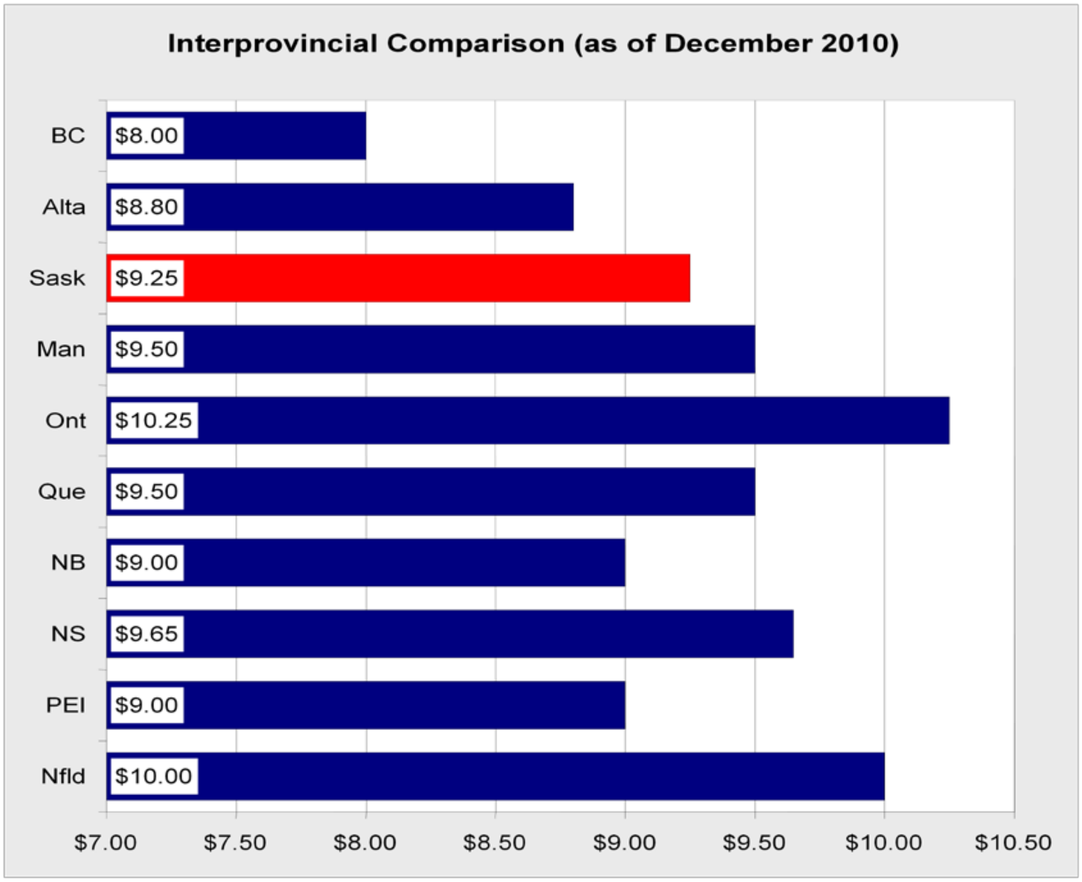
In 2009, the Board recommended freezing the minimum wage at its current rate of $9.25 per hour. The Government accepted this recommendation, along with the recommendation to review options to index the minimum wage. During its indexation review, the Board found that many stakeholders supported Saskatchewan's current minimum wage level.

As of July 2009, Saskatchewan had the second highest minimum wage in Canada. Graph 3 illustrates that Saskatchewan now has the sixth highest minimum wage in the country but the second highest among Western provinces. Ontario has the highest minimum wage in Canada at $10.25 per hour.

Graph 3



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According to Statistics Canada, in 2009 the low-income cut off (LICO) for an individual, applicable to after-tax income in an urban area with a population between 100,000 and 499,999, is $15,579. At $9.25 per hour working 40 hours per week, a minimum wage earners' gross income would equal $19,240 per year. After paying $1819.17 in federal and provincial income tax[2], a minimum wage earners' net income would equal around $17,420.83, still above LICO.

It is important to note that, though Saskatchewan has the second highest minimum wage in the West, minimum wage earners actually have a higher annual net income than compared to Manitoba due to the nature of each jurisdictions' tax regime.[3]

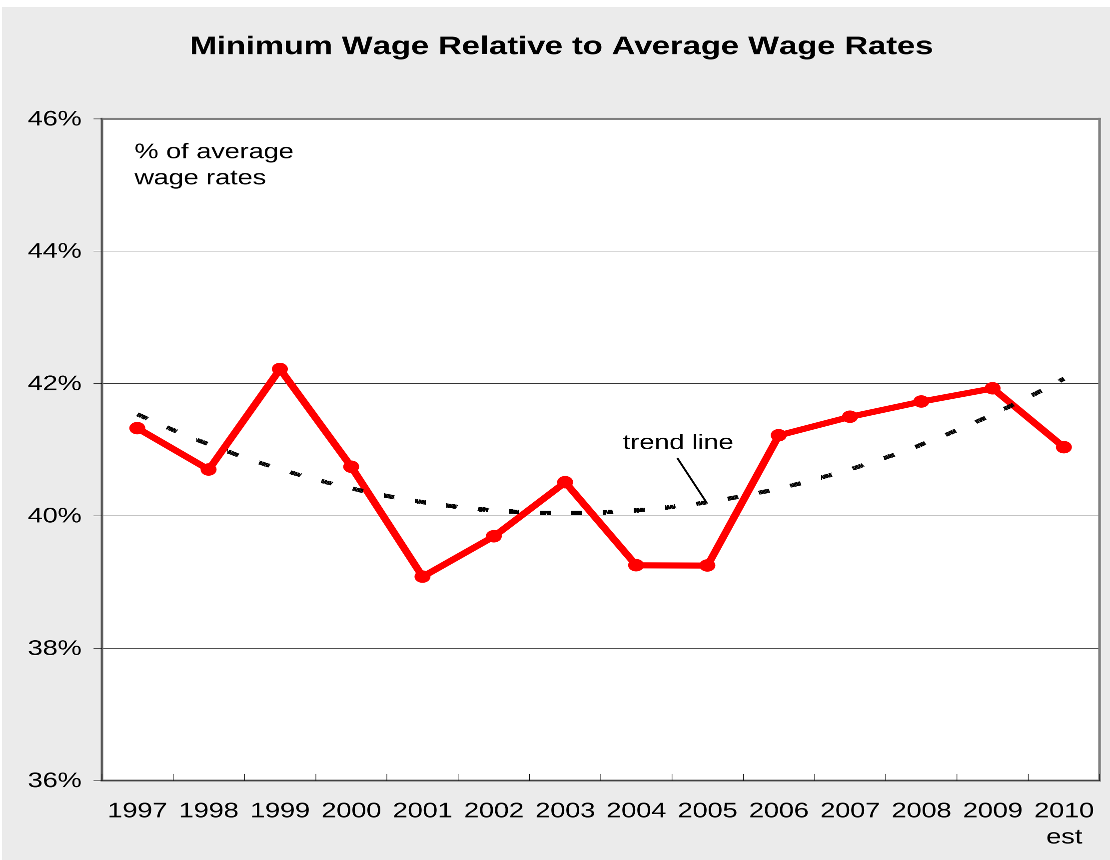
[2] In 2008, the Saskatchewan Government increased the Basic Personal Exemption (BPE), Spousal Exemption and Child Tax Credit and indexed future exemption levels. Together, these changes have eliminated 92,000 taxpayers from the tax rolls. A single minimum wage earner working full-time in Saskatchewan pays $628 in provincial income taxes or 11 per cent on $5,705—the difference between $19,240 and the current BPE of $13,535. Federal income taxes would be responsible for $1,329 or 15 per cent on $8,858—the federal basic personally exemption is only at $10,382. These figures do not consider other exemptions, like the Child Tax Credit, that would further reduce income taxes.

[3] In Manitoba, the income tax for an individual minimum wage earner with a gross annual income of $19,760 (2080 hours per year at $9.50) is $2473.71, $654.54 more than in Saskatchewan. When compared to Saskatchewan's minimum wage earners, though Manitoba's minimum wage is higher and earners have a larger annual gross income, their net income is actually lower.

It is for this reason that the Board believes the Government should continue to examine alternatives, besides the minimum wage, to benefit low-income earners and reduce poverty levels.

As illustrated in Graph 4, at $9.25 per hour the current minimum wage is approximately 41 per cent of Saskatchewan's average hourly wage. Historically, the minimum wage has fluctuated between 39 and 42 per cent of the average hourly wage. The average hourly wage is the average of the hourly wage rates paid to Saskatchewan employees. Since minimum wage jobs are equally as important as other jobs to Saskatchewan's economy, the Board believes that minimum wage earners should earn a consistent minimum hourly wage level relative to the provincial average.

Graph 4



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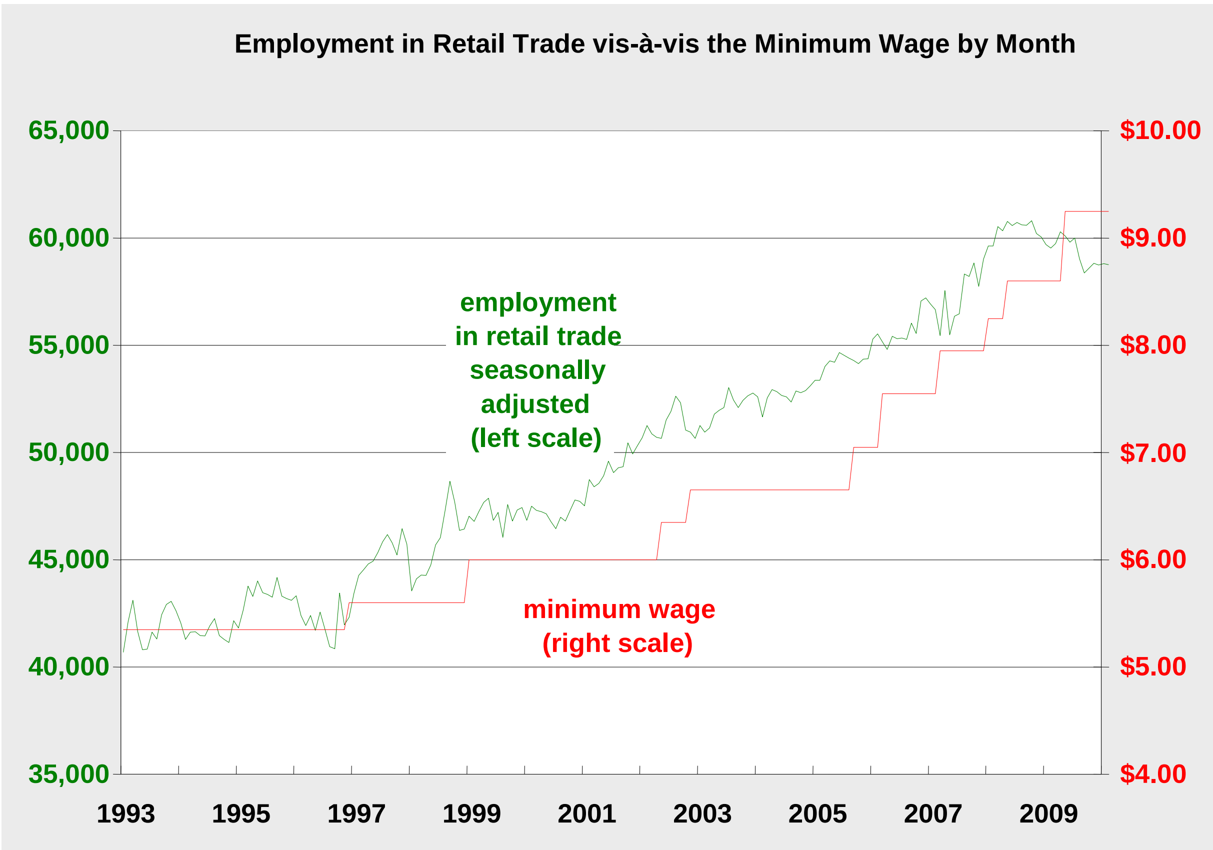
During consultations, some stakeholders expressed concern with automatic adjustments should the minimum wage be indexed. They feel that the minimum wage should not simply be adjusted because inflation has changed, as this is not indicative of the state of the provincial economy as a whole. They believe there still needs to be some reassurance that the Government will continue to monitor the economy's ability to accept an increase to the minimum wage prior to adjustments taking place.

Any review of the minimum wage also inevitably leads to concerns with employment levels. During consultations on indexation, stakeholders expressed concerns that adjustments to the minimum wage would negatively impact employment. While the Board appreciates these concerns, the current statistics found in Graph 5 and 6 do not indicate a clear negative relationship between employment levels and increases to the minimum wage.

Graph 5



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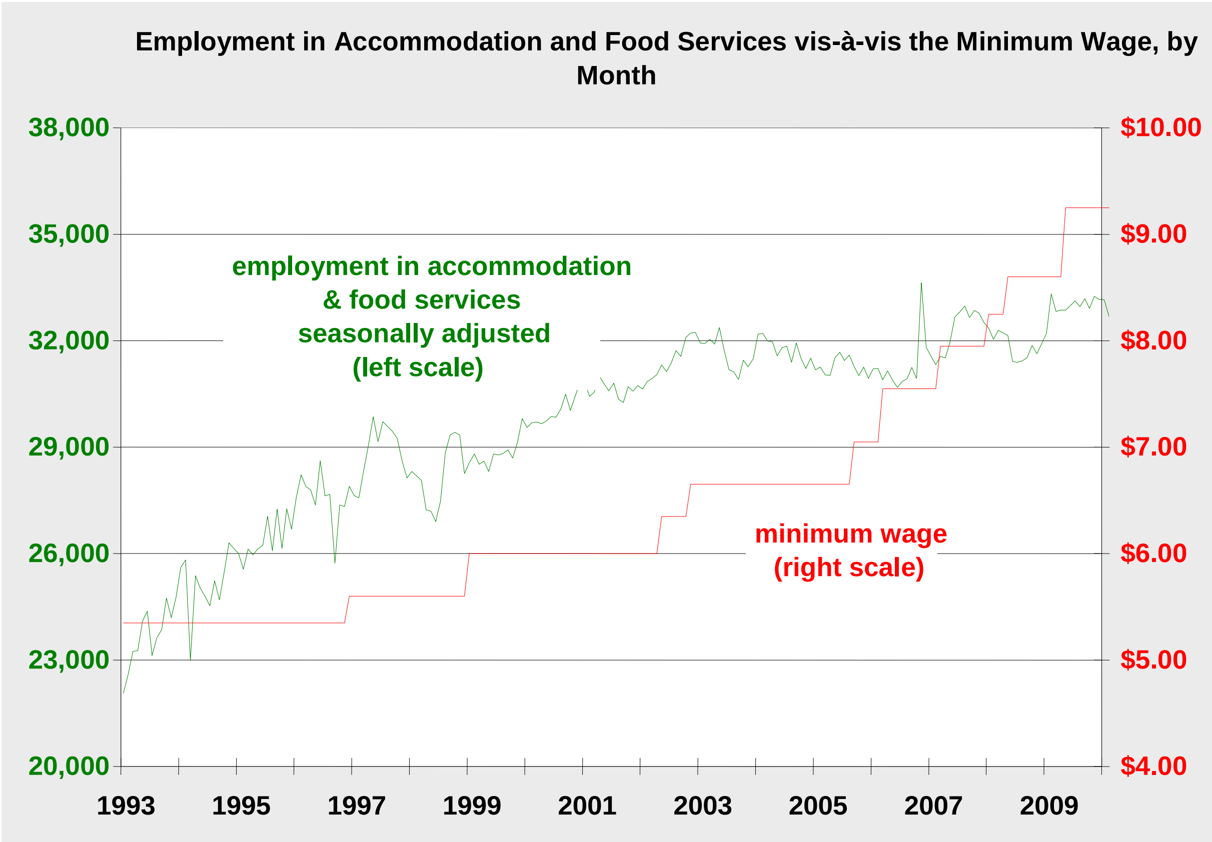
Graph 6



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Graphs 1, 5 and 6 also illustrate how the minimum wage has historically been raised at random intervals. This practice has invariably made planning difficult for businesses and employees. Some stakeholders believed that establishing an annual fixed date for adjusting the minimum wage will simplify the planning process. Employers and employees will be able to rely on consistent changes in the minimum wage.

It should be noted that other jurisdictions, mainly those in the United States where indexation is practiced, there is a minimum of three months notice prior to implementing any adjustments. This allows ample planning for businesses. The notice of adjustment would indicate to both employers and employees the exact nature of upcoming adjustments keeping in mind any unforeseen circumstances which may cause those adjustments to be different from the Saskatchewan CPI.

It is mainly out of the interest to protect the purchasing power of minimum wage earners, to provide better planning opportunities for businesses and employees through more predictable adjustments, and to enhance accountability in the increases to the minimum wage that the Minimum Wage Board is putting forth the recommendations below.

RECOMMENDATIONS

The Saskatchewan Minimum Wage Board recommends:

1. **That the provincial minimum wage be adjusted according to the annual increase in Saskatchewan's (SK) Consumer Price Index (CPI) in a calendar year.**

   The Board believes that adjusting the minimum wage to the Saskatchewan CPI will ensure a constant level of purchasing power for minimum wage earners. It will also enhance accountability as to the nature of the increases in the minimum wage.

   To ensure the provincial minimum wage is competitive with other jurisdictions across Canada, coupled with continuing improvements to the provincial tax regime, the Board believes that now is a suitable time to begin indexing the minimum wage.

2. **That the minimum wage be adjusted from its current base of $9.25 per hour.**

   Stakeholders were supportive of Saskatchewan's current minimum wage level. To remain competitive with our neighbouring provinces it is important to maintain a minimum wage that fosters a climate of business investment as well as attracts new entrants into Saskatchewan's labour market.

3. **That the minimum wage be adjusted annually each September.**

   A fixed date for adjusting the minimum wage will provide employers and employees the opportunity and ability to plan for future increases in costs or pay.

4. **That the minimum wage increase $0.19 in September 2011.**

   This increase is in accordance with the recommended formula for adjusting the minimum wage and reflects the increase in the Saskatchewan CPI for 2010 according to the provincial Bureau of Statistics.

5. **That the Minimum Wage Board meet annually to endorse and recommend to Government the adjustment according to the Saskatchewan CPI prior to providing notice.**

Stakeholders expressed concern over automatic adjustments. This will ensure the economy and stakeholder opinions will still be considered prior to adjusting the minimum wage.

6. **That a notice be published every April of the expected adjustments to the minimum wage that will occur in September.**

   This recommendation will allow ample planning for businesses and employees. Employers and employees will have a level of assurance of the exact adjustments to be made in September.

7. **That a full review of the minimum wage be triggered if it falls below 41 per cent of Saskatchewan's average hourly wage, or if the Saskatchewan CPI were to increase over three per cent in a given calendar year.**

   The Board believes that jobs performed by minimum wage earners be compensated at a rate relative to other wage earners in the province.

   However, again, the Board believes that adjustments should not be automatic. Full reviews will ensure there is accountability and that raises to the minimum wage will not occur without due diligence.

   The Board also believes that increases over three per cent could be too great a burden to the business community. In multiple jurisdictions across North America where indexation occurs there is a maximum level to which the minimum wage will rise with the CPI in one year. The Board has decided to make this level three per cent. However, instead of saying there will be no increase above this level, the Board believes it should trigger a full review to ensure the economic climate of the day could support such an increase.

8. **The Board recommends that the minimum wage not decrease should the Saskatchewan CPI decrease in a given year.**

   The Board believes that minimum wage earners' incomes should be predictable and reliable. Therefore, in years of deflation, current wage levels should be maintained.