

LABOUR MANAGEMENT REVIEW COMMITTEE

December 18, 2009

The Honourable Jennifer Howard
Minister of Labour and Immigration
Room 317 Legislative Building
Winnipeg, Manitoba R3C 0V8

Dear Minister:

As requested in your letter of May 14, 2009 the Manitoba Labour Management Review Committee (LMRC) held extensive discussions on the review of Manitoba's minimum wage. Unfortunately after several meetings, the Committee was unable to reach a consensus. The Committee wishes to thank you for the opportunity to express its views to the Government on this important issue.

We wish to express our appreciation to the employer and employee representatives on the Committee for their time and exceptional efforts in addressing this complex task. We also wish to recognize the work of Department of Labour and Immigration staff in providing research and support on this issue.

Attached, please find the Report of the LMRC on Manitoba's minimum wage. If you have any questions or wish to discuss any aspect of the report, please do not hesitate to contact the Chairperson.

Sincerely,

Original Signed
Kevin Rebeck
Labour
Caucus Chair

Original Signed
Michael Werier
Chairperson

Original Signed
Peter Wightman
Management
Caucus Chair

Enclosure

cc: Members of the Manitoba Labour Management Review Committee

REPORT OF
THE MANITOBA LABOUR MANAGEMENT REVIEW COMMITTEE
Manitoba's Minimum Wage

December 18, 2009

MANDATE OF THE LABOUR MANAGEMENT REVIEW COMMITTEE

The Manitoba Labour Management Review Committee (LMRC) was tasked with conducting a review of Manitoba's minimum wage, provided for under *The Employment Standards Code*, in order to consider any appropriate future adjustments to the current rate of \$9.00 an hour.

The LMRC was asked to consider all factors that they determined to be relevant in developing new minimum wage recommendations, including but not limited to the following guiding principles:

- In assessing the general minimum wage level, the Committee should seek to strike a reasonable balance that respects the employers' ability to pay and ensures workers are compensated reasonably for their work, while keeping Manitoba's minimum wage competitive with other Canadian jurisdictions.
- The Committee may wish to take into account the average wage prevailing in Manitoba relative to other jurisdictions, the cost of living and the preservation of the spending power of minimum wage earners, and the need to establish predictable and manageable wage rates.
- In the past, minimum wage boards have recommended schedules for future increases over time (e.g., over a 3 or 4 year period).

In addition to the considerations listed above, the Committee reviewed historical trends in the purchasing power afforded by the legislated minimum wage here and in other jurisdictions, as well as trends in the proportion of the labour force working for wages at or near the minimum wage. In assessing the minimum wage level, the Committee remained sensitive to both the needs of workers and the ability of the economy to remain competitive in the Canadian and global marketplace.

Labour and management caucus members consulted with stakeholders and members of their respective organizations throughout the process.

Staff of the Department of Labour and Immigration provided background material for consideration by the LMRC and was available to conduct such research as the Committee considered appropriate.

PROCESS

Members of the LMRC held their first meeting to review the issue on June 9, 2009 and were provided with reference material prepared by Department staff. This included:

- Material from Statistics Canada, such as the demographic characteristics of minimum wage earners (age, educational attainment, living situation etc.), as well as a profile of minimum wage earners across the country.

- The most recent Manitoba Minimum Wage Board Report (2005)
- Graphs depicting trends in the inflation-adjusted minimum wage, employment levels of minimum wage earners by industry, and the income distribution of all wage earners in Manitoba.
- Inter-jurisdictional minimum wage charts, including historical and planned future increases in other provinces.

Issues relating to the minimum wage in Manitoba were discussed between the labour and management representatives at a series of meetings held on September 23, October 28 and November 16, 2009, where various criteria for determining the minimum wage were considered. The committee requested further information on more detailed trends in incomes, minimum wage levels and minimum wage earners, which was provided by Department staff.

RECOMMENDATIONS

The factors that affect the development of a minimum wage are complex, and following significant discussions of the issue, the membership of the LMRC unfortunately was unable to reach a consensus recommendation for increasing Manitoba's minimum wage.

The positions of both the Labour and Management Caucuses for a three year period are as follows:

Labour Caucus Recommendation

The Labour Caucus examined the various mechanisms for increasing the minimum wage. Over the years, the government of Manitoba has an enviable record for increasing the minimum wage on a regular basis.

However, a substantial increase is still necessary to enhance the buying power of the lowest paid workers and to ensure that Manitoba's lowest income earners are not overwhelmed by the fiscal demands that are part of the challenging economy. The Labour Caucus feels that generally the only way that minimum and near minimum wage earners get a salary increase is through government action.

An appropriate minimum wage would be 60% of Manitoba's average weekly wage. The recommendation from the Labour Caucus was to gradually move toward this level with the following increases:

April 1, 2010 – 75 cents (\$9.75)

April 1, 2011 – 75 cents (\$10.50)

April 1, 2012 – 75 cents (\$11.25)

The Labour Caucus believes that an appropriate minimum wage enables an individual to keep up with the times and afford the basics of life. Although we are seeing a lower consumer price index, it is misleading to apply that to minimum wage earners as the real decreases are in energy and transportation, which doesn't affect minimum wage earners as much.

During our move towards an economic recovery, government has a responsibility to do the right thing for minimum wage earners who re-invest every penny they earn right back into the local economy.

The Standing Senate Committee on Social Affairs, Science and Technology Report of the Subcommittee on Cities released a report this month entitled "In From the Margins: A Call To

Action on Poverty, Housing and Homelessness”. Its section on minimum wage policy in Canada speaks directly to this point:

Recommendation 6

To demonstrate a federal commitment to adequate minimum wages, the Committee recommends that the federal government reinstate a federal minimum wage at \$10/hour, indexed to the Consumer Price Index, and that suppliers of goods and services to the federal government be required to pay its employees at least that amount.

The same report spends time examining other positive measures such as establishing a “living wage” policy, a concept that has its origins in Baltimore Maryland since 1994:

A living wage policy recognizes that most legislated minimum wage levels are simply too low for minimum wage earners to live on and calls on government to put increases in place. But more than that, governments (in this case a municipal government) requires that all contractors and their employees receive the same or a similar wage.

The Senate Report goes on to say the following about the emergence of a living wage policy in Calgary, Alberta and several other Canadian cities:

City Council received a report on the impact of a living wage, and directed staff to report back by January 2009 with a policy and implementation plan. In addition, the Calgary Chamber of Commerce was designated a living wage leader by Vibrant Communities Calgary, which has been promoting the living wage policy. This designation means that the chamber is committed to paying a living wage of \$12 per hour with benefits, or \$13.25 without benefits, to all employees, be they full-time, part-time or casual, and to contracted employees who work there for two days or more per week.

Finally, Calgary’s 10-year plan to end homelessness indicates that funding for case management will operate on a living wage basis. A similar policy was also being considered, with an impact assessment having been submitted by city officials in August 2008, in the Region of Waterloo. The City of Ottawa also began study of such a policy in the spring of 2009.

Management Caucus Recommendation

In addressing the issue of changes to the minimum wage, Members of the Management Caucus were mindful of the fact that previous attempts by the Minimum Wage Board to reach consensus between representatives of Employers and Labour had always fallen short of that goal. We noted that these previous failures were due at least in part to the fact that both sides appeared to take “strategic positions” anticipating that consensus might not be achieved and that the matter would be decided by the Chairperson who, it was expected, would pick something in the middle. It was recognized that such an approach would make consensus almost impossible to achieve.

Members of the Management Caucus noted that the former Minister of Labour, the Honourable Nancy Allan, had been asked to refer the issue of increases to the minimum wage to LMRC and since the responsibility and trust which Honourable Nancy Allan had seen fit to vest with the LMRC was taken seriously, the Members of the Management Caucus determined to make every reasonable effort to achieve a consensus and put forward a position which was as progressive as possible given the prevailing economic circumstances.

In considering how to approach the matter, it seemed appropriate to put aside philosophical differences and consider the guiding principles set forth as part of the ministerial referral as well as other relevant factors which a logical and objective person would consider to apply to the task. Accordingly, it seemed appropriate to consider the following factors:

1. Wage increases projected in Manitoba;
2. Consumer Price Index (CPI);
3. Average weekly earnings and annual changes in previous years also including the relative position of Manitoba compared to average earnings in other Canadian jurisdictions;
4. Unemployment statistics;
5. Provincial Gross Domestic Product (GDP) and annual changes thereto in recent years, including Manitoba's relative position;
6. Minimum wage levels and increases to the minimum wage in other jurisdictions in Canada.

The Management Caucus also was mindful of current economic realities including the fact that Manitoba along with the rest of Canada is in the midst of the worst global economic recession since the Second World War. Although Manitoba and Canada have fared relatively well compared to other developed nations, we are not immune to the effects of the recession, as recent media reports of layoffs and closures attest all too clearly.

The Members of the Management Caucus are acutely aware of the fact that many industries in Manitoba are in a very precarious position as a result of a host of factors and that losses in these industries due to business failures rarely can be regained once economic times improve. In a recession a prudent government will place a high priority on job preservation. If there are unwarranted increases to the minimum wage there is little doubt that this will create increased cost pressures on organizations that are already in "survival" mode and result in even more job losses.

In particular Members of the Management Caucus are aware of the critical situation in certain sectors of agriculture, the tourism and hospitality industries, in retail establishments and in certain branches of commerce, especially including Call Centres. Many of these industries have experienced significant recent increases to their costs as a result of previous changes to the minimum wage as well as legislated imposition of mandatory Workers Compensation coverage and, in the case of agriculture, inclusion within the jurisdiction of provisions of the Employment Standards Code including minimum wage. The Members of the Management Caucus also were aware of the sincere objectives of Labour to increase the minimum wage in real terms and to increase the relative level of the minimum wage expressed as a percentage of average weekly earnings. Members of the Management Caucus were mindful of the fact that difficult economic circumstances do not justify decisions which increase the burden of such circumstances on members of the community who are least able to bear it. Accordingly although there was considerable pressure from members of the Employer community to curtail increases to the minimum wage, this suggested approach was resisted by the Management Caucus.

On the other hand the Management Caucus also was aware that the majority of minimum wage earners do not remain at that level; rather as they gain experience and/or education they advance to higher classifications and wage rates. In many cases, minimum wage jobs are an important entry point for young workers who gain critical experience and all-important additions

to their resume through these opportunities. We are also aware that many minimum wage earners have other sources of income through their employment for example by receiving tips.

We noted finally that Manitoba has a “one size fits all” approach to the minimum wage and that the Government repeatedly has rejected suggestions that there be a multifaceted approach to the minimum wage such as has been adopted in other jurisdictions, most notably Ontario (with a liquor server rate that is \$1.25 below the minimum wage) and Nova Scotia (with an inexperienced worker rate that is fifty cents below the minimum wage) and also including British Columbia (entry level rate that is \$2.00 below the minimum wage) and Quebec (gratuity rate that is \$1.00 below the minimum wage). Accordingly, Members of the Management Caucus did not consider that comparisons with such jurisdictions were appropriate because it was not a case of comparing “apples with apples”.

Taking all of these factors into account and attempting to balance the various interests of stakeholders, the Members of the Management Caucus determined finally to table a proposal for effective dates and increases to the minimum wage as follows:

- **October 1, 2010 - 30 cents (\$9.30)**
- **October 1, 2011 - 30 cents (\$9.60)**
- **October 1, 2012 - 30 cents (\$9.90)**

The above reflects a percent increase of:

- 3.3% in year one
- 3.2% in year two
- 3.1% in year three

The total increase over three years would amount to 10% when compared to the current rate of \$9.00.

In terms of the objective factors considered to be relevant, the Members of the Management Caucus noted that this proposal would meet or exceed (in some cases exceed by a considerable margin) all relevant factors.

It was noted that this would continue the trend in Manitoba for the minimum wage to rise in real terms and to rise faster than increases to average earnings and much faster than the rate of inflation. These facts are shown in the following list which is compiled from information provided by Staff of the Department of Labour (except for item 1 which was compiled by a Member of the Management Caucus).

1. Wage increases projected for Manitoba - 2.7% to 3.0%;
2. CPI - All items - (minus 0.6%)
- Excluding energy 1.6%;
3. Average Weekly Earnings - 2009 year to date - \$767.38 (5th among provinces)
- 2.2% increase over 2008;
4. Unemployment in Manitoba - 5.1% (up from 4.2% in the previous year)
- Youth unemployment - 9.9% (up from 9.0% in the previous year);
5. Provincial GDP - 2009 year-to-date - minus 0.2% (from the throne speech)
- Per capita GDP(2008) - \$32,548.00 (tied for 4th lowest in Canada).

Accordingly, it can be seen that this proposal is defensible based on all relevant factors and improves the position of minimum wage earners in real terms as against all economic indicators, notwithstanding that Manitoba is in the midst of a serious recession and Government and businesses are engaged in general belt tightening.

In terms of comparisons to the rate of inflation and to the relative position of the Manitoba minimum wage as a percentage of average weekly earnings, the following table (compiled from information provided by the Department) is instructive. It shows that the minimum wage in Manitoba has risen in real terms each year since 2000 and would continue to rise much faster than the rate of inflation if the proposal of the Management Caucus were accepted. Equally, it can be seen that the minimum wage as a percentage of average weekly earnings (AWE) also has increased over the same period. Based on the rate of increase to historical weekly earnings in recent years and projections for the future, the proposal advanced by the Management Caucus would continue this trend.

Manitoba Minimum Wage 1999 - 2009

	Nominal	CPI	Real	AWE	Minimum Wage as % of AWE
1999	\$6.00	93.6	\$7.27	\$564.90	42.51%
2000	6.00	95.9	7.09	584.42	41.07
2001	6.25	98.5	7.20	587.34	42.56
2002	6.50	100	7.37	607.60	42.79
2003	6.75	101.8	7.52	623.61	43.30
2004	7.00	103.8	7.65	641.83	43.63
2005	7.25	106.6	7.71	671.11	43.21
2006	7.60	108.7	7.93	690.55	44.02
2007	8.00	110.9	8.18	731.21	43.76
2008	8.50	113.4	8.50	750.82	45.28
2009*	9.00	114.4	8.92	767.38**	46.91

* as of October 1, 2009

** YTD including August 2009

Also, it is important to compare the minimum wage of Manitoba expressed as a percentage of Manitoba average weekly earnings with other provincial jurisdictions. This is shown on the table set forth below (which again is compiled from information provided by the Department of Labour).

	MB	NF	PEI	NS	NB	QU	ON	SK	AB	BC
2009 YTD AWE (Incl. August)	\$767.38	\$794.04	\$689.81	\$730.88	\$743.69	\$707.75	\$846.08	\$799.44	\$949.64	\$794.85
2009 Minimum Wage	\$ 9.00	\$ 9.00	\$ 8.40	\$ 8.60	\$ 8.25	\$ 9.00	\$ 9.50	\$ 9.25	\$ 8.80	\$ 8.00
% of Average Weekly Earnings	46.9%	45.3%	48.7%	47.1%	44.4%	47.5%	44.9%	46.3%	32.1%	40.3%
Rank	4	6	1	3	8	2	7	5	10	9

As can be seen, Manitoba's relative position is favourable and this situation will be maintained or improved if increases to the minimum wage were implemented over the next three years in accordance with the Management Caucus Recommendation.

In terms of the position of the minimum wage in Manitoba compared to other jurisdictions as shown on the table attached (Appendix A), it can be seen that Manitoba is maintaining a relative position which is reasonable for minimum wage earners. It is important not to compare Manitoba to jurisdictions that have Differential Rates, including British Columbia, Quebec, Ontario and Nova Scotia. Also, comparisons to the Canadian Territories: Nunavut, Yukon Territory and Northwest Territories generally are not helpful. With respect to the remaining jurisdictions, it can be seen that by 2011 based on the proposal of the Management Caucus, Manitoba would be equal to or ahead of three jurisdictions (Alberta, New Brunswick and Prince Edward Island) and behind two (Saskatchewan and Newfoundland) (although the projected increases for Saskatchewan in 2010 and 2011, as shown on the table, are non-binding and may not occur as indicated).

A very important part of the Management Caucus Proposal is the effective date. As noted above many sectors of the provincial economy are vulnerable to cost increases, particularly at this time. By using an effective date of October 1, the harmful effects of increases to the minimum wage can be mitigated for many of these vulnerable industries. This is particularly important in 2010 in order to give businesses more time to recover from the current recession. Thereafter, by waiting until the fall of each year the blow will be softened in such industries as agriculture, tourism and hospitality (where many employees earn tips). Further, it is considered appropriate to have an October 1 effective date from the standpoint of trying to enhance student summer employment during the school vacation period.

Another factor which is important in the context of this proposal is that there be a twelve month period since the last increase to the minimum wage before another increase is imposed on Employers. Recent increases to the minimum wage have occurred on May 1 and October 1, 2009. If there were to be another increase effective April 1, 2010, this would mean three separate increases to the minimum wage in less than eighteen months. Members of the Management Caucus heard repeatedly and forcefully from Employers that an increase to the minimum wage every six months is very onerous and costly from an administrative point of view. This goes far beyond making changes to a computer generated payroll system and in some cases we were told it takes many hours of work where, for example, new quotes to individual customers or menu or price list changes for example have to be effected.

Members of the Management Caucus were disappointed that this proposal did not achieve consensus and in fact was not even responded to with a counter-proposal from Labour. We note that Labour has decided to remain with their proposal of a \$0.75 increase per year effective April 1 in each of the next three years. This amounts to a 25% increase in the current minimum wage and, in our respectful view, cannot be justified on the basis of any of the relevant economic factors. In fact, if implemented, the Labour Caucus Recommendation would result in a minimum wage for Manitoba far in excess of any other jurisdiction in Canada.

Given this, Members of the Management Caucus were urged by some in the Employer community to return to a "strategic approach". Again this was rejected on the basis that if one side presents a reasonable and defensible proposal, (in fact one that may be difficult to some of its constituents to absorb), then it deserves to be accepted without change by the Minister of Labour regardless of political stripe.

In conclusion the Management Caucus Recommendation represents a series of proposed increases to the minimum wage which are reasonable, progressive, fair and balanced. The Members of the Management Caucus strongly encourage the Minister of Labour not to make a decision which simply picks a position in the middle. To do so would be an endorsement of the

“strategic approach”. Rather, we respectfully suggest that the Minister examine both proposals and select in its entirety the proposal which she considers best fulfills the mandate which was conferred upon the LMRC.

CONCLUSION

The LMRC has been able to reach consensus on a number of significant issues in recent years, and the desire was apparent from both caucuses to find common ground on which to build a consensus recommendation. However, the minimum wage issue presents its own unique challenges. Committee members noted that among their constituents there are wide-ranging opinions on how to address minimum wage adjustments going forward.

Members of each caucus agreed on fundamental aspects of the minimum wage and the role it should play in the province. Both sides acknowledged that the minimum wage is not the only mechanism by which the welfare of low-income workers can be improved. There was agreement that the cost of living should be taken into consideration to ensure that the incomes of minimum wage earners are not eroded by general price increases. Also, each side agreed that the minimum wage has not historically been the predominant factor causing unemployment in the province.

The Committee wishes to thank the Minister of Labour and Immigration for the opportunity to express its views to the Government on this important issue, and would also like to express appreciation to the employer and employee representatives on the Committee for their time and efforts in addressing this complex task.

Appendix A

Effective SEPTEMBER 10, 2009 Minimum Wage Rates across Canada, 2007-2011

	2007	2008	2009	2010	2011	2012
B.C.	\$8.00 (Nov. 1/01)					
AB	\$8.00 (Sept 1)	\$8.40 (April 1)	\$8.80 (April 1)	\$9.20 (April 1)	\$9.60 (April 1)	
SK	\$7.95 (March 1)	\$8.25 (January 1) \$8.60 (May 1)	\$9.25 (May 1)	\$9.57 (May 1)	\$9.90 (May 1)	
MB	\$8.00 (April 1)	\$8.50 (April 1)	\$8.75 (May 1) \$9.00 Oct 1	\$9.30 (Oct 1)	\$9.60 (Oct 1)	\$9.90 (Oct 1)
ON	\$8.00 (February 1)	\$8.75 (March 31)	\$9.50 (March 31)	\$10.25 (March 31)		
QC	\$8.00 (May 1)	\$8.50 (May 1)	\$9.00 (May 1)			
NB	\$7.25 (July 1)	\$7.75 (March 31)	\$8.00 (April 15) \$8.25 (Sept 1)			
NS	\$7.60 (May 1)	\$8.10 (May 1)	\$8.60 (April 1)	\$9.20 (April 1) \$9.65 (Oct 1)	\$10.06 (April 1)	
PE	\$7.50 (April 1)	\$7.75 (May 1) \$8.00 (Oct 1)	\$8.20 (June 1) \$8.40 (Oct 1)			
NL	\$7.50 (Oct 1)	\$8.00 (April 1)	\$8.50 (Jan 1) \$9.00 (July 1)	\$9.50 (Jan 1) \$10.00 (July 1)		
NT	\$8.25 (Dec 28/03)					
YT	\$8.37 (April 1)	\$8.58 (April 1)	\$8.89 (April 1)	\$9.01 (April 1)	\$9.19 (April 1)	
NU	\$8.50 (March 3/03)	\$10.00 (Sept 5)				
Fed	The general adult minimum wage rate of the province or territory where the work is performed.					

- These provinces have **Differential Rates** as follows:
 - British Columbia has an entry-level rate that is \$2.00 below the general minimum wage.
 - Quebec has a gratuity rate that is \$1.00 below the general minimum wage.
 - Ontario has a liquor server rate that is \$1.25 cents below the general minimum wage.
 - Nova Scotia has an inexperienced worker rate that is 50 cents below the general minimum wage.

*Alberta's 2009-11 rate is an estimate based on trend in Average Weekly Earnings (AWE). Alberta indexed its minimum wage to AWE starting in 2008.

Saskatchewan's 2010-11 rate is non-binding as it is based on the recommendations of the Minimum Wage Board. Yukon's 2010-11 and Nova Scotia's 2011 rate is an estimate based on trend in Consumer Price Index (CPI).