

COMMON FRONT NL:  
**SUBMISSION**  
**TO MINIMUM**  
**WAGE REVIEW**  
**COMMITTEE**



# CONTENTS

---

- 3** About Common Front
  - 3** Summary
  - 5** Minimum Wage: An essential tool of good governance
  - 7** Who are the minimum wage workers?
  - 9** What are other jurisdictions doing?
  - 10** What are the effects of a \$15 minimum wage on employment?
  - 13** Job loss: a tenacious myth
  - 14** An effective tool against poverty
  - 15** Additional benefits
  - 18** Conclusions
  - 19** References Cited
-

# ABOUT COMMON FRONT

Common Front NL is a coalition of community groups, labour, social justice organizations, and individuals. Collectively Common Front represents over 100,000 Newfoundlanders and Labradorians. Common Front was founded on the principle that despite the current fiscal situation, intelligent and inclusive policy-making can produce an economy that works for everyone.

## SUMMARY

Common Front recognizes that minimum wage policy is one of the core government powers that, when deployed responsibly, has the ability to improve not only the general economic well-being of the province but also the lives and dignity of the more than 200,000 workers in Newfoundland and Labrador.

Common Front calls on the provincial government to adopt a \$15 per hour minimum wage, in line with a growing number of jurisdictions throughout North America.

In making this call, Common Front draws attention to the following points:

- Evidence from other jurisdictions demonstrates conclusively that minimum wage increases do not lead to job losses, but rather generate strong business growth amid a range of other beneficial social and economic outcomes.

- This province not only has the second-lowest minimum wage in the country, but the effects of this ignominy are exacerbated by other negative social and economic indicators, along which Newfoundland and Labrador consistently ranks at or near the bottom of all Canadian provinces and territories. As this report demonstrates, the province suffers from serious rates of inequality as well as one of the worst gender

wage gaps in the country. Poverty, homelessness, poor health outcomes and other socio-political ills are all rampant and on the increase in this province, and require urgent attention.

- Research in other jurisdictions demonstrates a tremendous range of additional spin-off benefits to higher minimum wages, from improved health outcomes to a reduction in rates of child neglect.

The following submission elaborates on these points and articulates some of the key research and arguments underpinning Common Front's call for an immediate minimum wage hike.

The fiscal and social crisis in Newfoundland and Labrador has reached a point in which the status quo is simply no longer a tenable option. Outmigration and a shrinking economy are eroding the province's demographic base beyond a sustainable level, while depressed wages and poor working conditions are generating negative social and health outcomes, from rising rates of certain crimes to rapidly increasing rates of preventable diseases and drug use.

What's more, minimum wage increases are immensely popular public policy, in this province as elsewhere. Surveys

demonstrate that a strong majority of Canadians (63 percent) and an even higher percentage of Atlantic Canadians (73 percent) support the implementation of a \$15 minimum wage.<sup>1</sup> A survey conducted in 2018 by the Registered Nurses Union of Newfoundland and Labrador revealed that 87 percent of Newfoundlanders and Labradorians support a \$15 minimum wage. There is strong public support for the policy – all that is needed is the political will to respond to this widespread public demand.

Minimum wage policy is a marvellously versatile public policy tool that, when used to boost wages, has been proven to generate a broad range of social and economic improvements to those jurisdictions with the political will to implement them. If Newfoundland and Labrador is going to get back on its feet, retain its population base and living standards, and boost fiscal growth to the point where the province can maintain a diversified and robust economy, it will require a vigorous series of minimum wage increases. It is not an understatement to state that a significantly improved minimum wage is a necessary foundation and precursor for other fiscal policy improvements. And there is no better – or more urgent – time to start than the present.

---

1 Forum Research. "Two Thirds Approve of \$15 National Minimum Wage." October 14, 2016.

# MINIMUM WAGE: AN ESSENTIAL TOOL OF GOOD GOVERNANCE

Minimum wage is an essential tool of good governance and integral to economic growth. Since the first minimum wage law in the modern era was enacted in 1894 in New Zealand (and in Canada in 1918), it has been used to correct the tendency of some employers to remunerate workers with sub-optimal wages, a tendency driven by employers' desire for profits but one that is ultimately damaging to economic growth and to fostering a strong and sustainable regional market in goods and services.<sup>2</sup>

It is no accident that during Newfoundland and Labrador's strongest years of economic performance this century (as well as reductions in poverty), the province's fiscal landscape was also characterized by one of the highest minimum wages in the country. This was not merely the result of an otherwise strong

resource-based economy; rather it was the essential factor which made that strong economy possible, by ensuring that a portion of the growing private market revenue was redirected into the earnings of households and families. Without a strong minimum wage, a much higher proportion of the province's resource revenue would have been funnelled out of province without any significant benefit to the provincial economy. But by ensuring a robust minimum wage at the higher end of the national spectrum, policymakers ensured a broader distribution of resource revenues into the economy and facilitated the consumer spending and confidence that is necessary for broad economic growth. Put simply: the province's high minimum wage was not the result of a strong economy; it was the catalytic factor that contributed to producing a strong economy.

It is no coincidence that the negative trends of a struggling provincial economy are now exacerbated by one of the lowest minimum wages in the country. This is not a problem that will be rectified by a simple boost based on CPI indexation. It requires a robust adjustment to minimum wage base levels in order to help raise family incomes and consumer spending back to sustainable levels.

## *Indexation by itself is not enough*

Indexation by itself is inadequate as a fiscal adjustment mechanism for the simple fact that indexing a starting low wage means minimum wage increases will never bridge the gap between this province's sub-optimal minimum wage base and wages in other provinces. Moreover, linking indexation to the Canadian inflation rate does not address or reflect local stressors, which in this province are significant. This province has a rising poverty rate<sup>3</sup> (which experts note is higher than reflected by StatsCan data, which only reflects the situation of those who file income tax returns), as well as the highest income inequality in the Atlantic provinces. These distinctions are ones

that urgently need to be addressed – they play a pivotal role in depressing the provincial economy as a whole. Moreover, a non-diversified economy predicated heavily on a handful of industries (in this province, natural resource-based industries) means there is less natural variability in the wage market; it is therefore even more essential for the provincial government to play a strong role in regulating and guiding wage policy.

These principles were reflected in the series of consultations that occurred when the province first debated adopting an indexation mechanism for minimum wage in 2017. While a few business lobbyists argued at the time that indexation ought to be used to 'depoliticize' minimum wage policy debates, the overwhelming consensus among economists, community representatives and organizations was that indexation ought never to preclude vigorous public and political debate, and indexation by itself would always be inadequate as a sole mechanism when it comes to ensuring wage levels are sufficient to ensure a basic degree of economic prosperity and satisfactory working conditions for the provincial labour force.

# WHO ARE THE MINIMUM WAGE WORKERS?

There is a frequently touted, and entirely incorrect, misconception that minimum wage workers are predominantly youth working part-time jobs for spending money. As a barrage of data reveals, this is wildly inaccurate. Contrary to claims from some business activist groups, minimum wage workers are predominantly not youth or even unskilled workers. A 2019 Statistics Canada study found that the number of minimum wage workers has doubled between 1998 and 2018, with one in three (39.4 percent) minimum wage workers holding post-secondary degrees.<sup>4</sup> Four out of five minimum wage earners (79 percent) are not students.<sup>5</sup> The majority of the country's minimum wage workers are 20 or over; nearly half (47.7 percent) are over the age of 25. In fact, between 2013 and 2017 there was a 6 percent increase in the number of minimum wage workers aged 55 and above (from 1500 in 2013 to 2400 in 2017). The effect of low-income wages on older workers struggling to survive and save for retirement, while dealing with higher health care costs and often supporting households and dependents, is a tragedy of profound proportions.

Contrary again to unfounded stereotypes about small businesses being reliant on low minimum wage levels, the highest growth in minimum wage workers' share of the labour force was among large firms (which saw a 6 percent increase in the proportion of employees earning minimum wage between 1998-2018).<sup>6</sup>

Again confounding stereotypes, minimum wage employees in Canada are neither predominantly rural nor are they concentrated in the foodservice or accommodations industry. By 2018, the proportion of urban minimum wage employees had surpassed that of rural employees, while by the early 2000s retail trade had surpassed accommodation and food services as the primary employment sector for minimum wage workers.<sup>7</sup>

In this province, less than a quarter of minimum wage workers are to be found in food services. The majority – 46.1 percent – work in the trade, wholesale and retail sector; 75.6 percent have jobs related to sales and service. They are, in short, the front-line faces of the service economy.

4 Common Front NL. Newfoundland and Labrador Minimum Wage: Background Paper. June 2018.  
5 G. Suprovich. "The Minimum Wage in Canada – Research Paper #54." Canadian Labour Congress: April 2015.  
6 <https://www150.statcan.gc.ca/n1/pub/75-004-m/75-004-m2019003-eng.htm>

Bucking another myth, data reveals nearly half of minimum wage workers in this province are full-time employees. They are not part-time students or youth earning pocket-money; they are primary wage-earners struggling to provide for households and families on the second-lowest minimum wage in the country. In the capital of St. John's, 65 percent of minimum wage earners are permanent employees.

The minimum wage workforce has always been heavily gendered – as of 2018, 54.4 percent of minimum wage workers in this province were women. This compounds the already serious effects of this province's significant gender wage gap (a 2018 Conference Board of Canada report gave the province a D-minus for its gender wage gap, tagging it as the highest among all jurisdictions and comparator regions)<sup>8</sup>. Women workers in Newfoundland and Labrador earn 63 cents for every dollar earned by men. The problem is most acute in urban areas of the province – 2016 census data indicate that 66 percent of minimum wage earners in St. John's, or 8500 employees, are women. This makes sense, as women workers are concentrated in the service sector – 93 percent of workers in this sector are women, and 80 percent of minimum wage jobs are located in this sector. Women workers are particularly prevalent in health care/social assistance jobs (84 percent of workers in this field are women) and accommodation/food services (64 percent of workers in the field are women). And 68 percent of part-time workers in the province are women (data further reveals that 67 percent of part-time workers aged 55 and above are women). Given the predominance of women workers across all these markers,

it goes without saying that minimum wage increases would have an especially marked effect on improving the economic situation of the province's women.

And, given that 80 percent of single lone parents in the province are women, it must also be borne in mind that minimum wage policy affects not just workers but also shapes the living and growing conditions for significant numbers of the province's children and youth.

Just as significant is the gap separating this province's workers from a decent, living wage. A full third of workers in Newfoundland and Labrador – roughly 70,000 employees -- make less than \$15 an hour. This province has the lowest rate of all Atlantic Canadian provinces of workers earning less than \$15 per hour. 32.6 percent of the labour force – 69,600 workers – were designated low-wage workers according to 2016 census data. Meanwhile, a full 67.8 percent of low-wage earners in the province, according to that same census data, are women (43,500 workers).<sup>9</sup>

All these data paint a critical portrait of minimum-wage earners in this province: they are full-time, permanent workers struggling to support families and households on minimum wage. They are educated but unable to leverage their degrees into higher-paying jobs; they are increasingly prevalent in urban centres. A majority are women, and growing numbers of minimum-wage workers are older women and men (above the age of 55). Many of them work not for small businesses but large, national or international firms which could easily pay them more if compelled by provincial legislation.

7

Ibid.

8

Conference Board of Canada. "Canada Needs to Lower Poverty and Income Inequality to Boost Social Performance Relative to Peer Countries." April 5, 2017.

# WHAT ARE OTHER JURISDICTIONS DOING?

More and more jurisdictions continue moving toward a \$15 minimum wage. In the U.S., over forty cities and seven states (California, Connecticut, Illinois, Maryland, Massachusetts, New York, New Jersey, and the District of Columbia) are phasing in \$15 (or higher) standards. Three other states – Arizona, Oregon and Washington – have implemented minimum wages of between \$13 - \$15.<sup>10</sup>

In Canada, Alberta leads the country with a \$15 minimum wage. British Columbia has announced a \$15.20

minimum wage (or more) by June 2021. Ontario's minimum wage jumped by 21 percent last year to \$14; it was scheduled to rise to \$15 but this increase was cancelled by Ontario's newly elected Progressive Conservative government. Nationally, the average minimum wage for Canadians stands at approximately \$13.50. More than two-thirds of Canadians reap the benefits of living and working in provinces with a minimum wage of \$14 or more.<sup>11</sup>

---

9 A. MacEwan. "Minimum wage stats show we need \$15 and fairness across Canada." Canadian Labour Congress: May 2016.  
10 Godoy & Reich 2019  
11 Common Front NL. "Newfoundland and Labrador Minimum Wage: Background Paper." June 2018.

# WHAT ARE THE EFFECTS OF A \$15 MINIMUM WAGE ON EMPLOYMENT?

Amongst experts in the field, a consensus has emerged that minimum wage increases do not produce negative effects on employment, effectively rebuffing unsubstantiated claims to the contrary (a glaring example of this unsubstantiated work, passing opinion off as fact and presenting data out of context, is the work of the Atlantic Institute for Market Studies, whose document “Revisiting the Minimum Wage in Atlantic Canada” has been tidily debunked by the Canadian Labour Congress).<sup>12</sup>

The corpus of data on the subject is impressive. The recent (2019) seminal study published by Cengiz, Dube, Lindner and Zipperer reviewed 138 cases between 1984 and 2016 and did not detect any significant negative effects on the number of low-wage jobs.<sup>13</sup>

Alberta is an excellent case in point. Between 2015 – 2018, the Alberta provincial government raised the minimum wage in that province by 40 per cent, up to \$15 an hour. Conservative activist groups like the Canadian Federation of Independent Business (CFIB) and the C.D. Howe Institute made dramatic, sensationalized projections of job losses in the tens or hundreds of

thousands that were supposed to be expected from these hikes. But as it turned out, the opposite occurred: the outcome of the province’s minimum wage hikes was job growth, not loss. In 2016, that province’s accommodations and food services sector grew by 6200 jobs (despite an ongoing recession). In 2017, the sector grew by 1300 jobs; and in 2018, a further 1100 jobs.<sup>14</sup> Job losses were not only wildly exaggerated; they were in fact, nonexistent.

Ontario offers an even more recent and telling case in point. In the wake of its heavily debated minimum wage increase in early 2018 – a 21 percent jump from \$11.60 to \$14 -- the economy in fact added 60,000 jobs and the unemployment rate fell to 5.4 percent – its lowest point in 18 years. More than 14,000 jobs were added in the accommodation, food and services sectors alone. And business profits did not shrink but actually increased in the first six months of the minimum wage hike. In both of the two months succeeding its implementation, there was a marked decrease in unemployment. Unemployment decreased by 4000 in January, and by 6000 in February. In short, Ontario’s minimum wage hike did not kill jobs but in fact boosted economic prosperity for workers and business owners alike.<sup>15</sup>

Other studies, spanning a range of jurisdictions throughout North America, demonstrate similar results. A recent study by the Federal Reserve Bank of New York analyzed the impact of that jurisdiction's initiative to phase in a \$15 minimum wage, by assessing comparable sites in neighbouring Pennsylvania that did not. It determined that the only clear employment impacts were positive. Jobs in the leisure and hospitality sector increased faster in New York than in Philadelphia as the minimum wage increased, which researchers attributed to low-income workers' increased purchasing power. By the end of 2018, workers in leisure and hospitality had benefited from a 33 percent wage hike from 2013, more than double the rate of wage growth in Philadelphia. Similar results were also reported for retail workers.<sup>16</sup>

Godoy & Reich (2019) studied the impact of minimum wage effects in dozens of counties, cities and states in the US and discerned no negative effects on employment hours or weeks worked. Their study also differentiated the impact of minimum wage increases on traditionally marginalized groups in the labour force and found no negative impact on Blacks, Hispanics or women.<sup>17</sup>

A number of American cities have been raising their minimum wage in response to growing activism by food and

restaurant employees, and the results have been studied closely. New York City's minimum wage hike to \$15 had no impact on restaurant growth, according to a study by New School researchers and the National Employment Law Project -- in fact, following the minimum wage hikes "its restaurant industry outperformed the rest of the US in job growth and expansion."<sup>18</sup>

Seattle, WA increased its minimum wage to \$15 an hour in 2015. Since then, according to the reports of the Federal Reserve Bank of St. Louis, restaurant jobs have only increased.<sup>19</sup>

Other studies on Chicago (which phased in a \$13 minimum wage over the past five years), San Francisco (\$15 minimum wage); San Jose (\$15 minimum wage) and Oakland (\$13.80 minimum wage) have all revealed no job loss and steady private-sector growth despite minimum wage hikes.<sup>20</sup>

An independent study commissioned by the UK government reported in November 2019 that "overall, the most up to date body of research from US, UK and other developed countries points to a very muted effect of minimum wages on employment, while significantly increasing the earnings of low paid workers. Importantly, this was found to be the case even for the most ambitious policies."<sup>21</sup>

12 Canadian Labour Congress, "Review of Atlantic Institute of Market Studies' Revisiting the Minimum Wage in Atlantic Canada"  
13 Doruk Cengiz, Arindrajit Dube, Attila Lindner, Ben Zipperer. "The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator." National Bureau of Economic Research Working Paper: January 2019.  
14 <https://www.nationalobserver.com/2019/02/21/analysis/alberta-hikes-minimum-wage-adds-food-ser-vice-jobs-third-straight-year?fbclid=IwAR0baHXB8eS45VSSXHKFP6hFUG3xeBNJLTUMFOBdoVr9J1ZkgAWivYzBRPK>  
15 Common Front NL. Newfoundland and Labrador Minimum Wage: Background Paper. June 2018.  
16 [https://www.craigslist.com/greg-david-new-york/ny-fed-minimum-wage-hikes-didnt-kill-jobs?fbclid=IwAR1CL\\_YKQls2Dp5I7wn4KpwIOZFIU1Ra\\_E0ULx0mmQ0j2JEd0NwwwNuVvLY](https://www.craigslist.com/greg-david-new-york/ny-fed-minimum-wage-hikes-didnt-kill-jobs?fbclid=IwAR1CL_YKQls2Dp5I7wn4KpwIOZFIU1Ra_E0ULx0mmQ0j2JEd0NwwwNuVvLY)  
17 Anna Godøy and Michael Reich. (2019). "Minimum Wage Effects in Low-Wage Areas". IRL Working Paper No. 106-19. <http://irle.berkeley.edu/files/2019/07/Minimum-Wage-Effects-in-Low-Wage-Areas.pdf>  
18 <https://www.businessinsider.com/nyc-restaurant-industry-thriving-after-15-dollar-minimum-wage-2019-8>  
19 <https://fred.stlouisfed.org/graph/?g=on0t>  
20 [https://www.businessinsider.com/restaurant-industries-impacted-by-wage-increases-in-5-cities-2019-8?fbclid=IwAR22OY\\_rTbjdp9VICAPaH9pCTKymID6saQ9lqKr7kK275p-e39Lu07WDFME#the-rising-minimum-wage-had-little-to-no-effect-on-the-restaurant-industry-in-the-bay-area-3](https://www.businessinsider.com/restaurant-industries-impacted-by-wage-increases-in-5-cities-2019-8?fbclid=IwAR22OY_rTbjdp9VICAPaH9pCTKymID6saQ9lqKr7kK275p-e39Lu07WDFME#the-rising-minimum-wage-had-little-to-no-effect-on-the-restaurant-industry-in-the-bay-area-3)

The lead researcher on that study conducted an in-depth examination of minimum wage hikes in seven US states, affecting 20 percent of the workforce of those states. He found no evidence of job losses or negative employment impacts across any of the worker groups studied, including those with low educational attainments.

*“Up to a point, minimum wages can be absorbed without any substantial changes in employment,” lead researcher Professor Arindrajit Dube from the University of Massachusetts Amherst, National Bureau of Economic Research and IZA Institute of Labor Economics reported, observing that businesses were able to effectively respond by adjusting profit margins and price points, and benefited from improved productivity.<sup>22</sup> It’s worth here noting that in one interesting study, researchers modeled a \$3 minimum wage hike on Walmart stores in the US. They calculated that even if the entirety of the wage increase costs were passed on to consumers, the average impact for consumers would be no more than \$1.04 per month.<sup>23</sup>*

These findings complement other studies which have sought to ascertain why fears of negative employment impacts are not reflected in reality. This research has demonstrated that minimum wage hikes are offset by reduced employee turnover costs<sup>24</sup>; by the growth of local labour markets<sup>25</sup>; by higher worker productivity<sup>26</sup>; and by increased worker purchasing power<sup>27</sup>; among other factors such as those identified in the UK study cited above.

The Canadian Labour Congress (2019) reports that there is now “a near consensus that raising the minimum wage increases the wages of workers at and near the minimum wage, with especially strong positive effects for women. A similar consensus exists with respect to the impact of minimum wage increases in reducing wage inequality, especially among women. With earnings routinely growing faster at the top of the income spectrum than among median and low-income earners, minimum wage hikes have been important to boosting income growth at the bottom end of the employment

earnings distribution.”<sup>28</sup>

The Canadian Labour Congress submission to the Expert Panel on Modern Labour Standards (2019) also makes the important point that knock-on effects can go both ways. Just as one of the goals of a robust minimum wage is to boost wages appropriately across the income spectrum, precarity and a low minimum wage can drag down the working conditions and wage rates for other employees. This has a detrimental effect on the broader economy, making it harder to recruit employees across all wage groups and employment types, and generally dampening economic growth. Therefore not only is it essential to raise minimum wage rates in order to improve low-income workers’ economic conditions; it is equally necessary in order to ensure the purchasing power and employment gains of higher-income employees are not eroded. Any time workers’ employment gains are eroded, it is a loss not just for the worker but for the economy as a whole.

21 <https://www.gov.uk/government/publications/impacts-of-minimum-wages-review-of-the-international-evidence>

22 Ibid.

23 Ken Jacobs, Dave Graham-Squire and Stephanie Luce. “Living Wage Policies and Big-Box Retail: How a higher wagger standard would impact Walmart workers and shoppers.” April 2011.

24 Arindrajit Dube, T. William Lester and Michael Reich. “Minimum Wage Shocks, Employment Flows, and Labor Market Frictions.” *Journal of Labour Economics* 2016: Vol. 34 Issue 3.

25 Azar, José and Huet-Vaughn, Emiliano and Marinescu, Ioana Elena and Taska, Bledi and Von Wachter, Till, Minimum Wage Employment Effects and Labor Market Concentration (July 5, 2019). Available at SSRN: <https://ssrn.com/abstract=3416016> or <http://dx.doi.org/10.2139/ssrn.3416016>

26 D. Coviello, E. Deserranno, and N. Persico, “Minimum Wage and Individual Worker Productivity: Evidence from a Large U.S. Retailer,” working paper, Workforce Science Project of the Searle Center for Law, Regulation, and Economic Growth, Northwestern University, February 1, 2018, unpublished, PDF file.

27 Daniel Cooper, María José Luengo-Prado, Jonathan A. Parker. “The Local Aggregate Effects of Minimum Wage Increases.” National Bureau of Economic Research Working Paper: April 2019.

28 CLC Submission to the Expert Panel on Modern Labour Standards, April 30 2019

# JOB LOSS: A TENACIOUS MYTH

The myth that minimum wage hikes cost jobs is a tenacious one. On the one hand, it's so simplistic that it almost sounds logical. This effect is exacerbated by anecdotal objections from business lobbyists who cite sensationalized predictions from business owners who claim they will cut jobs or hours if they have to pay higher wages.

This has been referred to by James Kwak as "the Curse of Econ 101": "the misleading application of basic lessons from Economics 101 to real-world problems, creating the illusion of consensus and reducing a complex topic to a simple, open-and-shut case."

Kwak, writing for The Atlantic, observes that certain business lobby groups have played a role in spreading deliberately misleading misinformation about minimum wage economics.

"The restaurant industry has been a major force behind the advertising and public relations campaigns opposing the minimum wage, including many of the op-ed articles repeating the basic lesson of supply and demand," he writes. Given that research data shows no relationship whatsoever between minimum wage hikes and restaurant closings, the real concern

of restaurant lobbyists, he explains, is their desire for higher excess profits (above and beyond those necessary to maintain a healthy business operation).

"But instead of greedily demanding higher profits, industry executives can invoke Economics 101, which provides a simple explanation of the world that serves their interests."<sup>29</sup>

As we have seen in the studies above, these sensationalized claims of layoffs simply do not materialize; minimum wage hikes lead to growth and expansion, not job losses or cut hours.

Like many simplistic ideas, the theory that minimum wage hikes cause job losses dissolves under a bit of intelligent reflection. Most minimum wage earners are employed by large firms (with more than 20 employees<sup>30</sup>); large businesses have a variety of ways to compensate for higher wage costs (by increasing revenue and efficiency or moderating executive compensation). Higher wages reduces employee turnover, which is a significant driver of costs for businesses at all levels. Reduced employee turnover means less overhead in training costs, and also leads to heightened productivity and efficiency.

In any event, wage costs are a minor portion of expenses for businesses (labour costs typically comprise only 25 to 40 percent of total costs for restaurants<sup>31</sup>), and as has been amply demonstrated, increased wages means increased spending power for workers in their role as consumers. This translates into higher revenues for local businesses. Business owners may have to put out more money when minimum wage rises, but they get far more in return in the form of higher profit revenue. Minimum wage hikes should not be considered a burden by businesses, but rather a wise investment that always produces a strong return.

As well, it must be borne in mind that minimum wage hikes affect all businesses in any given sector. This means there is no negative impact on competitiveness. This is even more profoundly the case in a place like Newfoundland and Labrador, where it is literally impossible to drive to a neighbouring jurisdiction in pursuit of lower prices. Even if it was possible, the fact that Newfoundland and Labrador has the second-lowest minimum wage in the country means the only people at a competitive disadvantage are our province's own low-income workers when they try to purchase goods and services that consume a higher portion of their monthly salary than is the case for workers in other parts of Canada.

29 <https://www.theatlantic.com/business/archive/2017/01/economism-and-the-minimum-wage/513155/>

30 G. Suprovich. "The Minimum Wage in Canada – Research Paper #54." Canadian Labour Congress: April 2015.

31 Common Front NL. Newfoundland and Labrador Minimum Wage: Background Paper. June 2018.

32 <http://enoughforall.ca/wp-content/uploads/2019/08/A-Snapshot-of-poverty-in-Calgary-in-2019.pdf>

## AN EFFECTIVE TOOL AGAINST POVERTY

Newfoundland and Labrador has a poverty problem. The province's rankings have dropped significantly over the past decade, and a 2017 Conference Board of Canada report assigned the province a 'C' ranking on poverty – tying for worst spot among Canadian provinces.

One of the widely acknowledged benefits of a robust minimum wage is its effectiveness in combating poverty. There is simply no better tool for reducing poverty across all indicators, as evidenced by a substantial body of research data.

Godoy & Reich (2019) discerned "reduced household and child poverty in counties with high relative minimum wages."

"We do not detect adverse effects on employment hours or weeks worked, but we do find reduced household and child poverty in counties with high relative minimum wages...We also do not find negative effects among blacks, Hispanics and women," they reported.

New studies show that Alberta's latest minimum wage increase, to \$15 an hour, has lowered the percentage of Calgary residents living in poverty by nearly 3 percent (143,000 people). It also brings Calgary within 8 percent of a living wage (calculated to be \$16.45/hour for the city).<sup>32</sup>

# ADDITIONAL BENEFITS

In addition to having the direct effect of reducing poverty, inequality and increasing the economic purchasing power of workers, minimum wage increases have been shown to generate a number of other positive effects, ranging from health to housing.

## *Health Impacts*

The benefits of a robust minimum wage are not limited to income and economic growth. A 2011 study published in the *American Journal of Public Health* revealed that low-income workers in states with higher minimum wages had reduced rates of unmet medical needs<sup>33</sup> (failing to proactively address medical need is also associated with higher health care costs; the corollary is that higher minimum wage rates reduce health care costs).

A 2019 study even revealed that higher minimum wage rates were found to reduce the prevalence of smoking among low-income workers<sup>34</sup> (that study, like the one cited above, also refuted the bizarre suggestion made by some anti-minimum wage ideologues that boosting the minimum wage could lead to negative health outcomes; this

ideology-driven assertion was flatly refuted by both these and other studies).

Other positive health outcomes also emerge from higher minimum wages. A fascinating 2017 study produced by researchers at Indiana University revealed that a \$1 per hour minimum wage hike would reduce cases of child neglect by 10 per cent. The same team of researchers had previously ascertained that increasing minimum wage rates was also associated with a reduction in teenage pregnancies.<sup>35</sup>

A 2016 study revealed that increasing minimum wage was correlated with a reduction in infant low birth weights as well as neonatal mortality (a \$1 per hour minimum wage hike led to a 4 per cent decrease in mortality).<sup>36</sup> Research has established a link between higher minimum wage rates and reduced teenage alcohol consumption.<sup>37</sup> Another 2016 study published in the *American Journal of Public Health* revealed a chilling connection between low minimum wage rates and premature death. The researchers concluded that “a \$15 minimum wage could have averted 2800 to 5500 premature deaths between 2008 and 2012 in New York

City, representing 4% to 8% of total premature deaths in that period. Most of these avertable deaths would be realized in lower-income communities, in which residents are predominantly people of color.”<sup>38</sup> The lead researcher for that study noted that a \$15 minimum wage was more effective than any drug on the market when it came to preventing premature death.

Put simply, low wages are an occupational hazard, and moving toward a living wage is not just wise economic policy, it’s also an important strategy for reducing rising health care costs and for improving the overall health and wellness of the province’s population. Given existing high rates of obesity, poor health and mortality in this province, a higher minimum wage ought to be considered an essential part of any initiative to improve provincial health outcomes.

As Matthew Desmond summed up in a February 21, 2019 feature for The New York Times Magazine: “A living wage is an antidepressant. It is a sleep aid. A diet. A stress reliever. It is a contraceptive, preventing teenage pregnancy. It prevents premature death. It shields children from neglect.”<sup>39</sup>

Income is, fundamentally, the most important ‘upstream’ determinant of health. The findings above resonate with a recent Canadian Medical Association poll which found that only 39 percent of the poorest Canadians report excellent or very good health, compared to 68 percent of the richest Canadians.<sup>40</sup>

This is also reflected in the World Health Organization (WHO) landmark 2008 report “Closing the Gap in a Generation:

Health Equity Through Action on the Social Determinants of Health”, which included among its recommendations that “minimum wages should...be sufficient for healthy living.” Similarly, the Canadian Institute for Health Information (CIHI) in 2015 identified labour market policies, including the minimum wage, as a key poverty reduction measure that will reduce income and health inequalities.

Of particular concern ought to be the well-established effects of poverty on children, which are known to be especially significant and long-lasting. Children who experience poverty are at a greater risk for problems including lower IQ, poor academic achievement, poor socioemotional functioning, developmental delays and behavioural problems. A higher minimum wage helps to combat all of these negative outcomes and helps to ensure children and youth are given as equitable a start as possible in life.

A range of research studies conducted over the past two decades have also revealed significant and well-established interactions between poverty and mental health. Mental illness in Canada carries a significant price-tag and has been estimated as costing in excess of \$51 billion per year (this includes health care costs, lost productivity, and reductions in health-related quality of life). While in any given year one in five Canadians experience a mental illness or addiction problem, mental disorders are twice as frequent among the poor as among the rich.<sup>41</sup>

## *Housing*

The effects of the province’s sub-standard minimum wage must also be considered

from a housing perspective. Given the significant number of households and families subsisting on minimum wage earnings, how do those families afford adequate housing? The tragic answer is that many do not. In 2017, a one-bedroom apartment alone required an average annual income of \$31,720 in this province (factoring in the 30 percent income standard for rent alone) – which is not even possible at minimum wage. Even for a minimum-wage earning couple, their combined annual income would only reach \$46,800; it would require a full half (49 percent) of their combined salary to afford a bachelor apartment (economists cite 30 percent as the maximum affordable percentage of salary which ought to be dedicated to rent, if other costs, such as food and other necessities, are to be afforded). Meanwhile, an even more insurmountable gap separates minimum wage earners from the \$88,450 average minimum income required to qualify for a mortgage in this province, according to 2017 MLS data. It is no coincidence that the province’s rapid downward slide in minimum wage rankings has been accompanied by an often under-stated surge in homelessness, in both urban and rural parts of the province.

The ‘national rental wage’ (or the wage level necessary to be able to rent using 30 percent of one’s pre-tax income) for a one-bedroom apartment was calculated earlier this year as \$20.20, which is almost twice what this province’s minimum wage workers earn. It therefore comes as no surprise that a study earlier this year found that minimum wage earners would be unable to afford housing on a minimum wage salary in 91 percent of cities (those for which publicly accessible housing data is available). The bar rises even higher for those seeking two-bedroom apartments (those with families, children or other dependants, for example), who would be unable to do so in 97 percent of cities.<sup>42</sup> At a local level, the rental wage for a two-bedroom apartment (the most common type) in St John’s, NL has been calculated as \$18.48, significantly higher than minimum wage levels at present. A minimum wage worker would have to work 66 hours a week in order to afford an apartment in St. John’s.<sup>43</sup>

---

33 <https://ajph.aphapublications.org/doi/10.2105/AJPH.2006.108928>  
34 <https://www.sciencedirect.com/science/article/pii/S0091743518303104>  
35 <https://ajph.aphapublications.org/doi/abs/10.2105/AJPH.2016.303604?journalCode=ajph>  
36 <https://ajph.aphapublications.org/doi/full/10.2105/AJPH.2016.303268>  
37 <https://www.nytimes.com/interactive/2019/02/21/magazine/minimum-wage-saving-lives.html?fbclid=IwAR0lJKGoHvx39Mq0SKOupQQ6EapwN9HHT57EaCJ1kfLR-Wg7Wt256Owa5Nw>  
38 <https://ajph.aphapublications.org/doi/full/10.2105/AJPH.2016.303188>  
39 <https://www.nytimes.com/interactive/2019/02/21/magazine/minimum-wage-saving-lives.html?fbclid=IwAR0lJKGoHvx39Mq0SKOupQQ6EapwN9HHT57EaCJ1kfLR-Wg7Wt256Owa5Nw>  
40 Common Front NL. “Newfoundland and Labrador Minimum Wage: Background Paper.” June 2018.  
41 Ibid.  
42 David Macdonald, Unaccommodating: Rental Housing Wage in Canada. Canadian Centre for Policy Alternatives, July 18, 2019.

# CONCLUSIONS

There is, quite simply, almost no tool as effective for generating economic growth, reducing inequality and poverty levels, and helping to ensure dignity for workers, as a robust living wage. Indeed, when Ontario's newly elected Progressive Conservative government repealed the previous Liberal government's \$15 minimum wage legislation, replacing it with a low-income and family tax credit, the province's Financial Accountability Office reported the tax credit would not only deliver less money to the province's minimum wage workers (\$400 less, on average, per year) but it would also add \$1.9 billion to the province's deficit. The Progressive Conservative government's ideology-based opposition to a \$15 minimum wage not only cost workers, but it also cost the province's taxpayers by hiking the provincial deficit.<sup>44</sup> Tax credits broadly fail to come close to minimum wage hikes when it comes to economic benefits and effectiveness. The highest possible payout from a tax credit like the Canada Worker Benefit, for a single parent earning less than \$17,000 annually, would still be less than half of the income boost they would receive from a \$15 minimum wage.<sup>45</sup> And most workers would receive significantly less.

In a province like Newfoundland and Labrador where the economy is quite literally in shock from the compounded

effect of multiple stressors, and in which high provincial deficits and low provincial revenue generation pose challenges when it comes to economic stimulation measures, it is important to ensure provincial fiscal policy is wielded as effectively as possible. There is no more effective measure, when it comes to poverty reduction and economic stimulation, than a robust minimum wage. A \$15 minimum wage in this province would result in Newfoundland and Labrador's low wage workers having on the order of \$100 million more per year in disposable income<sup>46</sup> – income the majority of which would be reinvested locally into goods and services. This in turn would boost provincial tax revenues, and reduce low-income workers' reliance on a range of costly social support programs.

In order to restore public confidence and dignity to the growing ranks of low-income workers in this province; in order to stem outmigration and to stimulate communities and local economic growth; and in order to set the province on the road to prosperity and reverse the steady economic and social decline which has marked this province in recent years; the evidence is clear. A \$15 minimum wage needs to be adopted without delay, as the first step toward implementing a living wage in Newfoundland and Labrador.

---

44 [https://www.theglobeandmail.com/canada/article-ontarios-low-income-tax-credit-gives-fewer-benefits-than-minimum-wage/?utm\\_medium=Referrer%3A+Social+Network+%2F+Media&utm\\_campaign=Shared+Web+Article+Links&fbclid=IwAR1NYQCAj2bHDyleEOPsM1s1KOUhO1v7a-ahnNXcngPNJkdunsEpM5tQ7CQ](https://www.theglobeandmail.com/canada/article-ontarios-low-income-tax-credit-gives-fewer-benefits-than-minimum-wage/?utm_medium=Referrer%3A+Social+Network+%2F+Media&utm_campaign=Shared+Web+Article+Links&fbclid=IwAR1NYQCAj2bHDyleEOPsM1s1KOUhO1v7a-ahnNXcngPNJkdunsEpM5tQ7CQ)

45 Common Front NL. Newfoundland and Labrador Minimum Wage: Background Paper. June 2018.

# REFERENCES CITED

- Allana Akhtar. "NYC's \$15 minimum wage hasn't brought the restaurant apocalypse — it's helped them thrive." *Business Insider*: Sept. 25, 2019.
- Allana Akhtar. "The \$15 minimum wage was supposed end in a restaurant apocalypse. Here's how 5 major cities proved the prophets of doom wrong." *Business Insider*: Aug. 16, 2019.
- Azar, José and Huet-Vaughn, Emiliano and Marinescu, Ioana Elena and Taska, Bledi and Von Wachter, Till, Minimum Wage Employment Effects and Labor Market Concentration (July 5, 2019). Available at SSRN: <https://ssrn.com/abstract=3416016> or <http://dx.doi.org/10.2139/ssrn.3416016>
- Lindsey Rose Bullinger. "The Effect of Minimum Wages on Adolescent Fertility: A Nationwide Analysis." *American Journal of Public Health* 107, 447\_452. 2017. <https://doi.org/10.2105/AJPH.2016.303604>
- Canadian Labour Congress. CLC Submission to the Expert Panel on Modern Labour Standards. April 30 2019.
- CBC. "Newest data shows poverty on the rise in N.L., but critics say it's worse than indicated." Nov. 26, 2017.
- Center for Poverty Research, University of California, Davis. "What is the history of the minimum wage?"
- Doruk Cengiz, Arindrajit Dube, Attila Lindner, Ben Zipperer. "The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator." National Bureau of Economic Research Working Paper: January 2019.
- Common Front NL. Newfoundland and Labrador Minimum Wage: Background Paper. June 2018.
- Conference Board of Canada. "Canada Needs to Lower Poverty and Income Inequality to Boost Social Performance Relative to Peer Countries." April 5, 2017.
- Daniel Cooper, María José Luengo-Prado, Jonathan A. Parker. "The Local Aggregate Effects of Minimum Wage Increases." National Bureau of Economic Research Working Paper: April 2019.
- D. Coviello, E. Deserranno, and N. Persico, "Minimum Wage and Individual Worker Productivity: Evidence from a Large U.S. Retailer," working paper, Workforce Science Project of the Searle Center for Law, Regulation, and Economic Growth, Northwestern University, February 1, 2018, unpublished, PDF file.
- Greg David. "NY Fed: Minimum wage hikes didn't kill jobs: Study found that higher pay boosted job numbers for low income workers." *Crain's New York Business*: Sept. 25, 2019.
- Matthew Desmond. "The Future of Work: Dollars on the Margins." *New York Times Magazine*: Feb. 21, 2019.
- Dominique Dionne-Simard and Jacob Miller. "Maximum insights on minimum-wage workers: 20 years of data." *Statistics Canada*: Sept. 11, 2019.
- Arindrajit Dube. "Impacts of Minimum Wages: Review of the International Evidence. An independent report on the impacts of minimum wages, to inform the UK government's decisions on the remit of the Low Pay Commission beyond 2020." Nov. 5, 2019.
- Arindrajit Dube, T. William Lester and Michael Reich. "Minimum Wage Shocks, Employment Flows, and Labor Market Frictions." *Journal of Labour Economics* 2016: Vol. 34 Issue 3.
- Forum Research. "Two Thirds Approve of \$15 National Minimum Wage." October 14, 2016.
- Anna Godøy and Michael Reich. (2019). "Minimum Wage Effects in Low-Wage Areas". IRLE Working Paper No. 106-19. <http://irle.berkeley.edu/files/2019/07/Minimum-Wage-Effects-in-Low-Wage-Areas.pdf>
- Jacqueline Hansen. "Minimum wage is rising, but its purpose is still debated." *CBC*: Jan. 25, 2018.
- Ian Hussey. "Alberta hikes minimum wage, adds food service jobs for the third straight year." *National Observer*: Feb. 21, 2019.
- Ken Jacobs, Dave Graham-Squire and Stephanie Luce. "Living Wage Policies and Big-Box Retail: How a higher wagger standard would impact Walmart workers and shoppers." April 2011.
- Kelli A. Komro, Melvin D. Livingston, Sara Markowitz, and Alexander C. Wagenaar. "The Effect of an Increased Minimum Wage on Infant Mortality and Birth Weight." *American Journal of Public Health* 106, 1514\_1516. 2016. <https://doi.org/10.2105/AJPH.2016.303268>
- James Kwak. "The Curse of Econ 101: Economism and the Minimum Wage." *The Atlantic*: Jan. 14, 2017.
- J. Paul Leigh et al. "Minimum wages and public health: A literature review." *Preventive Medicine*: Vol. 18. January 2019.
- Kelly P. McCarrier, Frederick J. Zimmerman, James D. Ralston, and Diane P. Martin. "Associations Between Minimum Wage Policy and Access to Health Care: Evidence From the Behavioral Risk Factor Surveillance System, 1996–2007." *American Journal of Public Health* 101, 359\_367. 2011. <https://doi.org/10.2105/AJPH.2006.108928>.
- David Macdonald. Unaccommodating: Rental Housing Wage in Canada. Canadian Centre for Policy Alternatives, July 18, 2019.
- A. MacEwan. "Minimum wage stats show we need \$15 and fairness across Canada." *Canadian Labour Congress*: May 2016.
- Chris Roberts. "Review of Atlantic Institute of Market Studies' Revisiting the Minimum Wage in Atlantic Canada." *Canadian Labour Congress*. [DATE]
- Laura Stone. "Ontario's low-income tax credit doesn't make up for minimum-wage cut, watchdog says." *The Globe and Mail*: April 2, 2019.
- G. Suprovich. "The Minimum Wage in Canada – Research Paper #54." *Canadian Labour Congress*: April 2015.
- Tsu-Yu Tsao, Kevin J. Konty, Gretchen Van Wye, Oxiris Barbot, James L. Hadler, Natalia Linos, and Mary T. Bassett. "Estimating Potential Reductions in Premature Mortality in New York City From Raising the Minimum Wage to \$15." *American Journal of Public Health* 106, 1036\_1041. 2016. <https://doi.org/10.2105/AJPH.2016.303188>
- Vibrant Communities Calgary. "A Snapshot of Poverty in Calgary 2019." August 2019.