

Scholarship Essay submitted to the
Professional Employees Association on

“BC currently has a minimum wage of \$8 per hour, the lowest in Canada. Do you think this is a positive or negative for those who live and work in BC? Do you think the minimum wage should change? Discuss the impacts of your choice with regards to government, large and small businesses and workers.”

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Alexander Economou

British Columbia's (BC) minimum wage is \$8.00 per hour, the lowest in Canada. A rise in the minimum wage would have varying effects on workers, large and small businesses, and government, but overall it is necessary and overdue.

The minimum wage in BC was raised to its current rate on November 01, 2001, over nine years ago. At that time, a "First Job/Entry Level wage" was also set at \$6.00 for those workers without any previous job experience. The consumer price index has risen steadily almost every year since 2006 ("Consumer Price Index...", 2010), and has risen a full 16% since minimum wage was set at \$8.00 per hour (Ivanova, 2011). While the minimum wage remains at \$8.00, the "bang for the buck" is definitely eroding.

Minimum wage earners in BC account for about 4.6% of employed workers in BC and they must struggle to achieve a reasonable standard of living (Kirby, 2007). Who are these minimum wage earners? In terms of age groupings, 38% of minimum wage earners are between the ages of 15 and 19, while those aged 15-24 account for 58%. The remaining 42% are older than 24. Of the entire minimum wage earners, 64% are women. Over half of all minimum wage earners live at home with their parents while 14% of all minimum wage earners are unattached and have no dependants. Of the remaining 33% of minimum wage earners, 26% have a partner who is employed in 80% of those cases. Single parents account for 7% of all minimum wage earners (Kirby, 2007).

For the youth who live with their parents, raising the minimum wage may not impact their lives drastically. Some youth, however, may be helping with expenses in the home and, given that 72% of all high school students begin post-secondary studies at public institutions in BC within five years of graduating, many are saving for further education ("Movement Among...", 2008). Their earnings do affect the potential for accumulating education-related debt.

Post-secondary education cost an average of \$14,500 per year in 2003/04 (“Cost of...,” 2010). In BC, post-secondary tuitions fees have seem dramatic increases; undergraduate tuition fees increased 89.8% from 1999/00 to 2005/06 (“A Profile...,” 2010). Without considering taxes, student-loan interest rates, or any living expenses, a minimum wage-earning student would have to work for at least 45 weeks at 40 hours per week just to cover the cost of one year`s, or more accurately, eight months, full-time post-secondary education! BC youth interested in moving into higher paying jobs by completing undergraduate degrees are faced with the likelihood of accumulating high debt.

Minimum wage earners of any age who do not live with their parents face a high cost of living. The 7th Annual Demographia International Housing Affordability Survey reports that of the 272 cities in Australia, New Zealand, the US, the UK, Ireland, and Canada, ranked for the most severely unaffordable housing markets, Vancouver ranked 3rd, Victoria 18th, and Abbotsford 28th (Cox, Pavletich, 2011). Given that just over three quarters of all jobs in BC are located in the Lower Mainland and Vancouver Island, this means that most of BC`s minimum wage earners must deal with huge housing costs (“What are the Characteristics...,” 2006). They cannot afford to own a home and are faced with finding affordable rental accommodation in a province with high rents and an overall vacancy rate below the 2009 national average (“National Rental...,” 2009).

In terms of a living wage, the picture is bleak. A living wage is what a family of two working parents with two children requires to meet its basic living needs in terms of the actual cost of living. In Metro Vancouver, the living wage in 2010 was \$18.17 per hour. In Greater Victoria it was \$17.31 (Richards, Cohen, Klein, 2010). Minimum wage earning families cannot afford the bare bones of living: food, shelter, childcare, transportation, and health care. Single-

parent families face an even greater challenge with only one income. All minimum wage earners face hardships with an \$8.00 per hour wage. Any increase in wages would contribute to improving the cost of living.

Workers covered by collective agreements account for 31 % of workers in BC. These workers often work for larger businesses and do not receive minimum wage (Pendergast, 2009). These workers would not be affected by an increase in the minimum wage. Employers most likely to pay the minimum wage are small businesses. These employed 1,045,400 workers in BC in 2009. That is about 57% of the total full-time private sector labour force (“BC Small Business,” 2010).

In 2009, John Winter, President & CEO of the BC Chamber of Commerce commented on the BC Government’s Speech from the Throne. He said, “We are glad to see that the government has recognized that raising minimum wage is not a viable way to stimulate the economy; in so doing they have saved thousands of dollars in extra expenses to small businesses in the province who are already struggling to survive.” (Chamber of Commerce, 2009). Given his position, it seems that Winters was speaking for a large number of small businesses that have a direct interest in the minimum wage. Winters was, however, speaking for many businesses that do, in fact, already pay higher than minimum wage. Results of the 2009 BC Wage & Salary Survey show that the lowest reported starting wages paid of all 90-plus occupations surveyed were to those people employed as food counter attendants, kitchen helpers, and food and beverage servers. They were paid an average starting wage was \$9.48 per hour (Pendergast, 2010). The whole of the Accommodation and Food services sector, which has about half of its workers working as food counter attendants, kitchen helpers, and food and beverage servers, accounts for 3.5% of all the all of the small businesses in BC (“Small Business”, 2010). Contrary to Winters’s

comment, raising the minimum wage is not actually a major factor in stimulating the economy for most small businesses, or is it a major factor for causing extra expenses to small businesses in general.

For Accommodation and Food services businesses, however, raising the minimum wage could have negative effects. Roughly 44% of these businesses have fewer than 20 employees (Accommodations and..., 2010). For small enterprises that pay minimum wage, a higher payroll could easily impact either the number of workers employed, or the number of work hours allotted to individual employees. While a higher minimum wage would benefit Accommodation and Food services workers, the benefit could be offset if employers cut jobs or work hours.

For the BC government, the effect of raising the minimum wage is dependent on how much it continues to rely on service industries to buffer the ups and downs that occur in BC's goods industries. The goods industries of BC include resource-based industries such as agriculture, mining, forestry and other product-based industries. These industries are affected by international markets and events and so growth is uncertain and can be fast or slow. Service industries are more slow and steady in growth. From the government's perspective, any big changes to the service sector make the overall economy more vulnerable ("What Drives...", 2010). In order for the government to want to raise the minimum wages, it would want to be sure that it was not risking the stability of the service sector industries.

At a closer look, however, given that the service sector includes many more types of services than just Accommodations and Food services, the relevancy of the minimum wage to the entire service sector is negligible. Still, if the government put some focus on stabilizing goods industries it could be less fearful of changes within the service industries sector. Rather than continuing to give the current level of tax breaks to businesses, the government could make

some adjustments to the breaks while coupling a minimum wage increase with job training programs in goods-related businesses. It could also offer targeted short-term support for Accommodation and Food services businesses that experience interim problems. At the same time, the government could implement reductions in education costs to assist minimum wage earners in obtaining post-secondary degrees or diplomas. Minimum wage workers who become higher earners would stimulate the economy. New workers entering minimum wage jobs at a higher rate of pay would be less at risk for accumulating high debt or for living in poverty.

Raising the minimum wage would help alleviate the burdens of debt and basic survival for minimum wage earners. It would not adversely affect businesses in general but the Accommodation and Food services industry could be affected. The government could make adjustments to its tax policies for businesses and invest in job training and education. It could offer short-term relief for Accommodation and Food services businesses that might temporarily suffer. If the government took these steps it would not suffer negative effects from raising the minimum wage because, in time, it would manage economic instabilities and improve the economy.

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