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Submission to the Minimum Wage Advisory Panel

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Workers Action Centre

The Workers' Action Centre is a worker-based organization committed to improving the lives and working conditions of people in low-wage and unstable employment. We work with thousands of workers, predominantly recent immigrants, racialized workers, women, and workers in precarious jobs that face problems at work.

Parkdale Community Legal Services

Parkdale Community Legal Service is a poverty law clinic providing assistance and legal representation concerning employment standards, employment insurance, human rights and occupational health and safety cases. In addition, we work with communities in low wage and precarious work to improve labour standards.

Freedom 90

The Freedom 90 is an Ontario union of food bank and emergency meal program volunteers. Freedom 90 demands urgent action by the Government of Ontario to end poverty and make food banks and emergency meal programs unnecessary.

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Introduction

The Workers' Action Centre (WAC), Parkdale Community Legal Services (PCLS) and Freedom 90 work with people who struggle to get by on low wage work. We support workers who face unpaid wages in jobs with no benefits and little protection against violations of their rights. We welcome the opportunity to address the importance of a sound and fair minimum wage policy.

We are concerned because Ontario has become a low-wage economy. The number of workers earning minimum wage almost doubled between 2000 and 2009. Almost 1 in 10 Ontario workers struggle to get by on minimum wage jobs – almost 1 in 3 (28 percent in 2012) earn \$14.25 or less per hour (Block, 2013). The leading sectors in job growth are in the sectors where low wages predominate. Ontario workers' median wages have stagnated since the 1980s, while incomes for the top 1 percent grew by 71 percent (Hennessy & Stanford, 2013). Women, racialized, recent immigrants and young workers are over-represented in the bottom of our labour market. A decent minimum wage policy can begin to close the growing gap.

If minimum wages had grown since 1976 as fast as labour productivity has grown then minimum wages today would be \$16 an hour (Stanford 2010). Instead minimum wage earners working 35 hours per week are falling nearly 20 per cent below the poverty line as defined by Statistics Canada's low income measure (LIM)¹.

We believe that Ontario's minimum wage rate should be enough to bring workers above the poverty line and should be updated every year by the cost of living. That means bringing the minimum wage up to \$14.

The Purpose of Minimum Wage

Minimum wage was introduced in the early 1920s to protect women workers from employers who paid substandard wages. Minimum wage policy has continued to develop based on the principle that those at the bottom of the labour market lack bargaining power to secure fair wages and that it is the government's role to address that power imbalance by

¹The gap is 19 per cent and is derived from the difference between the \$10.25 minimum wage and the 2013 adjusted value of the pre-tax LIM for a 1-person household, using 2010 Statistics Canada data for low income measures thresholds (see: <http://www12.statcan.gc.ca/nhs-enm/2011/ref/dict/table-tableau/t-3-2-eng.cfm>).

regulating a minimum floor of wage standards. Society cannot rely on the labour market to provide such social minima. Employment standards seek to ensure employers provide safe working conditions and adequate wages so that a full-time worker can support herself. As Commissioner Harry Arthurs recommended in his Federal Labour Code Review, it is fair and decent to establish a minimum wage that would bring a worker who works full year full time out of poverty (Arthurs, 2006).

Minimum Wage Benchmarks – individual not household income

Like many others before us, we don't see raising the minimum wage as merely an anti-poverty initiative – although the impact of raising the minimum wage to \$14 an hour would make a substantial positive difference for minimum wage workers. Some commentators, however, argue that minimum wages are a blunt instrument for curbing poverty (Gunderson 2007; Ontario Chamber of Commerce 2013). This is based on two assumptions: it views minimum wage policy in isolation of a comprehensive set of strategies to address poverty; and second, that to view minimum wage as a poverty reduction strategy one must view minimum wage in relation to family income and family need.

Household Income Measurements are Gendered and Racialized

Historically women – and the children who depend upon them – have been systematically disadvantaged by erroneous notions of the male bread-winner model of family income. This framework assumed that women merely supplemented the largely adequate male-breadwinner wage. Notions of family income have masked the extent to which women *and* men have worked for wages that fail to alleviate poverty for themselves as individuals or for their dependents. Even during the boom of the post-WWII era racialized workers and newcomers were least likely to access the mythical “family wage” that would allow a single-earner to support a family.

For women, assumptions about access to household income under the male-breadwinner model have resulted in decades of women's subordination within the labour market and within domestic arrangements. The family income or household income framework assumes that income is shared equally within the household when in fact historically and at present this is not always the case. Moreover, this framework meant that women in domestic relationships were dependent upon their relationship for their economic well being; such dependence

often made it difficult for women to assert themselves within the relationship or escape unhealthy, abusive or violent situations. Indeed, a 2003 study reports that financial concerns are among the topmost frequently cited reasons for women not leaving an abusive and dangerous domestic situation (Anderson, Gillig, Sitaker, McCloskey, Malloy, and Grigsby 2003).

Low-income racialized workers are more likely than their non-racialized counterparts to live with family members. Among other factors, low income may constrain domestic arrangements.

For poor non-racialized persons, the number was much lower (58%). In other words, only 19% of poor racialized persons did not live with any family members compared to 42% of poor non-racialized persons. (NCW 2012, 4)

Changing Demographics

According to 2010 Statistics Canada data, fully 25 per cent – one in four – of all low-income Canadians who were under the age of 65 were reliant on a working poor individual who was the household’s main breadwinner (HRSDC 2013c).

Moreover, Statistics Canada reports that, between 1981 and 2006, the number of single-parent families with children living at home increased by 55 per cent (HRSDC 2013a).

This trend adds depth to a 1999 study comparing the impact of family changes and labour market changes on children’s entry and exit from poverty. The study showed that “a separation in a two-parent family ‘near’ the low-income cut off² increased *eleven-fold* the likelihood of a child entering low income” (Picot, Zyblock & Pyper 1999, 20; emphasis added). The study clearly shows that lower-income households, although technically above-poverty, are at a far greater risk of falling into poverty if the domestic situation changes.

² In this study, the threshold for “near poverty” was calculated at between 1 and 1.5 times the after-tax low-income measure in play at the time of the study. NB: Our proposal for a \$14 minimum wage would generate income only 1.1 times the pre-tax LIM for a single person.

It must also be remembered that women are predominantly at the head of single-parent households just as they are more likely to be minimum wage earners. A recent report by the Wellesley Institute (Block 2013) shows that women – and especially racialized women – are more likely to be working for minimum wage than their male counterparts (Block 2013, 2-3). Moreover, women who are recent newcomers are nearly 300 per cent more likely to be working for minimum wage than the total population (2013, 4). This data highlight the vulnerability of such women in the labour market, in their domestic relationships and as unattached individuals. Although it is no longer fashionable to suggest directly that women ought to be dependent on their domestic arrangements for their economic survival, dismissing the urgent need to increase the minimum wage based on the presupposed implications of workers' domestic status is clearly a variation on a pernicious male breadwinner / household income paradigm.

Above Poverty Line Wages can Mitigate Compulsory Dependence

We also know that compulsory dependence constrains the choices of young and elderly workers as well, making them more vulnerable to unhealthy domestic relationships. Basing employment and labour market standards on the presumed consequences of individuals' domestic arrangements is poor public policy, and retrograde not only by today's standards, but also in light of this country's changing family demographics.

Statistics Canada reports that the number of people living alone has been steadily increasing for the past fifty years (HRSDC 2013b). In fact, between 1961 and 2011, the number of people living alone has grown by about 300 per cent. Today, more than 27 per cent of "households" are comprised of one, lone person – and it is the fastest growing household size. Yet the income afforded by Ontario's minimum wage provides a full-time worker with an income that falls nearly 20 per cent below the low-income measure (LIM) for single person³.

A modern approach to employment standards must consider workers as the individuals they are, both in the workplace and at home. Minimum

³The 19 per cent gap is derived from the difference between the \$10.25 minimum wage and the 2013 adjusted value of the pre-tax LIM for a 1-person household, using 2010 Statistics Canada data for low income measures thresholds (see: <http://www12.statcan.gc.ca/nhs-enm/2011/ref/dict/table-tableau/t-3-2-eng.cfm>).

earnings from full-time work – at least 35 hours weekly – must generate income above the poverty line. Employers must strengthen their business models to ensure they are predicated on meaningful minimum employment standards, including above poverty line wages.

Raising the Wage Floor Strengthens the Economy for All of Us

Advancing a business model predicated on a minimum wage above the poverty line is consistent with business interests. As labour economist Jim Stanford explains:

Employment is a derived demand, dependent on sales of whatever good or service workers produce. Their employment depends mostly on whether there's enough demand for their output, so that their employers can profitably produce it. That, in turn, depends on a whole stable of economic variables, macro as well as micro – not least including whether working families have the purchasing power to buy back the stuff they produce. (Stanford 2011)

Thus, by raising aggregate demand, a fair wage floor has the potential to actually stimulate the economy. As Stanford notes:

... higher minimum wages generate broader economic benefits, spurring more labour force participation by marginalized groups and resulting in less turnover and more job stability in low-wage jobs. (Stanford 2010, 18)

In fact the literature shows that minimum wage increases have had little impact on employment rates, despite making a significant improvement in the lives of minimum wage earners. In a Campaign to Raise the Minimum Wage Backgrounder (2013) we noted the following:

Recent research has toppled assumptions that increasing the minimum wage causes job loss. Over the past two decades, academic research has found that minimum wages increases did not lead to job loss, even during periods of high unemployment (Schmitt 2013, 22-23).

Most provinces and territories in Canada increased their minimum wages during the recession of 2007-2009 without attributable job loss. In fact, Ontario increased its minimum wage from \$7.75 to

\$10.25 and added almost 150,000 jobs to the sales and service sector between 2006 and 2012, where minimum wages dominate (Hennessy and Stanford 2013, 12). Research in the U.S. found that increasing the minimum wage during the same period did not worsen employment or slow re-hiring (NELP 2011).

In 2012, corporations with over 500 workers employed almost half of all minimum wage workers in Ontario (Yalnizyan 2013). Companies like Pizza Pizza increased profits by 37 percent last year (*The Globe and Mail* 2012). Many of these corporations continue to accumulate considerable profits while their workers struggle to make ends meet. A recent report found that Canadian corporations are hoarding nearly \$500 billion in unused funds, rather than using that money to re-invest in the economy to help create jobs or provide higher wages for their workers (CLC 2013, 1-2). Many of these same corporations continue to demand that provincial governments keep corporate tax rates low for their own benefit.

In this context, government action to stimulate domestic demand is critically important to the economy. Successive corporate tax cuts have failed to generate the kind of investment that will drive job growth (CLC 2013, 1-2). At the same time, job insecurity, wage stagnation and high personal debt levels collude in depressing consumer demand which is responsible for over half of Canada's annual GDP. As a Bank of Montreal briefing paper warns:

... it's unlikely that consumers will continue to be the drivers of growth we've seen over the past few years. Complicating matters further, household consumption accounts for about 54% of GDP...

Business investment is held up as one of the two great hopes for the Canadian economy. Corporations are sitting on a significant stock of cash, which Bank of Canada Governor Carney has called "dead money". But, with the U.S. economy still growing modestly⁴, domestic prospects looking dim, commodity prices below year-ago

⁴ It should be noted that this BMO briefing note was published *prior* to the 16-day shutdown of the US government which is estimated to have cost the US economy about \$24 billion or \$1.5 billion daily (Rushe 2013). It is widely acknowledged that this shutdown will likely weaken already sluggish American economic growth.

levels, ... there's little reason for business to ramp up spending in the near term. Indeed, Statistics Canada's report on capital spending intentions showed businesses only plan a 0.8% increase in investment this year. (Reitzes 2013, 1-2)

In light of all this, the time is right to ask government to stimulate economic demand by increasing the wages of the most vulnerable workers. It's time for businesses to play their part in improving the quality of jobs and strengthening Ontario's economy. After all, what business needs most are customers. Without customers and purchasing power, there can be no business growth.

Conclusion

Raising the minimum wage will help close the wage gap between racialized and non-racialized workers, between newer and longstanding citizens, and between women and men. It will modernize our province's employment standards by better reflecting demographic trends and discarding archaic and misleading misconceptions about household income. Far from being a "blunt instrument" as a poverty reduction tool, raising the wage floor is actually an effective multi-purpose policy tool that addresses a series of labour market disparities while simultaneously stimulating and strengthening the economy in the interests of all Ontarians. In short: Ontario's workers and Ontario's economy need a raise. Increasing the minimum wage to \$14 an hour has the potential to begin addressing a variety of labour market disparities.

Recommendations:

- 1) The minimum wage should bring workers above the poverty line. The minimum wage should be set 10% above the before-tax Low Income Measure
- 2) The minimum wage should be calculated based on a 35-hour week. Ontario's hourly paid employees work, on average, less than 35 hours a week. We should use 35 hours as a benchmark.
- 3) The minimum wage should be updated every year with the cost of living and reviewed to ensure 10% above LIM benchmark.
- 4) No worker should be exempted from receiving minimum wage. Currently farm workers and others are exempted from minimum wage under the Employment Standards Act.

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