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SUBMISSION TO THE MINIMUM WAGE ADVISORY PANEL

 **POVERTY**
GUELPH & WELLINGTON TASK FORCE FOR
ELIMINATION

ABOUT THE AUTHORS

An ad-hoc committee of the Guelph & Wellington Task Force for Poverty Elimination compiled this report for Poverty Elimination. Members of the committee include:

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INTRODUCTION

The Guelph & Wellington Task Force for Poverty Elimination works collaboratively, informed by diverse voices of experience, to support local action and to advocate for system and policy changes to address the root causes of poverty. The Poverty Task Force (PTF) recognizes that employment is commonly understood as the first line of defense in protecting people from falling into poverty, but we are also very aware that a single-person working full-time at a minimum wage job barely rises above the Low Income Measure (LIM). The PTF is providing this submission to the Minimum Wage Advisory Panel because we believe that the minimum wage needs to support working individuals with the necessary financial resources to meet their material and immaterial needs.

The PTF submission provides information about who is making a minimum wage in Ontario, whether or not increases to the minimum wage should be considered as part of a poverty reduction strategy, and demonstrates how the approach of the living wage can help shift the conversation about the minimum wage. Finally, the submission provides feedback in response to the Minimum Wage Advisory Panel Consultation Paper. Specifically we recommend that the Ontario government increase the minimum wage at 6-month intervals starting immediately until the minimum wage is \$13/hour by January 2016. Moving forward from there, the minimum wage should be adjusted annually to 50% of Average Weekly Earnings (AWE).

WHO IS MAKING A MINIMUM WAGE

A report, *Minimum Wage Increases as an Anti-Poverty Policy in Ontario* (2009), created a profile of low wage earners and poor households in Ontario using data from Statistics Canada's *Survey of Labour and Income Dynamics* for 2004. The data uncovered that a large proportion of low wage earners were young and tended to live with other relatives that typically had an income adequate to compensate (Mascella, A., Teja, S. & Thompson, B. 2009). It was also reported that women represented a substantial majority of low wage earners, as well as individuals who stated school as their major activity, and households headed by single mothers (Mascella, A., et al., 2009).

A more recent report, *Who Is Working for Minimum Wage in Ontario* (2013), confirmed these findings, noting that the share of employees at minimum wage tends to be higher for women and those aged 15 – 24 years (Block, S., 2013). In addition, the report found that shares of employees at minimum wage are high for those who are immigrants, recent immigrants and racialized (Block, S., 2013).

POVERTY REDUCTION, INCOME INEQUALITY & MINIMUM WAGE INCREASES

As part of Ontario's commitment to renew its Poverty Reduction Strategy, the government released a consultation handbook highlighting some of the key accomplishments of the first Poverty Reduction Strategy. Included is the fact that the government has implemented seven increases to the minimum wage, from \$6.85 to \$10.25/hour since 2003 (Government of Ontario, 2013). While the increases to the minimum wage were defined five years before the Poverty Reduction Strategy was launched, the reasoning was similar. According to the Ontario government, increases to the minimum wage from 2004 to 2010 were a key component of a larger strategy to reduce poverty in the province (Mascella, A., Teja, S. & Thompson, B. 2009).

While research on the impact of increases to the minimum wage on the incomes of poor households demonstrates an opportunity to close the gap on income inequality, there is little to suggest that it is an effective strategy to reduce poverty. A 2009 study found that only a small proportion of poor households will see any increase in income as a result of increases to the minimum wage (Mascella, A., Teja, S. & Thompson, B. 2009). This is primarily because many workers affected by minimum wage increases actually belong to high-income families (Mascella, A., et al. 2009).

Increasing the minimum wage is an important policy tool to reduce inequality, but should not be confused with an effective strategy to reduce poverty. The provincial government needs to target poor households on a total income basis, rather than target low wage earners to successfully reduce the number of Ontarians living in poverty. The Ontario Child Benefit, which helps more than half a million families provide everyday necessities to over 950,000 is a good example of this (Government of Ontario, 2013).

THE MINIMUM WAGE VS. THE LIVING WAGE

The living wage is defined as “the hourly rate at which a household can meet its basic needs, once government transfers have been added to the family’s income and deductions have been subtracted” (Ivanova, I. & Klein, S., 2013). The living wage was recently calculated at \$15.95/hour for Guelph and Wellington (Ellery, R. & Muruvi, W., 2013). Ideally the minimum wage would be a living wage. Instead, there are several key differences between the minimum wage and the living wage, which are highlighted below:

Table 1 – Differences Between a Statutory Minimum Wage and a Living Wage (Brennan, J., 2012)

Category	Minimum Wage	Living Wage
Objective	Wage floor/poverty threshold Material needs	Minimally decent quality of life Material and immaterial needs
Wage Level	Relatively low	Relatively high
Coverage	Broad and encompassing Entire labour market	Narrow and focused Specified in the agreement
Indexed to Inflation?	Not usually	Yes
Sensitive to Changes in Social Programs or Employer Benefits?	No	Yes

Currently the approach to discussions about the adequacy of the minimum wage tends to remain focused on “the lowest amount we can pay workers that’s politically acceptable” (Hennessy, T., 2012). The ultimate aim of the minimum wage, it is argued, “is to eliminate the serious social and political consequences flowing from material deprivation and economic exploitation” (Brennan, J. 2012). This approach needs to change and should take note from discussions regarding the living wage.

A recent commentary from the Canadian Centre for Policy Alternatives argues “the idea of a living wage allows for a different conversation than talking about the minimum wage on its own generates...When we start the conversation about what it takes for a family to meet basic needs, the question of pay gets situated within a very human dynamic” (Hennessy, T., 2012). If the Government is committed to closing the gap on income inequality and lifting people out of poverty, the conversation about the minimum

wage needs to change and looking to discussions about the living wage for direction is a good place to start.

RESPONSE TO 'A CONSULTATION PAPER ON ONTARIO'S MINIMUM WAGE'

The Minimum Wage Advisory Panel has requested feedback on the document 'A Consultation Paper on Ontario's Minimum Wage.' The following responses were collected from members of an ad-hoc committee of the Guelph & Wellington Task Force for Poverty Elimination.

1. In addition to these factors¹, are there other factors the Ontario government should consider in reviewing the minimum wage?

The Ontario government needs to move beyond a focus on material deprivation when determining the minimum wage to consider overall adequacy of income required to meet a standard of living that includes material and immaterial needs.

2. Should Ontario's minimum wage be tied to an economic indicator such as the rate of inflation, average weekly earnings, or any other indicator?

The Poverty Task Force recommends that the Ontario government increase the minimum wage at 6-month intervals starting immediately until the minimum wage is \$13/hour by January of 2016. Moving forward from there, the minimum wage should be set at a rate of 50% of Average Weekly Earnings (AWE).

This approach was chosen over tying the minimum wage the Consumer Price Index (CPI) with the understanding that a possible economic downturn could result in a continued increase of the minimum wage while other wages decrease.

¹ Economic conditions in the province, including job growth, unemployment rates, average wages, and family incomes; The cost of living, including taxes and average household expenditures; The characteristics of minimum wage earners, including their age, sex, family status, industry and employer size; The overall impact of previous minimum wage increases on low wage earners, including employment levels and hours of work; The overall impact of previous minimum wage increases on business, including business productivity by sector and industry; Trends and developments related to minimum wage in other jurisdictions, including the analysis of approaches and mechanisms used in those jurisdictions; and Results from consultations with stakeholders, the public, and other departments in government.

3. Are there any other mechanisms Ontario could consider implementing to determine future adjustments to the minimum wage?

If the minimum wage was tied to Average Weekly Earnings, adjustments should take place annually.

4. How often should Ontario review the minimum wage?

5. Should there be a mandatory periodic review of Ontario's minimum wage? If so, how often should such a review occur, and what format would the review take?

An ongoing advisory panel or review committee is an unnecessary use of resources. Once the minimum wage is tied to Average Weekly Earnings, there should be no reason to review the minimum wage on a regular basis. Rather, a review could take place every 10 years to ensure that the minimum wage is achieving the desired outcomes.

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