

Submission to Ontario's Minimum Wage Advisory Panel



Response from the London's Child and Youth Network

Introduction

London's Child and Youth Network, a collaboration of over 170 local agencies and individuals dedicated to doing what is best for children, youth and families, is pleased to respond to the Minimum Wage Advisory Panel's call for recommendations on adjusting Ontario's minimum wage in the future. This submission follows previous poverty policy submissions including papers recommending changes to social assistance in Ontario and the introduction of a Housing Benefit in Ontario. These policy responses advocate for systems-level change to achieve income security.

We commend the Provincial government for continuing to address the issues that contribute to poverty in our communities. We appreciate the progress that has been made in supporting the working poor through changes and enhancements to tax credits and benefits¹, raising the minimum wage, and enforcing employment standards, to name a few.

We understand that the link between minimum wage and poverty is complex. Not all people who earn minimum wage live in poverty. In 2006, 15 percent of Ontario's workers earned minimum wage or less², and of those, approximately 25 percent may be estimated to have been living in poverty³. Although minimum wage is a blunt anti-poverty policy instrument, research in the United Kingdom has shown that the introduction of a national minimum wage reduced wage inequality between middle and low-earners and improved overall labour market outcomes and reduced income inequality^{4,5}.

We maintain that there are economic benefits to ensuring that workers are able to sustain an adequate standard of living and narrowing income inequality. Data from Ontario workers shows that workers who are poor have worse health than workers who are not poor⁶. Workers with poorer health may need more sick days or have a more difficult time being productive⁷. They are more likely to need to access the health care system. A minimum wage that is adequate today and a rational process for ensuring its adequacy in the future will help workers and businesses.

Purpose of Minimum Wage

Minimum wage is intended to ensure a minimum standard of living for employees and to create a wage floor for the labour market. (Ministry of Labour)

Earnings Gap

\$350 to \$1,700

The lowest and the highest average weekly earnings, including overtime, in Ontario in 2012.

Accommodation and food services, and Arts, entertainment and recreation are at the bottom end.

Utilities, and Mining, quarrying, and oil and gas extraction are at the top end.

Business Benefits when Workers are Income Secure

Businesses benefit when workers are healthier. Adequate compensation, access to benefits, training, and pension and retirement savings all contribute to a more productive workforce.

¹ Scenarios of total after tax annual income, including employment income from full-time minimum wage earnings plus tax transfers and credits for various family types show that the tax credits and transfers increased available monthly income by between \$90 and \$1,000 per month, depending on family type.

² Estimates based on the proportion of Ontario workers earning minimum wage or less in 2006 (Gunderson) and applied to 2012 labour force estimate total employment numbers (excluding self-employment) for the London CMA.

³ Estimate based on the proportion of minimum wage workers who lived alone or with a non-relative, were sole support parents, or were a couple family where one or both earned minimum wage or less in 2006 (Gunderson) and therefore assumed to be living in poverty.

⁴ Plunkett, J. and Hurrell, A. Fifteen Years Later. A Discussion Paper on the Future of the UK National Minimum Wage and Low Pay Commission. July 2013.

⁵ Manning, A. Minimum Wage: Maximum Impact. Resolution Foundation. 2012

⁶ Block, S. Rising Inequality, Declining Health. Wellesley Institute. July 2013.

⁷ Mani, A. et. al. Poverty Impedes Cognitive Function. Research Article published in Science. August 2013.

The effect of minimum wage increases on employment is arguable. We acknowledge that in a time of economic uncertainty, there may be risks that come with raising a minimum wage too fast or too high⁸; however, we also believe from the results of two recent meta-studies analyzing minimum wage research since the early 1990's to 2011, that business response to minimum wage occurs in a number of different ways such that the employment prospects of low-wage workers are minimally affected⁹.

Minimum wage on its own is not enough to move low wage workers who are also living in poverty out of poverty. They need to have access to health benefits including dental and extended health care. They need to be able to have the opportunity to opt into a retirement savings or pension plan and they need to be able to participate in training and development. Small business that may not have the means to provide workers with higher wages, benefits, training, or access to pensions and retirement savings plans, need to be supported in providing these.

The Child and Youth Network's responses to the Minimum Wage Advisory Panel's questions on adjusting minimum wage in the future are research-based and incorporate input from a wide range of stakeholders in the community including poverty advocates, business, employment and social service providers, and municipal bureaucrats.

While this submission focuses on providing direct responses to the questions posed, the Child and Youth Network encourages the various Provincial ministries to work with each other, with other orders of government, with academics and experts, and with business to take steps to improve the situation of workers who are living in poverty because they are low paid, who have little stability or protection from their employer, who do not receive the training necessary to build and maintain a productive labour force, who are unable to save for retirement, and who do not have access to health and dental benefits that are needed to support healthy aging.

An adequate minimum wage

Although this question was not asked by the Commission, the CYN respectfully submits that the Province needs to establish an adequate initial minimum wage benchmark as a starting point to ensure that it is fair to begin with and continues to be fair¹⁰.

- There is much debate about what is adequate. By establishing the Low Income Measure (LIM) as the benchmark to measure poverty, Ontario has implicitly identified the LIM as the measure of adequacy.
- Based on this, Ontario's minimum wage should be at a level that an individual who works full-time, full year, whether that be in one job or multiple, is able to achieve this minimum standard.
- The province will need to consider whether or not to factor tax transfers and credits in the minimum wage calculation and review as this is a philosophical stance. Excluding tax transfers and credits in the calculation places the responsibility for ensuring that minimum wage is adequate to achieve a minimum standard of living on employers. By including tax transfers and credits in the calculation, the responsibility for ensuring that full-time minimum wage workers are able to achieve a minimum standard of living is shared by government and employers.

*An adequate income for a minimum standard of living, based on the LIM, means having an annual after tax income of \$19,930.
(Statistics Canada. Low Income Measures)*

Factors Considered in Reviewing Minimum Wage

The government currently considers the following factors:

- *Economic conditions*
- *Cost of living*
- *Characteristics of minimum wage earners*
- *Impact of previous minimum wage increases on earners and on business*
- *Minimum wage trends and developments in other jurisdictions*
- *Results of consultations*

⁸ Gunderson, M. Minimum Wages: Issues and Options for Ontario. February 2007.

⁹ Schmitt, J. Why Does the Minimum Wage Have No Discernible Effect on Employment? February 2013.

¹⁰ Battle, K. Restoring Minimum Wages in Canada. Caledon Institute. April 2011.

Factors to be considered when reviewing the minimum wage

In addition to the many factors currently considered by the government when analyzing the minimum wage, we believe that additional factors should be considered:

- Poverty measures and indicators: Tracking poverty among workers provides an indicator of the combined adequacy of minimum wage and tax transfers and credits in ensuring that workers are able to achieve a minimum standard of living in our society.

The review process

- An independent advisory committee such as the United Kingdom's Low Pay Commission should support the review and provide recommendations to the government of the time. This allows for evidence-based and arms-length reviews.
- The advisory panel should include labour, employer and employee representatives, particularly those most affected by changes in the minimum wage. It should also include economists. The diversity allows for a range of perspectives. The inclusion of economists supports an evidence-based approach to the review.
- The review recommendations should be made public in order that the minimum wage review and adjustment process is accountable.
- Reviews should include opportunities for broader consultation, and input from firms in low-paying sectors should be sought specifically.

Mechanisms to determine future adjustments

- Future adjustments to the minimum wage should be tied to changes in cost of living and poverty lines in order that the minimum wage continues to ensure a minimum standard of living for employees and in order that minimum wage workers are able to provide for their families in the future.

Period of review

- While review by an independent advisory panel and open process is important, it is also necessary to be cognizant of the potential cost of extensive review. For this reason, reviews every two to three years may be appropriate.
- Minimum wage increases should be based on the results of the scheduled reviews. Reviews should be announced at least one year prior to occurring in order for business to begin preparing for changes to the minimum wage.

Conclusion

People working in minimum wage employment should be able to achieve income security. While tax transfers and credits are making a difference in the ability of low income workers to achieve a minimum standard of living and move out of poverty, there is still room for improvement.

Setting an adequate minimum wage and establishing a process for reviewing it has implications beyond workers and employers. It also affects social assistance as social assistance rates tend to be tied to minimum wage rates. Establishing a grounded, transparent, and fair process for establishing and adjusting minimum wage is an important step in addressing poverty. It is a system-level change that is needed to break the cycle of poverty.

The CYN recommends the following:

- The Minimum Wage Advisory Panel should begin by recommending a minimum wage that provides for a minimum standard of living for employees in determining the benchmark minimum wage that is to be used for future minimum wage increases. In setting this benchmark, the Advisory Panel should reference the Low Income Measure threshold as this is the poverty measure used by the Province in its Poverty Reduction Strategy;
- Future adjustments to the minimum wage should be tied to changes in cost of living and poverty lines in order that families working in minimum wage jobs are able to provide for their families and so that the value of the minimum wage is protected over time; and
- Establishment of an independent advisory committee that is diverse and includes labour, employers, employees, particularly those most impacted by minimum wage policy, and economists to review the minimum wage every two to three years, scheduled at least one year in advance, and to provide recommendations to the government and the general public based on the result of these reviews.

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