

Raising the Bar

Revisiting the benchmark question
for Ontario's minimum wage

Kaylie Tiessen





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Raising the Bar:

Revisiting the benchmark question for Ontario's minimum wage

Executive Summary

In 2014, Ontario's minimum wage reached \$11 an hour—the highest inflation-adjusted level in recent history. At the same time, the current minimum wage would have to increase by 25% to meet the standard set in 1976, when a minimum wage job actually meant a low-wage worker earned an income 1.3% above the poverty line.

The steady increase in low-wage and precarious work means that a growing number of Ontario workers are feeling the pain of earning below-poverty wages. The province's labour market is undergoing a fundamental restructuring that has seen a significant increase in low-wage and precarious work:

- 11.9% of all Ontario workers are working in jobs that pay the minimum wage or less.
- 29.4% of all workers earn under \$15 an hour.
- 44% of workers in the Greater Toronto and Hamilton Area face some kind of job precarity—low wages, part-time work, temporary work, and/or no benefits.
- Middle-skilled and middle-income jobs are disappearing—the share of workers earning between \$30,000 and \$60,000 a year in Ontario has decreased by 4.2 percentage points between 2000 and 2011, while

the share of workers earning below \$30,000 a year has actually increased by 3 percentage points.

At the same time, a survey of the literature indicates that the minimum wage is on the rise around the world. The author outlines numerous examples of cities, states, and countries that have raised the minimum wage to enable vulnerable workers to meet their basic needs.

The Ontario government has also been under steady pressure to raise the minimum wage. It responded to that pressure by striking the Minimum Wage Advisory Panel in June 2013. The panel was tasked with reviewing Ontario's current approach to setting the minimum wage and providing advice on how it should be set and adjusted moving forward.

This paper outlines the panel's consultation process and final report, and finds that the panel's recommendations sidestepped a very important question in the minimum wage discussion: What is an appropriate benchmark for setting the minimum wage?

When Ontario passed new minimum wage legislation in 2014, the government followed the panel's first recommendation and chose to tie the minimum wage to inflation. Unfortunately, the government also chose to avoid the benchmark issue, by simply adjusting 2010's arbitrary rate of \$10.25 per hour by inflation.

Benchmarking: How Ontario's minimum wage stacks up

This report offers a detailed analysis of how an \$11/hour minimum wage falls far short of the poverty line and other suggested benchmarks, such as productivity gains, the average industrial wage, and the living wage.

Minimum wage and the poverty line

- If Ontario's minimum wage were benchmarked to the poverty line, it would have to increase by 25% to meet the standard set in 1976, when a minimum wage job actually meant a worker earned an income that was 1.3% above the poverty line.
- A full-time job at Ontario's current minimum wage leaves a worker earning well below the poverty line, at about 81% of the low-income measure for Ontario.

Minimum wage versus productivity levels

- In real terms, the minimum wage has fallen and risen based on political whims since 1975, but it has not made any real gains since that year. Meanwhile, although productivity levels vary by sector, on the whole labour productivity has risen steadily. Increasing the minimum wage to only \$11 per hour does little to close the gap.

Minimum wage versus the average industrial wage

- Since 1997, Ontario's average industrial wage has been increasing faster than the minimum wage (at that point the minimum wage had been frozen at \$6.85 for two years and would remain frozen for five more years).
- Setting the minimum wage to within 50% to 60% of the average industrial wage was once common practice—a policy that recognized the inherent value of all work in an economy. An \$11/hour minimum wage is only 44% of the current average industrial wage. Tying it to within 60% of the average industrial wage would bring it up to \$14.94/hour.

Minimum wage versus living wage

- The ultimate test of the adequacy of the minimum wage is how it compares to what it takes to actually earn a decent living. The living wage takes into account the cost of the basic necessities in different communities—rent, transit, food, and child care—that a working family must have to get by.
- The living wage that has been calculated for a number of communities across the province, including Halton, Hamilton, Guelph, Peterborough, Waterloo Region, and Kingston, range from \$14.15 to \$18.52 per hour. Even with steady increases between 2004 and 2010, Ontario's minimum wage currently falls far short of the cost of living in communities across the province.

Way forward

Although the Minimum Wage Advisory Panel's recommendations fell short of suggesting a benchmark for the minimum wage, the panel suggested in

the conclusion to its final report that pivoting to a high-wage strategy, complete with a robust minimum wage, is a necessary policy move.

In the absence of such a strategy, workers will continue to face suppressed wages, employment precarity, and an erosion of purchasing power. This, in turn, would further erode the strength of Ontario's economy. In contrast, having less income inequality and higher wages at the lower end of the labour market would be highly valuable in a consumer-driven economy like Ontario. If consumers do not have the money necessary to purchase the products and services the marketplace offers, who else is going to buy them?

The report concludes that the only way to pursue the higher-wage strategy recommended by the Ontario Minimum Wage Advisory Panel is to revisit the question of a robust benchmark upon which to set Ontario's minimum wage.

Ontario's current government still has an opportunity to address that and to propose new legislation.

Introduction

The minimum wage debate has been heating up around the globe. From Cambodia to the United States of America, from Ontario to British Columbia, policymakers, economists, business people, and low-wage workers are all talking about the minimum wage.

The province signed its first minimum wage into law in 1920 to protect women in the workplace, specifically in the garment industry, from exploitation in the labour market. At the time, it was a common assumption that the labour movement would protect most men in the labour force.¹

Since then, the nature of work has changed. Only 28% of workers in Ontario are protected by collective agreements² and wage suppression as a profit-enhancing tool has become common practice. Even so, the fundamental principle behind minimum wage legislation remains the same: to protect low-wage workers from being exploited in the labour market.

Today, Ontario's labour market could use a nudge to ensure fairer wages for those at the lowest end of the income spectrum. A full 11.9% of all workers are working in jobs that pay the minimum wage or less. And if we broaden the scope to encompass all low-wage work, that is, work that pays less than poverty line wages, almost 30% of all workers in the province earn less than \$15 per hour.³

Furthermore, almost 44% of workers in the Greater Toronto and Hamilton Area face some form of precarity, including at least one of the following: low wages, part-time work, temporary work, or no benefits. That means that only 56% of employees are experiencing the traditional employment relationships that offer the stability and security necessary to plan one's life.⁴

Ontario's labour market is undergoing a fundamental restructuring that has seen a significant increase in low-wage and precarious work. At the same time, the portion of middle-skilled and middle-income jobs is shrinking. The share of workers earning between \$30,000 and \$60,000 a year in Ontario has decreased by 4.2 percentage points between 2000 and 2011, while the share of workers earning below \$30,000 a year has increased by 3 percentage points.⁵

In 2010, Ontario's minimum wage reached \$10.25 per hour—the highest inflation-adjusted level in recent history. When benchmarked to the poverty line, the minimum wage would have to increase by 23% to meet the standard set in 1976, when a minimum wage job meant a low-wage worker earned an income that was 1.3% above the poverty line. Furthermore, the steady increase in low-wage work means that a growing number of workers were feeling the pain of earning below-poverty wages.

By 2013, low-wage workers in Ontario were starting to get restless. Two long bouts of minimum wage freezes resulted in a significant loss of purchasing power, and workers were forced to juggle multiple jobs in an attempt to make ends meet.

In response, a provincial grassroots campaign emerged to advocate for a \$14/hour minimum wage—one that ensured full-time, full-year, minimum wage work would pay above the poverty line. This move kick-started a heated provincewide debate about the minimum wage, raising questions such as:

- What is the effect on employers when the minimum wage is raised?
- What is the effect of a wage increase on workers?
- What is an appropriate benchmark for the minimum wage?
- What can an employer afford to pay?
- What level of income is adequate for an individual or family to live on?

This paper analyzes various responses to these questions, including the provincially appointed panel's report on the issue, and proposes a way forward.

The Ontario Minimum Wage Advisory Panel is struck

In Ontario, the government responded to growing pressure to raise the minimum wage by striking the Minimum Wage Advisory Panel in 2013. With a mandate to examine the province's policy on the minimum wage and provide advice on how to determine minimum wage increases in the future, the panel set out to consult the public and scan the literature for the best policy approaches to minimum wage legislation.

The panel heard from a wide variety of individuals and groups with a diverse set of opinions. In total, it received 432 submissions, including 92 in-person presentations⁶.

Submissions to the panel covered a lot of ground and included a number of suggestions for an appropriate benchmark for Ontario's minimum wage. Some suggested that the minimum wage should be increased so that no individual working full-time, full-year lives below the poverty line.

The Canadian Centre for Policy Alternatives-Ontario proposed in its submission that the benchmark should tie the minimum wage to within 60% of the average industrial wage. This would reaffirm the value of all work and ensure that low-wage workers are more fairly paid relative to other workers in the labour market. It would also ensure that full-time work is a pathway out of poverty.

Some recommended setting the minimum wage relative to productivity. The panel deemed this idea to be an impossible task, given that productivity measures vary widely from industry to industry.

Still others preferred the \$10.25 status quo, yielding only to the suggestion that any increases to the minimum wage should be tied to inflation to maintain the current real value of the minimum wage.

Arguments were based on the predicted effect of a minimum wage increase on Ontario's economy, employment rates, worker well-being, poverty rates, and the goal of provincial prosperity. The main arguments for a higher minimum wage included making work a pathway out of poverty, boosting the purchasing power of low-wage workers to give the economy a much needed cash injection, and increasing worker productivity. The main arguments against a higher benchmark included the possibility of a negative employment effect and the potential effect on businesses' bottom lines.

The possible economic effects of an increase to the minimum wage have been researched extensively. A literature review prepared for the panel by the Ministry of Finance and included in the panel's final report found that the possible effects of a minimum wage increase are wide ranging and, in

some cases, highly ambiguous. Areas of research included effects on employment and hours, employee turnover, and overall rates of poverty in society.

When it comes to employment, the literature review reported that early research on the minimum wage found that increases to it tended to have a negligible negative impact on the employment rate of teenagers. Focusing on more recent research, however, the literature review concluded that results tend to be conflicting in nature—either adverse effects or no adverse effects. The results found depended largely on how the data was analyzed.

The literature review also noted that an increase in the minimum wage may have a small negative effect on the number of hours worked. But that review misses an important point: an increase in the minimum wage, coupled with a slight reduction in the number of hours worked, is likely to lead to an increase in well-being. Since workers have received an overall pay increase, despite the decrease in hours, they will have more time off to spend with their families or to look for a better job.

Another point that was alluded to, but effectively glossed over in the review, is the following: overall, any employment effect that may or may not result from a minimum wage increase is largely offset by positive effects on worker well-being, firm productivity, business innovation, and reduced income inequality.

Every business is a complex entity with the ability to respond to an increase in costs in a number of ways. The most obvious may be to reduce employment, but reducing employment is not the only option—and it can be detrimental to a business's bottom line to do so. As Schmitt 2013 points out, businesses have other options: they can reduce profits, compress wages, or even adjust their business model to improve efficiency⁷. Increasing the minimum wage may also lead to a reduction in employee turnover, which leads to lower training and hiring costs.

Furthermore, any increase in the minimum wage leads to increased purchasing power for low-wage workers, which means increased demand for products and services offered by local businesses. In an era of lagging business investment, coupled with a government austerity agenda, economic growth has to come from somewhere.⁸

Another important question in the Ontario context is the impact of a minimum wage increase on poverty. Ontario is one of only a few jurisdictions in Canada to have implemented a poverty reduction strategy. The panel was struck as a part of the government's commitment to reduce poverty in Ontario. Government has a clear role in this regard, but so does the business

community—particularly given the oft-repeated refrain that the best path out of poverty is a job.

The Panel Releases its Report

The panel's report concluded that the effect of a minimum wage increase on the poverty rate is ambiguous, citing research that found either negative effects on poverty or no effect at all. Unfortunately, the report missed a number of important points on the topic. First, although a minimum wage increase for a worker not working full-time may not lift them out of poverty, it will have an effect on the depth of their poverty and ease some financial stress.

Second, an important piece of research was released just days after the panel's report was submitted to the Ontario government. Arindrajit Dube's paper, *Minimum Wages and the Distribution of Family Incomes*⁹, provides robust evidence that raising the minimum wage tends to reduce both the overall incidence of poverty in the jurisdiction covered by the minimum wage increase and the depth of poverty experienced by those who continue to earn incomes below the poverty line.

The unfortunate timing meant that government did not consider this research in its final decision.

The panel's report also refers to the fact that a majority of minimum wage workers do not live in poor households. In fact, 81.5% of minimum wage workers are youth who live in non-poor households or are individuals in two-earner (or multiple-earner) families, where the additional income is what's required to lift the family above the poverty line.

By dismissing the minimum wage as a contributor to poverty reduction, the report reinforces an ideological bent that separates workers between those deserving of a decent minimum wage and those who some say are undeserving—particularly workers with jobs that require relatively low educational attainment. This is a continuation of a historical tendency to treat workers in low-skilled sectors and their contribution to the economy as ancillary, but nothing could be further from reality. When workers at the low end of the income distribution spectrum do not have the money necessary to participate fully in the economy—to purchase goods and services from local businesses—economic growth is actually being depressed.

Furthermore, it is well-documented that young people, women, and racialized groups experience a disproportionate incidence of minimum wage work compared to dominant groups.¹⁰

Dismissing entire portions of the population as not deserving of earning a decent income simply because another member of the family has a higher income misses the point of valuing work in society. All work contributes to society and shared prosperity is a desirable social outcome. It also ignores the fact that many racialized, immigrant, and single-parent families rely on multiple minimum wage or low-wage earners to keep the household afloat—a growing phenomenon with the increased precarity of work within Ontario’s labour market.

Finally, young people and students may live in families, but they also have personal expenses that increase over time. For example, a post-secondary student in Ontario today must work the equivalent of 18 weeks at a full-time, minimum wage job in order to pay for tuition. In 1976, a student only needed to work 6.5 weeks to pay tuition.¹¹

The Panel’s Recommendations

There are two pertinent questions that must be considered when addressing the minimum wage:

1. What is an appropriate benchmark for the minimum wage?
2. What is the best approach to raising the minimum wage in the future?

The panel took a narrow view of its mandate and addressed the second question while remaining silent on the first. It made four recommendations, summarized as follows:

- Raise the minimum wage on an annual basis by an amount equal to the percent change in the Consumer Price Index.
- Provide at least four months’ advance notice of any increases to the minimum wage.
- Review the minimum wage rate and review the process every five years.
- Establish an ongoing research program to collect data and provide analysis of policy-relevant minimum wage issues.

The Consumer Price Index is used to adjust a wide range of payments and programs, including rent, wages, pensions, and the Ontario Child Benefit. It is a largely uncontested measure to which adjustments in many areas of public policy are tied.

Many economists, policymakers, business people, and low-wage workers agree that tying future minimum wage increases to the Consumer Price Index is a fair and progressive approach. It also embeds predictability into the system, allowing workers and business owners to plan for the future.

However, there is no agreement that the 2010 minimum wage rate of \$10.25 per hour is the benchmark to which future increases should be tied. As noted in the panel's report, recommendations for an appropriate benchmark were wide-ranging and caused political division. The panel chose to remain silent on the issue, stating that it was not given a mandate to provide advice on an appropriate benchmark. Instead, the panel left this particular point to be decided by the government of the day. It is a conversation that remains unfinished, and a question that will not go away.

The Government's Response

The Ontario government responded to the panel's recommendations almost immediately and announced an \$11 minimum wage effective June 1, 2014. This was essentially an adjustment for inflation since the last increase in 2010. The government also promised to introduce legislation that would implement the first three of the panel's recommendations: tying the minimum wage to inflation, making annual adjustments, and reviewing the mechanism every five years. In the process, the government completely sidestepped the discussion of what an appropriate benchmark might be.

The increase to \$11 per hour was made through regulatory changes and came into effect on June 1, 2014. Implementing the recommendations, however, requires legislative changes that must pass through the Ontario legislature. Bill 165, *Fair Minimum Wage Act*, was introduced on February 25, 2014. It had gone through a second reading and rigorous debate before it died when the legislature was prorogued on May 2, 2014, after both opposition parties rejected the minority government's 2014 budget. The legislation was reintroduced by the majority government and was passed into law in November 2014.

Ontario's current majority government has an opportunity to address the question of what is an appropriate minimum wage benchmark and to pro-

pose additional regulation adjusting the minimum wage to a benchmark that achieves what the minimum wage was originally intended to do: protect the most vulnerable workers in the labour market from exceedingly low wages.

Potential Benchmarks

Minimum wage work exists within the context of a shifting labour market—within a social structure that claims to value fairness, social justice, and poverty reduction, but which is at the same time systematically pushing an increasing number of workers into low-paid and precarious work. Benchmarking the minimum wage within the conditions of a broader labour market context is an important way to ensure that low-wage workers are protected from exploitation, especially in a precarious job reality.

Productivity

One possibility would be to benchmark the minimum wage against productivity gains. Certainly, there is evidence to show that Ontario's minimum wage has fallen behind productivity gains.

As of 2012, the gap between cumulative labour productivity growth and cumulative real minimum wage growth since 1965 was 64%. Over that time period, labour productivity had grown by 125% while the real minimum wage had grown by only 41%—and all of that growth happened before 1975.

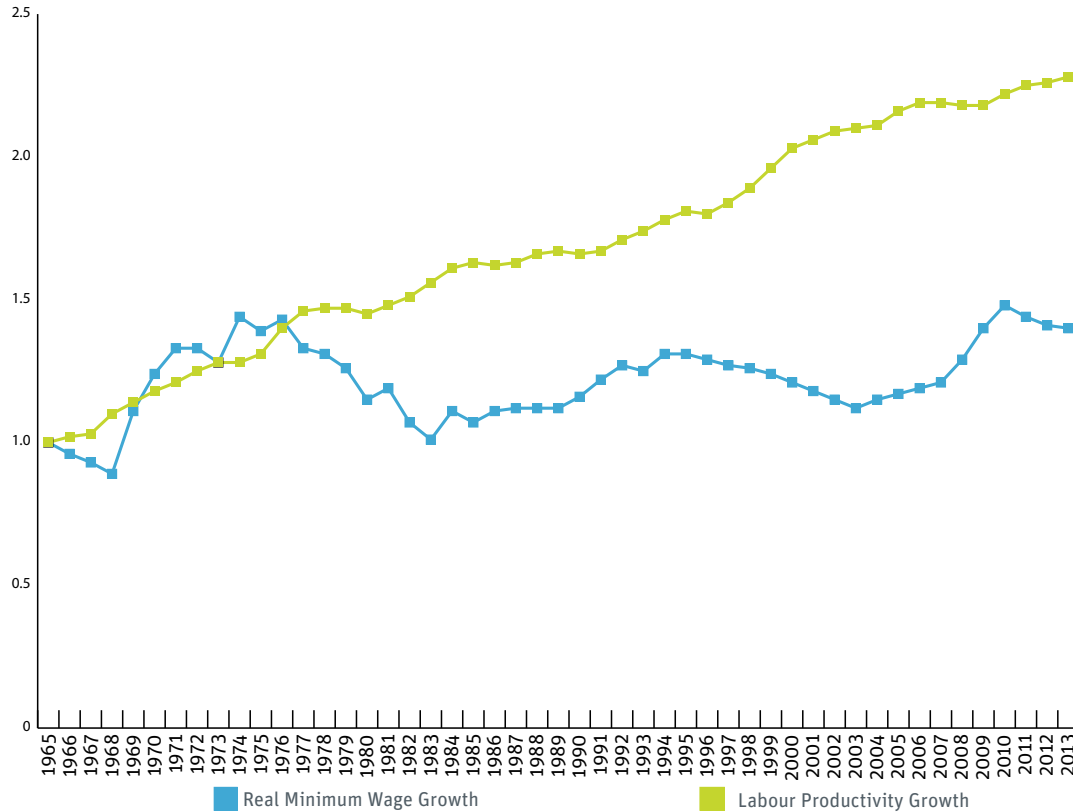
Since 1975, in real terms, the minimum wage has fallen and risen based on political whims, but, as *Figure 1* shows, it has not made any gains above 1975 levels. Meanwhile, labour productivity has been steadily increasing. The increase to \$11 per hour will do virtually nothing to close that gap.

While it's clear the minimum wage has not kept pace with increases in labour productivity, there are other, more targeted benchmarks to consider in future.

Average industrial wage

At \$11 per hour, the minimum wage is only 44% of the average industrial wage. There was a time when setting the minimum wage to within 50% to 60% of the average industrial wage was common goal.¹² This policy was an implicit recognition of the inherent value of all work in an economy. It also acknowledged that less income inequality and higher wages at the lower

FIGURE 1 Cumulative Growth: Canadian labour productivity and real Ontario minimum wage



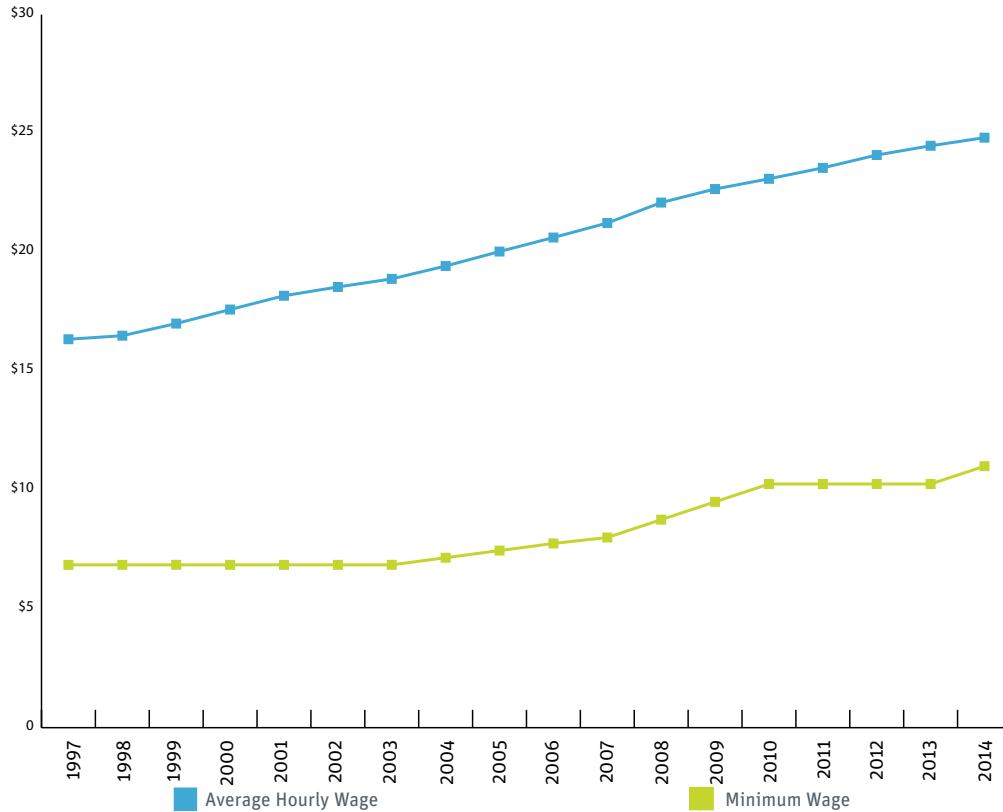
Note Labour productivity is measured as real gross domestic product per hour of labour.
Source Minimum wages from HRSDC. Consumer Price Index (Canada, All Items) from CANSIM Table 326-0021.

end of the labour market are highly valuable in a consumer-driven economy like Ontario. After all, if consumers do not have the money necessary to purchase the products and services the marketplace offers, then who is going to buy them?

Figure 2 shows the history of Ontario's minimum wage relative to the average industrial wage. Since 1997, the average industrial wage in Ontario has been increasing faster than the minimum wage (at that point the minimum wage had been frozen at \$6.85 for two years and would remain frozen for five more years). Even with steady increases between 2004 and 2010, the minimum wage has not kept up with the rising cost of living.

Tying the minimum wage to within 60% of the average industrial wage would bring the minimum wage up to \$14.89. It would also ensure that low-

FIGURE 2 Average industrial wage and minimum wage in Ontario, 1997-2014



Source: Statistics Canada, Labour Force Survey, CANSIM Table 282-0070. Minimum Wages from HRSDC

wage workers get their fair share of income gains from economic growth, to which they contribute.

Living wage

The ultimate test of the adequacy of the minimum wage is how it compares to what it takes to actually earn a decent living. Ontario's minimum wage falls far short of all calculations of what the living wage is across the province.

A living wage is different than a provincially legislated minimum wage. The living wage takes into account the cost of the basic necessities—rent, transit, food, and child care—that a working family must have to get by. The living wage differs across communities because it is based on local calculations of living costs. These costs can vary by community because of dif-

FIGURE 3 Living wage calculations, selected Ontario regions

| Region | Living wage rate | Minimum wage as portion of living wage |
|-----------------|------------------|--|
| Halton | \$17.05 | 66% |
| Guelph | \$15.95 | 71% |
| Peterborough | \$16.47 | 68% |
| Kingston | \$16.29 | 69% |
| Hamilton | \$14.95 | 75% |
| Waterloo Region | \$16.00 | 70% |
| Brantford | \$14.85 | 76% |
| St. Thomas | \$16.47 | 68% |
| Windsor | \$14.15 | 80% |
| Toronto | \$18.52 | 61% |

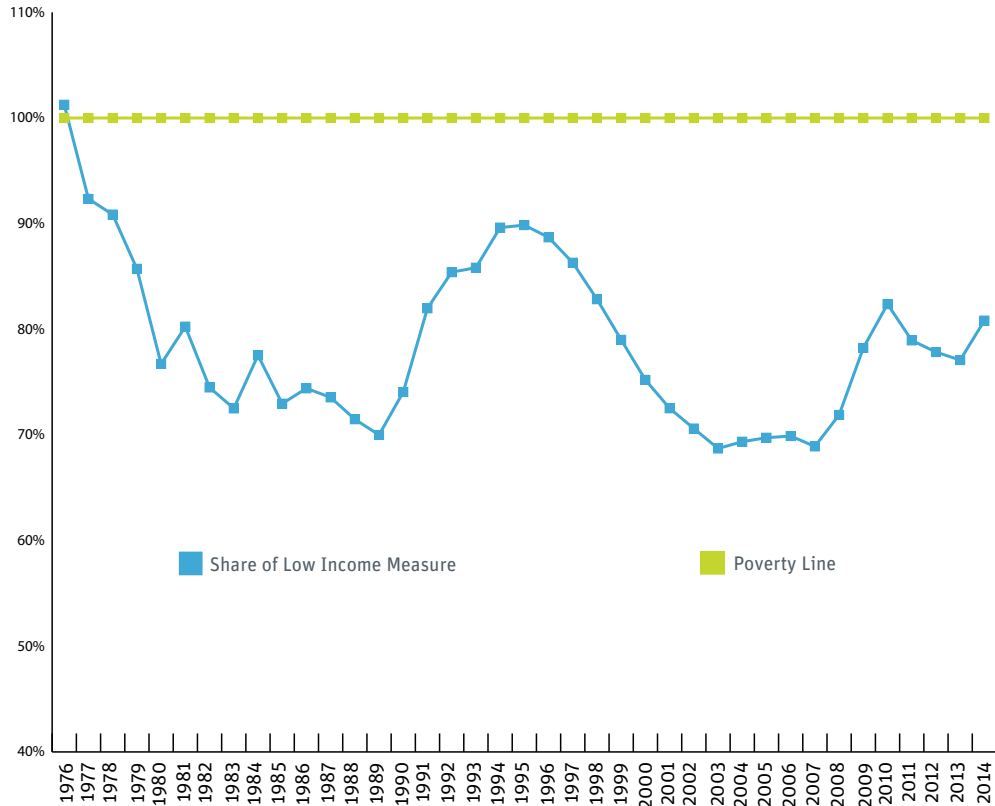
ferences in housing prices, access to transportation, child care costs, and food prices.

The living wage has been calculated for a number of communities across the province, including Halton, Hamilton, Guelph, Peterborough, Waterloo Region, and Kingston. It ranges from \$14.15 to \$18.52 per hour.¹³ *Figure 3* shows living wage calculations for a selection of regions.

It's interesting to note that, even if it were set to within 60% of the average industrial wage, the minimum wage still falls short of almost all living wage calculations across the province to date. And even with the 25 cent increase, it still falls far below any living wage calculation in Ontario.

Given that living wage calculations are done on a community-by-community basis, there is no single living wage number to inform a provincial minimum wage. If the living wage were to be adopted as a benchmark for Ontario's minimum wage, a more sophisticated means of implementing changes to the minimum wage at the community level would have to be considered.

FIGURE 4 Full-time, minimum wage work as a portion of the low-income measure (BT), 1976-2014



Source Author's calculations with data from Statistics Canada, Low Income Lines, 2011-2012; Minimum wage from HRSDC.

Poverty line

The rationale of the grassroots campaign to raise Ontario's minimum wage to \$14 was that a full-time worker earning the minimum wage should earn enough to live above the poverty line. For the last 30 years, that has not been the case, but it was the case back in 1976.

A full-time job at Ontario's current minimum wage leaves a worker earning well below the poverty line, about 81% of the low-income measure for Ontario.

Figure 4 shows just how far full-time, minimum wage workers fall below the poverty line. The longer the province waits to implement regular (annual) minimum wage increases benchmarked against a more socially relevant principle than simply the cost of living, the further below the poverty line minimum wage workers will fall.

Full-time, minimum wage workers have always faced low wages, but the depth of poverty has varied over time. Back in 1976, the first year of data available for the low-income measure, full-time workers making the minimum wage actually earned an income slightly above the poverty line. Now, at \$11/hour, the minimum wage gets them only about 81% of the way there.

Taking the High Road

While the panel's report left open a conversation about how the province should determine future increases to the minimum wage, the final paragraph of the report offered some useful guidance. It situates the minimum wage within the context of what type of labour market the province could shape to ensure a prosperous Ontario in the future:

Aside from poverty considerations, it can be argued that Ontario needs a high wage strategy to maintain and foster its prosperity. This is a broader, longer-term goal which could nonetheless factor into setting of minimum wages in the future. Such a strategy would involve improving the skills of the Ontario workforce so that they can add greater value to goods and services produced in the province. It would mean gradual elimination of simple, unskilled jobs from our economy. In such a scenario, certain types of low-skill jobs would be lost but the ones that remain would provide a decent standard of living to any individual working full-time, full year. This is a goal worth working towards for all kinds of reasons but especially because it may be within our reach.¹⁵

Here the panel pivots the debate from a reductionist narrative about whether or not the businesses currently present in Ontario acknowledge that they can afford to pay a higher minimum wage, to a broader social consideration of the type of jobs we want in our economy and the type of business growth Ontario could foster if a high-wage strategy was implemented.

When it comes to wages, taxes, and other investments, Ontario has been taking the low road for decades. By 2013, the annual value of tax cuts imposed since the mid-1990s had reached almost \$19 billion. Ontario's infrastructure is deteriorating, and investment in public services has eroded.

Much of corporate Canada has taken the low road too—by suppressing wages and dampening the quality of employment in the name of increased profits. As a result, the nature of work in Ontario has changed. In its report, the panel acknowledges that precarious work has grown significantly over

at least the last decade. Incomes in Ontario have been slowly polarizing and middle-income jobs have been declining steadily.

A recent report from Statistics Canada researchers Galarneau and Fecteau points out that minimum wage workers in Canada have, on average, the same purchasing power in 2013 as they did in 1975.¹⁶ The problem is that there are more minimum wage workers than ever before. The increase in the share of workers earning the minimum wage means that purchasing power has actually declined for a large (and growing) proportion of the working population.

Decreased purchasing power will result in depressed demand for goods and services and/or higher debt levels, which leads to fewer customers for businesses and/or a demand for ever-cheaper products—a vicious cycle toward decline. This erosion of purchasing power contributes to income inequality, which has been noted to be a drag on economic growth.¹⁷

A high-road strategy, on the other hand, would signal a shift in employer expectations. It would signal the social expectation that employers contribute to the well-being of all employees—not just hyper-valued CEOs or upper managers—by offering them decent wages, opportunities for training, and opportunities to move up within the company. It would mean that low-wage workers have access to more bargaining power, not less, through new ways of organizing and bargaining that take wages beyond the legislated minimum and help to restore the middle-income jobs that have been squeezed out of Ontario.

A high-road strategy means robust employment standards that are strictly enforced to ensure workers are experiencing work as envisioned by the *Employment Standards Act*.

The minimum wage, and the benchmark to which it is tied, is an important component of such a strategy. It sets the minimum standard of expectations. In other words, it raises the bar; also, in this case, the floor.

Taking a page from other jurisdictions

A survey of the literature indicates that the minimum wage is on the rise around the world. Cities, American states, and entire countries have been inching the minimum wage up and honing it as a tool to protect vulnerable workers and ensure they have a better chance of meeting their basic needs.

In Canada, the Alberta government has committed to raising the minimum wage to \$15 per hour. The increase will take effect in stages with the

first rise happening on October 1, 2015 with an increase to \$11.20. Alberta's NDP government has promised the full increase will be in place by 2018.¹⁸ The \$15 an hour minimum wage also promises to be a federal election issue with the federal NDP promising to raise the federal minimum wage as well.

Following, in part, the political leadership of U.S. President Barack Obama, more than 10 states increased the statewide minimum wage in 2014. In his 2014 State of the Union Address, President Obama stressed the importance of raising the federal minimum wage. He promised to issue an executive order raising the wage of all federally contracted employees to \$10.10¹⁹ because, "if you cook our troops' meals or wash their dishes, you should not have to live in poverty." In the same speech, he urged business owners, state legislators, and municipal governments to move on this file: "You don't have to wait for Congress to act; Americans will support you if you take this on. . . Profitable corporations like Costco see higher wages as the smart way to boost productivity and reduce turnover. We should too."²⁰

On February 15, 2014, President Obama bypassed Congress and signed an executive order to increase the minimum wage for all federally contracted employees to \$10.10 per hour, effective January 2015.²¹ It's an effort that has come under strict opposition from a Republican-controlled Congress, but one that, at the same time, is proving to be just the impetus many states and cities needed to push through their own legislation to increase the minimum wage. As of 2015, 29 states and at least 10 cities have adopted minimum wages higher than the federal rate.

Alaska, Arkansas, Nebraska, and South Dakota all approved increases to the minimum wage through ballot measures in the 2014 mid-term elections. An additional 11 states enacted minimum wage increases during 2014 legislative sessions.²²

For example, on June 2, 2014, city councillors in Seattle voted to raise that city's minimum wage to \$15 per hour,²³ tying it with neighbouring SeaTac, Washington, for the highest minimum wage in North America. The wage increase will be phased in over a number of years, and will affect businesses that pay low wages and don't offer benefits first. It's a phase-in plan negotiated between the business community and labour groups that recognizes the increased level of distress faced by workers when they don't have access to health insurance.

In another example, legislators in Washington D.C. have committed the region to steady increases in the minimum wage. It will go up \$1 every July until 2016 when it will reach \$11.50 per hour. Each July thereafter, the minimum wage will be adjusted according to the cost of living in the region.²⁴

At \$10 per hour, California, too, has adopted a minimum wage significantly higher than the federal minimum of \$7.25 per hour. In May 2014, the California senate passed a bill that will increase the state's minimum wage to \$13 per hour by 2017 and ensure annual adjustments for inflation starting in 2018.²⁵ San Francisco has had the highest minimum wage in the state for some time; it currently sits at \$10.74 per hour. The city also has the lowest unemployment rate in California. In an unprecedented move, Los Angeles established a minimum wage of \$15.37 per hour for all workers employed in large hotels. San Diego, Richmond, and Berkeley have also adopted minimum wages higher than the federally mandated minimum.²⁶

Most recently, the New York State wage board made history when it recommended the state increase the minimum wage of fast food workers. If the recommendation is implemented, the wage for fast food workers in New York City will reach \$15 per hour by 2018 and by 2021 in the rest of the state.²⁷ While the move is causing some controversy as low wage workers not in the fast food industry or working in chain restaurants wonder why they don't get a raise, the increase is certainly a step in the right direction.

Outside of North America, Australia's minimum wage increased to \$16.87 (AUD) per hour on July 1, 2014—that's \$17.23 in Canadian dollars. In Australia, the minimum wage is set by the Fair Work Commission, a national workplace relations tribunal focusing on wages, employment standards, and employment research. Ontario has no similar body.²⁸

Both France and New Zealand have robust minimum wage regulations that ensure low-wage workers receive a fairer share of the income pie. In New Zealand, the minimum wage currently sits at \$14.25 (NZD)—about \$13.25 in Canadian dollars.²⁹ In France, the minimum wage is denoted by monthly, as opposed to hourly, earnings and is based on a 35-hour work week. As of January 1, 2014, the minimum wage in France equated to €9.53 per hour (about \$14 Canadian dollars).

These examples point to a recognition on the part of policymakers, politicians, and the public at large that trickle-down economics is not accomplishing what was promised. On the one hand, wage suppression and employment precarity—both now commonplace in Ontario—have contributed to growing profits for major corporations. On the other hand, both have resulted in a real income squeeze on the middle class, which is dampening consumer demand and acting as a drag economic growth.

Public policy based on wage-led growth, also known as bottom-up or middle-out economics, suggests that increases to the minimum wage and

a strengthening of the middle class are part of the prescription for today's economic woes.

There are plenty of examples the world over of successful, prosperous economies implementing robust minimum wage policies. There is no reason why Ontario couldn't follow suit. In fact, evidence suggests that taking the high road and instituting a high wage strategy, complete with a minimum wage set to an appropriate benchmark, could lead to a more prosperous Ontario economy in the future.

Conclusion

In June 2013, the Ontario government struck the Minimum Wage Advisory Panel to review Ontario's current approach to setting the minimum wage and to provide advice on how it should be set and adjusted moving forward.

This report gives a synopsis of those recommendations as well as the public input provided in the consultation process, and finds that the panel's recommendations sidestepped an important question in the minimum wage discussion: What is an appropriate benchmark for setting the minimum wage?

In its conclusion, however, the Minimum Wage Advisory Panel's final report suggested that pivoting to a high-wage strategy, complete with a robust minimum wage, is a necessary policy move. Without such a strategy, workers will continue to face suppressed wages, employment precarity, and an erosion of purchasing power. This, in turn, would further erode the strength of Ontario's economy.

Following the panel's recommendation, Ontario passed minimum wage legislation in 2014 and tied the minimum wage to inflation. Unfortunately, the government chose to completely avoid a discussion of an appropriate benchmark for the minimum wage and instead stuck to the arbitrary rate of \$11 per hour in 2014.

An \$11 per hour minimum wage falls far short of any suggested benchmark: productivity gains, the average industrial wage, the living wage, or the poverty line. To pursue the high wage strategy the panel has recommended, Ontario must revisit the question of a robust benchmark at which to set the minimum wage to ensure that low-wage workers are not left behind.

Notes

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- 13** Ibid.

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