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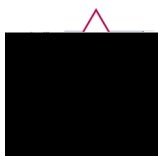
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From its inception in 1957, the OFL has grown to represent 650,000 Ontario workers in more than 1,500 affiliated local unions. Provincial labour federations are directly chartered by the Canadian Labour Congress.

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From Poverty Wages to a Living Wage

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Ontario Federation of Labour

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From Poverty Wages to a Living Wage

Introduction

In recent years, poverty-level minimum wages have been the focus of considerable debate across the various provincial jurisdictions and at the federal level in Canada. Similar interest has been expressed in the United States as evidenced by many successful campaigns to raise the minimum wage.

Some economists argue that raising the minimum wage will kill low wage jobs, hurting the very people it was intended to assist by pricing them out of the job market. Still others, primarily concerned with poverty and inequality, see raising the minimum wage as an important policy tool for eliminating poverty and promoting equality.

How can the latter group engage with others so as to raise the minimum wage above the poverty line? How can they ensure that a person or family earn a decent living - what is commonly termed a “living wage”?

1. Historical Reasoning Behind the Introduction of Minimum Wage Legislation and the Current Minimum Wage in Ontario.

Minimum wage legislation was initially motivated by the desire to protect women and children from overt exploitation. This notion of protecting the most vulnerable workers inspired the first British minimum wage laws and factory acts. The intention was and remains to try to mitigate the worst of the market’s inequities. Minimum Wage legislation is probably the oldest interventionist policy instrument of governments across Canada. The first provinces to introduce such legislation were British Columbia and Manitoba in 1918, but only women were covered. By 1920, four other provinces, Nova Scotia, Quebec, Ontario and Saskatchewan, followed. In 1925, BC adopted a *Men’s Minimum Wage Act*, making it the first

province to legislate a minimum wage -0..4099 Tw12.1 a

While gender-based minimum wage differences have slowly given way to equal pay, there are still gender imbalances in income and minimum wage legislation across the country. Legislation still formally differentiates on the basis of occupation (liquor servers, etc.) and age (youth under 18 years). There also remain in whole or in part a considerable number of occupations that are exempted from the minimum wage (domestics, farm labourers) or who are treated separately (construction workers).

Currently, the minimum wage debate is particularly applicable to the seventy percent of the workforce in Ontario and other provinces which lack union protection. Non-union employees, mainly those in the restaurant and retail industries and in so-called unskilled jobs, are largely dependent on the minimum wage laws and other provisions to be found in the various employment standards acts across the country. Governments today are motivated by a similar intention as in the past, to ensure a mere subsistence income. Just what income a person or family needs to subsist and whether that is the fair basis on which to set the minimum wage, are still hotly debated.

As Goldberg and Green note in their 1999 publication *Raising the Floor*, the notion of a 'living wage' was extensively revisited in a series of reports on social security developed during the Second World War." The most well known study was undertaken by Leonard Marsh. His *Report of Social Security for Canada* presented two major categories that he saw as affecting the adequacy of family income levels: the first concerned those situations requiring special expenditures, such as accidents, major illnesses, births and deaths; the second concerned the failure of the market to relate wages to family size. To Marsh, the problem of poverty among the working poor would be addressed by worker retraining and minimum wage provisions that varied according to family size. In response to Marsh, Charlotte Whitton's proposals were also based on a "living wage policy guaranteeing every adult male a wage sufficient to support him, his wife, and two or three children" (Guest, 1997).

In the end, the notion of a "living wage" with differential minimum wages based on family size was not adopted. Instead, a Family Allowance was established to assist families with children. Employment standards acts across the country maintained minimal standards only. As the BC Employment Standards Act (1995) states: "The main purpose of the Act is to ensure that employees in British Columbia receive at least minimum standar

Home workers receive \$7.54 per hour.

The minimum wage is the lowest hourly wage rate an employer can legally pay an employee. Both full-time and part-time workers are covered. (Information on who is covered and who is not is available from the various Ministries of Labour). Most would receive the general minimum wage of \$6.85 per hour. Should one work 40 hours per week and 52 weeks per year, this would amount to a gross income of only \$14,248.

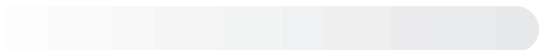
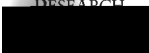
2. Age and Gender Profile of Minimum Wage Workers

A short profile of minimum wage workers is important for two reasons: first, a popular misconception is that the majority of minimum wage workers are teenagers living at home in middle class families; and second, if minimum wage legislation is an important tool in redistributing income to low wage people, we need to know who they are in order to ascertain what effects minimum wage changes would have.

Goldberg and Green provide the clearest explanation and most recent data on who minimum wage workers are, i.e., their age, gender, education, etc. They provide a breakdown of the minimum wage population aggregated for BC, Alberta, Ontario and Quebec, using Survey of Labour and Income Dynamics (SLID) data. Table 1 below shows breakdowns by age for women minimum wage-earners, male minimum wage-earners and the total minimum wage population. They define minimum wage-earners as all individuals whose wages were within 25 cents of the minimum wage in the earner's province.

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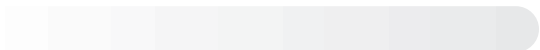
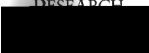
Table 2 shows the highest education levels of minimum wage workers. Almost half of minimum wages workers have some form of post-secondary education. While only 2% of minimum wage workers have a university degree, there are fewer minimum wage workers with less than a high school education than in the past. As Goldberg and Green (1999:5) note, another myth has been destroyed: “Contrary to popular perception, minimum wage workers are not primarily high school dropouts.”



The SLID survey data does indicate that most teenage minimum wage workers (91%) were full-time students during some part of the year. This indicates that minimum wage work is an important source of income for many students during their post-secondary education. Table 3 shows that about 55% of minimum wage workers live with their parents. If the parental household had a high total income level, one could discount any

This evidence suggests that an increase in the minimum wage will have a redistributive benefit for low income families. At the same time, it is obvious that minimum wage increases also deliver benefits to some minimum wage earners who live in better-off households.

These distributional findings studied by Goldberg and Green (1999) are, as noted, the most recent available. It is worth noting that they are similar



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work force are currently employed at minimum wage levels, but three further points are worth noting:

A number of studies suggest that increasing the minimum wage may also raise many wages that are already above the minimum wage, Benjamin (1995) and in the US, Card and Krueger (1995). Such effects, known as *spillover effects*, are limited but nonetheless significant.

Statistics Canada's 1996 census documents a general decline in incomes as more Canadians worked at poor paying jobs, more worked part-time, on contract and in temporary employment. If this trend is to continue more, not less, people will need the floor of minimum wages and they will need it raised.

If, instead of reviewing the studies of people who actually receive the minimum wage and then examining the effects of raising such to a liveable income level, we looked at all those living beneath Statistics Canada's Low Income Cut Off (LICO), we would find that *fully 12% of Canadian people live in poverty*. This 1999 figure has varied in the last decade between 11-14%. This is obviously a much larger figure with much more significant spillover effects.

Thus, we can conclude that increasing the minimum wage is a useful tool

and across the country to a wage above the poverty line is an important part of such an overall strategic approach to lessening poverty and inequality. A society that cannot pay people who work full time all year, a wage above the poverty line - i.e. a living wage - cannot make any claims to being either just or fair.

Such a minimum wage could be established based on several distinct criteria. The Ontario Federation of Labour and many unions and labour centrals across the country have long called for a minimum wage set at 70% of the average wage and indexed to the cost of living (Consumer Price Index (CPI)) (OFL, 1990:21; 1999:7). Indexing is important as a fixed minimum wage loses its buying power over the years, otherwise the battle just to maintain its buying power has to constantly be re-fought.

Another proposal currently enjoying some popularity would be to utilize the Statistics Canada Low Income Cut Off (LICO) as an indicator of poverty. The LICO “cutoffs” are based on Canadian household surveys which indicate that the average household spends 34.7% of its income on the basic necessities of life, namely food, clothing and shelter. Statistics Canada has concluded that a household that that needs to spend more than 54.7% of its income on such basics is poor.

The Low Income Cut Off changes with household size and with population size (large urban areas to rural areas). The index is adjusted every two years as new survey data becomes available. The percentage of household income spent on basic needs, while not an official measure of poverty, is a widely recognized measure of relative deprivation.

Table 5 above compares the minimum wage set at the LICO level for a large urban area with the current Ontario minimum wage. The third

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column shows how much the current minimum wage would have to increase in order to reach the LICO level. It may not be possible to reach such an ambitious target in one step, but via staged increases.

A further concern of trade unions has been to repeal the numerous exemptions to coverage under existing legislation and to extend coverage to all emp

to enhance the reputation of the City for ethical and fair business dealings.

Toronto's Fair Wage Policy also demands compliance with the *Occupational Health and Safety Act* and its regulations.

Municipal fair wage policies are in place in other Ontario municipalities beyond Toronto, such as Hamilton, London, Windsor, and Kingston. Such policies usually include municipal boards and commissions as well as the municipality per se. The federal and provincial governments also have fair wage policies as do various other municipalities across the country (Edmonton, Vancouver, etc.). As advantageous as many of the fair wage policies seem, a number of municipalities, while having such policies on their books, fail to put the necessary effort into enforcement. Toronto maintains a higher level of enforcement than most thanks to the continued strength of the building trades unions and the dedication of key officials.

There are two further limitations to fair wage policies. As noted, these policies only impact on those employed by a municipality or other level of government and are therefore limited in scope; and second, the wage rates and benefits involved, while regionally varied, are much higher than the Statistics Canada LICO. Indeed, they are much closer to union rates.

Adopting such a standard for a living wage would entail a massive increase from current minimum wages. Indeed, moving from the current minimum wage in Ontario to the LICO level would involve a 57% increase (see Table 5). Therefore, fair wage policies should be expanded to include those classifications not covered, updated to reflect prevailing wage rates, and be better enforced, but they are not the best basis for moving minimum wages above the poverty line. While both a movement towards a living wage and improved fair wage policies belong within an anti-poverty agenda, they need to be recognized as distinct components of such an agenda.

6. A Living Wage and Trade Unions

As indicated, raising the minimum wage beyond the poverty level would have positive distributional effects for low income earners. Although certain limitations have been noted, *one also has to be employed to receive any benefit*. The fair wage policies referred to above were largely

So while organizing non-union workers results in dramatically higher wages, benefits and other advantages, and such organizing needs to increase, union organizing can only form part, albeit an important part, of an anti-poverty strategy.

7. Conclusion: the Case for a Living Wage

This brief overview refutes some common misperceptions and reinforces the validity of striving for a living wage. The following points summarize our findings thus far:

most minimum wage recipients are not teenagers, but rather young adults and women;

minimum wage recipients are not primarily high school dropouts;

recipients tend to be from low income families;

while many recipients do live with their parents, a substantial percentage of minimum wage workers are adults living on their own;

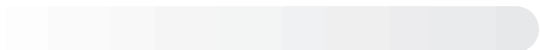
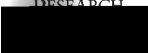
Raising the minimum wage would have positive redistributive effects;

factors in the economy and labour market other than minimum

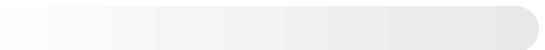
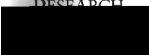
wages influence employment levels as much as or even more than change to the minimum wage;

substantial employment or disemployment effects of raising the minimum wage cannot therefore be empirically substantiated;

while Goldberg and Green (1999) found that only 3.6% of the total workforce was working at the minimum wage level, when we include all those receiving wages under the LICO poverty line it is fully 11age cannot th or disemplo(11.92 0.2 L4197 0.00-a00 -1ceiv



Moving minimum wage workers and other low income earners above the poverty line to what is popularly known as a living wage may be a herculean task. But this approach to the problems of inequality and poverty would have the most immediate and direct effect on those at the bottom of the income ladder. As Article 23 of the UN Declaration of Human Rights states: “everyone who works has the right to just and favourable remuneration ensuring for himself [herself] and his [her] family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.” In other words, a living wage should be considered a basic right.



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CHRISTOPHER SCHENK

For the last ten years Chris Schenk has been the Research Director of the Ontario Federation of Labour. Following the election of the Conservative government he has written numerous submissions and spoken extensively on the labour law changes, other employment related legislation and the changing nature of work.

Most recently (2000-2001) he has written on the changes to both the Labour Relations Act (Bill 139) and the Employment Standards Act (Bill 147). Concerned that the changes to Ontario employment legislation not only made matters worse in terms of extending the hours of work, averaging overtime and allowing vacations to be taken one day at a time, but also failed to include any increase to the minimum wage, he began advocating for a living wage.

In 1995 he co-edited with John Anderson a book entitled *Reshaping Work: Union Responses to Technological Change*, which confronts a range of issues on new technologies and work. In 1999 he co-edited with John Anderson a second volume of original research entitled *Reshaping Work 2: Labour, the Workplace and Technological Change*.

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