

POVERTY WAGES, MINIMUM WAGES

PRESENTATION TO THE ONTARIO MINIMUM WAGE ADVISORY PANEL

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Toronto & York Region Labour Council



“A job should lift you out of poverty, not keep you in it”

Not many years ago, that statement would have seemed to be unnecessary to most Canadians. But in today's economy, the assertion that people working a full-time job should not be in poverty is not so obvious. In fact, it is met with derision by many business lobbyists and pro-business pundits. The statement is at the core of the issue facing the Ontario government – does it believe that poverty will be addressed without fundamentally addressing the issue of poverty wages?

Six years ago the Labour Council spearheaded the campaign for a \$10 Minimum Wage. I couldn't go anywhere without people commenting on the button on my coat, or letting me know what a great idea it was. The issue struck a raw nerve. At the town hall events, in stores, at union meetings and from students and retirees, the feedback told us that people knew there were too many being left behind in the restructured economy.

Since then, many more people have been stuck in low-wage jobs, in stark contrast to the soaring income levels of CEO's. Minimum wages have been frozen for three years, while profits of the major banks have not only recovered but exceeded all expectations. Students are working far more hours in multiple jobs to help pay for university tuition. “Market fundamentalism” is now the prevailing dogma - where corporate privilege counts for more than the rights of people or communities. And that dogma is failing Canadians, particularly young people.

WORK SHOULD BE REWARDED

It is true that by itself raising the minimum wage does not solve the crisis of poverty or income disparity. But everyone who works in low-wage sectors like retail or food service says very clearly that going from what they currently make – be it \$10.25 or \$11.00 – up to \$14 would make a huge difference in their lives. People basically know that the issue is low wages. The obstacle is the very powerful companies in our society no longer having to reward work with a living wage.

We are not just seeing this in fast-food franchises. Companies such as Magna have people working in their auto parts factories through temp agencies for just barely over minimum wage. The solution is not for the government to subsidize wealthy companies through wage top-ups. It would cost billions of tax dollars, and simply doesn't make sense. In the United States, Walmart is the country's largest beneficiary of social assistance due to the fact that so many of their employees qualify for subsidized medicare.

While this panel is not charged with recommending changes to other Employment Standards, you should know that there is real anger about the growth of temp agency jobs which are displacing stable employment opportunities. There is the glaring injustice of office cleaners or cafeteria workers who lose their jobs to new contractors if they manage to secure even a modest increase in pay. And there is the reality that part-time hours are imposed on thousands of working men and women who yearn for a full-time job that could support their families.

The Employment Standards Act needs to be updated. Enforcement needs to be beefed up so that employers don't violate the law with impunity. Decision-makers in government and the corporate sector need to be told clearly that good jobs matter to all Canadians, and our laws have to reflect those values.

The Advisory Panel's Consultation Paper asks a number of questions about factors that should be considered in determining the minimum wage. The Labour Council's position is straightforward but not simplistic – nobody working a full-time job in Ontario should be in poverty. We believe that could be achieved by raising the minimum wage to \$14 per hour, and then indexing it to inflation. This figure represents what is needed to keep someone above the low-income cut-off.

TWO KEY CALCULATIONS

It is important to recognize two key elements in this analysis. The first is that both inflation and the rise in productivity should be taken into account when considering wage increases. There are very few jobs which have not been made dramatically more productive by technological change in recent decades. The resulting wealth creation should be fairly shared by both employers and employees. In unionized workplaces, this is traditionally achieved through collective bargaining. But in the low-wage non-unionized service sector, it only happens when the minimum wage is increased. This factor is noticeably absent from the Consultation Paper. A

calculation of minimum wage keeping up with both CPI and productivity in past decades would result in a figure much closer to \$14 than the \$10.25 in place today.

The second point is that most low-wage workers in Ontario are employed by wealthy corporations, not small family business. The fortunes of the Wal-mart and McDonalds empires will not be seriously eroded if employees gain a living wage. But the lives of hundreds of thousands of Ontarians will be dramatically improved. And so will our local economies in communities large and small. The fact is, poor people don't take their wage increase and stash it in some off-shore tax haven. They spend it in local stores, and in their local community. Past studies of the impact of minimum wage increases in a number of jurisdictions verify that reality.

THE SKY DOES NOT FALL

No doubt the business lobbyists will warn of dire consequences if the minimum wage is raised significantly. They said the same thing six years ago, and the sky did not fall because poor people got better incomes. There was a financial melt-down of course, but it was caused by corporate greed and deregulation, not by workers. What is obvious now is that the austerity measures embraced by many governments - including freezing the minimum wage - have hurt the economy, not helped it. There is a growing realization that workers of colour have been particularly hard hit, and the growing racialization of poverty cannot be denied.

It is sometimes asked why the labour movement would put so much energy into raising the minimum wage. There aren't many union members making that, so it's not seen as self-interest. The fact is that labour is stepping forward on this issue because our goal is a just and equitable society, and that cannot be achieved as two solitudes drift further apart. We need many voices to be raised in our common effort to make sure nobody is left behind in Canada's future.

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