

# From Poverty Wages to a Living Wage

**Christopher Schenk**







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**Toronto**  
November 2001

ISBN 0-9688539-7-8

Layout and Cover Design:  
TODD Graphic  
[www.toddgraphic.ns.ca](http://www.toddgraphic.ns.ca)

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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 for men as well as for women. On the assumption that the man should be the family’s main breadwinner, the minimum wage for men was initially set at a higher rate than that for women.

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 standards for conditions of employment and compensation, including

wages, termination pay, and vacations.”

It used to be assumed that a living wage and a minimum wage were largely comparable, i.e. a legislated minimum wage on which a person or family could live. But with minimum wages losing their buying power over time and thereby falling further and further below any rational definition of poverty, the two can no longer be equated. Hence, the following discussion distinguishes between the two concepts. Our challenge is to raise the minimum wage above the poverty level so that it really becomes a “living wage.”

Before proceeding further we should clarify what a wage includes. A wage or salary consists of a transfer of cash and non-cash benefits to workers from employers for their work, usually for prescribed hours or for performing certain tasks. A wage is usually calculated on a per hour basis - like Ontario’s minimum wage of \$6.85 per hour. A salary is usually a weekly or even monthly amount for similar purposes. Both could include premiums for overtime, weekend or other unusual shifts. Paid time off for vacations or statutory holidays is also a part of a wage or salary, as are government-mandated benefits such as unemployment insurance, the public pension plans (CPP/QPP), and workers’ compensation.

For ease of measurement and clarity, the focus of this discussion is on the monetary component - the legislated minimum wage - exclusive of benefits. However, it is important to recognize that a full definition of a “living wage” would include more than money wages or salaries. We would also need to include access to paid time-off, benefits from social insurance programs, and even income support programs and certain public services. The whole package of these benefits are often termed a “social wage”, supplementing but distinct from a monetary wage.

The current (2001) minimum wage in Ontario is at the same level as it was in 1995 when the Conservatives under Mike Harris came to office. They immediately froze the minimum wage legislation and have made no move to consult or alter it since.

- The general minimum wage is \$6.85 per hour.
- Students (under 18) receive \$6.40 per hour.
- Liquor servers receive \$5.95 per hour (plus tips).

- 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.

**Table 1:  
Percentage of Minimum Wage Workers  
by Age Groups**

	Females	Males	All
Teenagers (Age 15 to 18)	32.0%	50.5%	38.7%
Young Adult (Age 19 to 24)	37.7%	28.7%	34.4%
Adult (Age 25 and over)	30.3%	20.8%	26.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Goldberg & Green's (1999) calculations using Survey of Labour and Income Dynamics data.

According to SLID data, there are 228,545 minimum wage workers in the four provinces. The percentage of minimum wage workers in the total labour force is surprisingly small at 3.6%. Although the poorer provinces are left out of the calculation and would have a slightly higher percentage of workers at the minimum wage level, such a low percentage suggests that whatever positive redistributive effects come from raising the minimum wage, they would be smaller than one might have predicted. (Of course, the number of beneficiaries would increase substantially if the minimum wage were raised to a living wage). Contrary to popular belief that most minimum wage earners are teenagers, the evidence shows that over 60% are adults (young adults 19 to 24 and adults 25 and over).

Table 1 also shows considerable gender differences. Women make up 64% of all minimum wage workers while men make up the other 36%. A deeper understanding of the gender distribution of minimum wage workers can be ascertained through an examination by age category. The SLID data shows that slightly more than half of teenage minimum wage workers are women (53%), but this proportion increases significantly with young adults and with adults (over 25 years) where women represent over 70% of minimum wage workers. Put another way, men represent 47% of teenage minimum wage earners, but drop to 30% of adults. Thus, while teenagers make up a substantial group, contrary to popular belief *the majority of minimum wage workers are adult women.*

**Table 2:  
Percentage of Minimum Wage Workers  
by Highest Level of Education**

	Females	Males	All
Less Than High School Graduate	35%	40%	36%
High School Graduate	17%	10%	15%
Some Post-Secondary *	30%	31%	31%
Post-Secondary Certificate	16%	16%	15%
University Degree	2%	2%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: Some Post-Secondary refers to people who have not completed a certificate or diploma. Post-Secondary Certificate includes both certificates and diplomas.

Source: Goldberg & Green's (1999) calculations using Survey of Labour and Income Dynamics data.

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.”

**Table 3:  
Percentage of Minimum Wage Workers  
by Family Situation**

<b>Teenager (Age 15 to 18)</b>	<b>Females</b>	<b>Males</b>	<b>All</b>
Live Alone	0%	0%	0%
Live With Parents	31%	45%	36%
Others (not defined)	1%	6%	3%

  

<b>Young Adult (Age 19 to 24)</b>	<b>Females</b>	<b>Males</b>	<b>All</b>
Live Alone	4%	1%	3%
Live With Parents	21%	17%	19%
Married or Lone Parent	4%	3%	4%
Others (not defined)	8%	8%	8%

  

<b>Adults (Age 25 and over)</b>	<b>Females</b>	<b>Males</b>	<b>All</b>
Live Alone	2%	4%	3%
Married	21%	9%	17%
Lone Parent	3%	0%	2%
Others (not defined)	4%	7%	5%

  

<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
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Source: Goldberg & Green's (1999) calculations using Survey of Labour and Income Dynamics data.

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 redistribution effect of minimum wages. But Card and Lemieux (1996) hold that live-at-home minimum wage earners are part of a trend toward young people living with their families longer because of poor labour market or job prospects. One could therefore note the obvious, that students had to live at home as the minimum wage they received was so low it prohibited living on their own. A higher minimum wage could therefore lead to more financial independence. A similar case can be made for “married” women needing greater financial independence.

No matter how one interprets these numbers, a substantial percent of minimum wage workers are adults not living with their parents and therefore, the minimum wage may well play a positive redistributive role.

Table 4 below enables us to ascertain more precisely the income levels of families with minimum wage earners. Here the proportion of minimum wage earners with total family income from employment are shown. 13% of minimum wage earners are in families with employment income in the poorest 5th percentile. A further 34% of minimum wage earners are in families whose employment income places them in the bottom 25th percentile of family employment income. In short, as Goldberg and Green (1999) note the “evidence clearly shows that minimum wage earners are disproportionately represented among low income families.”

**Table 4:  
Percentage of Minimum Wage Workers  
by Family Employment Income Group**

	Females	Males	All
Less than 5 <sup>th</sup> Percentile	11%	16%	13%
Less than 10 <sup>th</sup> Percentile	17%	20%	18%
Less than 25 <sup>th</sup> Percentile	36%	30%	34%

Source: Goldberg & Green's (1999) calculations using Survey of Labour and Income Dynamics data.

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 to earlier distributional results based on 1991 data in a study of minimum wages in Ontario by Shannon and Beach (1995).

### **3. Employment Effects of Minimum Wage Increases**

Spokespeople for the business community have long cited economists whose research allegedly proves that minimum wages, even the currently very low levels, negatively affect employment levels. Opponents of minimum wage laws continue to argue that they are a bad policy, alleging that they hurt the very people they are designed to help. They argue that raising the minimum wage will both bring more people into the labour market and discourage companies from employing as many low-skilled workers as they will have become too expensive. They assume that companies would shift towards more capital intensive production (technology, equipment) and hire fewer, but more highly skilled workers.

As Goldberg and Green (1999:8) explain, this perspective maintains that: “The juxtaposition of more individuals searching for jobs and fewer jobs being offered leads to increases in unemployment.” Indeed, if there is substantial job loss with a relatively small minimum wage increase, presumably more jobs would be lost should the minimum wage be increased enough to become a living wage that would lift people above the poverty line.

However, the extent of any job loss is dependant upon a number of factors beyond that of an increase in the minimum wage. Labour and capital markets would help dictate the ease with which companies can replace low skilled labour with equipment and new technologies (automation). Much depends on the state of the economy, specifically the market for which the product of the minimum wage worker is destined. One question is whether the particular market is such that a wage increase can be passed on to the consumer, what economists call the “elasticity of demand for labour.” Detailing the calculations of such economic models and their

accompanying methodological debates is, however, beyond the scope of this paper.

The important point noted by some researchers is that there may be benefits to increasing the minimum wage even if there are some disemployment effects. As Goldberg and Green (1999:8) note: “There may be several long-term dynamic impacts of increasing the minimum wage that are beneficial...[such as] increased minimum wages may induce firms to switch toward production methods that emphasize more training and, with it, more job stability and income.”

Another potential positive effect of increasing the minimum wage comes from the increased consumer spending that would result. So, while in the short run some workers could face layoff and unemployment as firms adjust, the long term trend could be increased consumer spending and more employment. In such circumstances, the advantages of an unemployment insurance system that is accessible to everyone who is temporarily unemployed is obvious. Unfortunately, the reality is that most unemployed in Canada today are unable to access such benefits (CLC, 1999).

Goldberg and Green (1999:12) assess the employment effects in BC, Alberta, Ontario and Quebec. They ask the appropriate question: “Have changes in the minimum wage induced substantial drops in employment in these four provinces over the last 20 years?” Even using sophisticated statistical methodologies, they found it was difficult to show minimum wage effects on a year-to-year basis. Other factors as noted above, combined with economic upturns and downturns, and the increasing employment of women, etc., complicate clear, decisive answers. Consequently, the researchers conclude “that simple statements indicating large damage from the minimum wage cannot be supported.” *It is clear that other factors in the economy and labour market influence employment levels as much and even more than changes to the minimum wage.*

Other analyses examining the impacts of changes to minimum wages find similar results, or in the case of Card and Kruger (1995) or Baker et al. (2000) very small negative or positive employment results from minimum wage increases. Baker et. al. hold that impacts of minimum wage increases are dependent upon the time period which one examines. That is, it may take more time for firms to respond to the minimum wage

increases on the one hand, and on the other it may be that researchers need to go back a year prior to an increase in order to capture the subsequent impacts of a minimum wage change. Baker et. al. utilize such longer time periods and regression analysis to assist them in measuring the impacts of minimum wage changes. But, here again, results show only limited impacts. The “disemployment” effects for certain age groups (male young adults and adult women) long touted by conservative economists are so small that they do not necessarily imply layoffs, but “merely represent a decline in what the employment-to-population level might otherwise have been.”

Discussions on the effects of minimum wage changes can even get more complicated as researchers debate methodologies, the relative impacts of particular wage increases, as well as the time period over which the impact should be studied. The purpose here is merely to indicate that such complexities exist, not to detail them or far less resolve them. Our focus is on the conclusions that new research reaches, namely: *the employment and disemployment effects of most minimum wage changes are so small as to best be characterized as negligible.*

#### **4. Moving Minimum Wage Workers From Poverty to a Living Wage**

Our review of minimum wage studies revealed that the disemployment effects of increases to the minimum wages are very small. Therefore, any attempts to portray increases to the minimum wage as a great job killer are not justified by the evidence.

This research also found that increases in the minimum wage are beneficial for the recipients themselves and have positive distributional effects as they result in a net increase for low wage earners, with such increases going disproportionately to those in low income families. Put another way, such increases do not primarily go to middle or high income families.

Our review also found that the majority of minimum wage workers are not teenagers, but rather women and young adults. Thus minimum wages play an important role by creating a floor for recipients and, as such, play a role in reducing the wage gap which still exists between men and women.

Goldberg and Green (1999) showed that only a small percentage of the

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 in providing income redistribution to those living and working in poverty and in relieving some of society's growing inequality, but that, on its own it is limited. Other researchers and policy analysts in addition to Goldberg and Green have come to similar conclusions, Freeman, (1996), and Fortin and Lemieux, (1997).

However, if one goes beyond the studies of actual minimum wage recipients and looks at all economic families living under the LICO, the effects of raising poverty level wages to a living wage become much more significant. Even so, minimum wage increases should be viewed as one important component in alleviating inequality. They are best used in conjunction with other income and social security policies such as social assistance, unionization, etc. We will speak to these issues further in the concluding section of this paper.

The challenge of finding ways to raise the minimum wage here in Ontario

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:  
Ontario Minimum Wages vs. LICO**

	<b>LICO Poverty Line *</b>	<b>Minimum Wage</b>	<b>Difference</b>	<b>Percent Increase</b>
<b>Annual *</b>	<b>\$22,357</b>	<b>\$14,248</b>	<b>\$8,109</b>	<b>57%</b>
<b>Hourly **</b>	<b>\$10.75</b>	<b>\$6.85</b>	<b>\$3.90</b>	<b>57%</b>

Source: Author’s calculations from Statistics Canada, Low Income Cut Off

\* 1999 LICO for a family of two

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

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 employees including agricultural workers, domestics, professionals and so-called “independent contractors.”

## **5. Municipal Fair Wage Policies**

A number of municipalities across Ontario have instituted fair wage policies. These policies apply to the wages and working conditions of those a city is doing business with such as those who are directly contracted by the city or subcontracted to do municipal work. The Fair Wage Policy in Toronto was originally implemented in 1893 in order to ensure that contractors for the city paid their workers’ union rates or for non-union workers, the prevailing wages and benefits in their field of work. The strength and persuasion of the building trades unions was crucial to this development.

The current rates of pay of those falling under this policy can be found in Fair Wage Schedules. While municipal schedules vary regionally across the province, they are usually within about 10% of the going union rate for that classification. Fair Wage policies have expanded over the years to include non-construction classifications such as clerical work, but still generally omit a significant number of non construction classifications, particularly those wherein women constitute a majority, such as cafeteria workers. Fair Wage policies have been extended to ensure acceptable hours of work and working conditions in order to better protect the rights of workers engaged in work for the municipality concerned.

The City of Toronto explains the intent of the Fair Wage Policy (1998 - 2001) as follows:

- to produce stable labour relations with minimal disruption;
- to compromise between the wage differentials of organized and unorganized labour;
- to create a level playing field in competitions for City work;
- to protect the public; and

- 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

implemented as a result of the strength of the construction trade unions. Thus, it may well be worthwhile to examine the role of trade unions in terms of raising income levels and thereby mitigating inequality and poverty. The intent here is to very briefly indicate the economic advantage of trade union membership rather than explore all the complexities of their impact on the macro economy, on society at large or even on individual members.

The evidence clearly shows that collective bargaining raises both the wages and benefits of unionized workers compared to non-unionized workers doing comparable work. What is called the “union advantage” or “union wage premium” raises all income levels but raises those for low income workers the most. Collective bargaining promotes greater equality of wages and working conditions within unionized workplaces by compressing wage and benefit differentials. Thus, as Jackson and Robinson (2000:95) argue: “The impact of collective bargaining on the incidence of low pay and on equality in the labour market as a whole thus depends on the extent of collective bargaining coverage in the labour force as a whole.”

Union coverage in 1998 as a percentage of paid jobs was 33% in Canada as a whole and was 29.6% in Ontario, according to the Labour Force Survey. Table 6 below shows the average hourly wages for unionized and non-unionized women and men. The average wage of women in unionized jobs is shown to be 31% higher than the average wage of women in non-unionized jobs. The average wage for men is shown to be 24% higher in unionized jobs. The table also shows that the union premium tends to be higher for less educated workers and for those employed in sectors with traditionally lower wages such as sales and services. One further point to be aware of is that the “pure” union premium is slightly smaller than these figures indicate as union membership overlaps with other job characteristics such as age, size of workplace, etc.

Table 7 below summarizes the benefits of unionization for all workers and for women and men in particular, as of 1998.

These figures show that unionization makes a difference! It dramatically boosts wages and benefits. While unionization covers one third of the workforce and therefore directly affects far more people than fair wage policies, fully two thirds of the workforce remain without union protection. As with fair wage rates, the gap between what is (poverty

level minimum wages) and what should be (union rates) is so wide it would be difficult, if not impossible, to make such a leap in the immediate future.

**Table 6:  
Average Hourly Wages of Women and Men  
by Unionization and Selected Characteristics, Canada 1995**

	Women			Men		
	Union	Non-Union	Union Premium %*	Union	Non-Union	Union Premium %*
All	16.68	11.58	30.6	18.98	14.45	23.9
Ages 15 to 24	11.23	8.11	27.8	11.83	8.64	27.0
Ages 25 to 44	16.92	12.71	24.9	18.79	15.80	15.9
Ages 45 to 69	17.37	12.71	26.8	20.93	18.15	13.3
Less than High School	12.16	8.30	31.7	16.23	10.80	33.5
High School Graduate	14.60	10.73	26.5	17.34	12.40	28.5
Certificate / Diploma	16.56	12.05	27.2	19.87	15.45	22.2
University Degree	21.38	17.18	19.6	23.12	21.73	6.0
Full-time	16.90	12.61	25.4	19.29	15.60	19.1
Part-time	15.95	9.62	39.7	12.71	8.52	33.0
Managerial / Admin.	18.59	16.51	11.2	23.00	21.41	6.9
Professional	19.49	15.45	20.7	22.47	18.49	17.7
Clerical	14.47	11.21	22.5	16.55	12.26	25.9
Sales	12.04	9.09	24.5	13.51	10.90	19.3
Services	12.81	7.40	39.2	16.20	8.93	44.9
Blue Collar	12.87	9.37	27.2	18.32	13.17	28.1
Firm Size less than 20	12.42	10.41	16.2	16.48	11.62	29.5
Firm Size 20 to 99	15.03	11.13	25.9	17.00	13.12	22.8
Firm Size 100 to 500	16.36	11.99	26.7	18.39	15.92	13.4
Firm Size +500	17.53	13.10	25.3	19.82	18.06	8.9

The "union premium" is simply the difference between the average union and non-union wage divided by average union wage, expressed as a percentage.

Source: Survey of Work Arrangements, in Jackson & Robinson (2000)

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.

**Table 7:  
The Union Advantage  
in 1998 \***

	Hourly Wage \$	
	Union	Non-Union
<b>All Workers</b>	<b>18.53</b>	<b>14.09</b>
<b>Men</b>	<b>19.45</b>	<b>15.81</b>
<b>Women</b>	<b>17.40</b>	<b>12.28</b>

Source: Statistics Canada Cat. 71-005. Labour Force Update: A New Perspective on Wages. Summer 1998. Table 15, in Jackson & Robinson (2000)

\* Data are for workers covered by a collective agreement

## 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 11.8% after tax and 16.2% before tax of all Canadians (1999). We thus move from several hundred thousand workers to several million Canadians who would benefit from such a substantial raise in income; and
- even more workers would benefit from the "spillover" effect, which raises the income of those earning just above the minimum/living wage.

This paper also spoke to two further issues that could well form part of an anti-poverty agenda:

- government fair wage policies, particularly those on the municipal level, assist those directly contracted by various levels of government, but need expansion to cover non-construction classifications and in a number of cases are in dire need of enforcement; and
- the evidence shows that unionizing non-unionized workers dramatically improves living standards.

This paper's focus has been to explore some of the key literature on the minimum wage and the implications of moving minimum wage workers and others receiving low incomes out of poverty. A more comprehensive examination would explore how other policies such as social assistance, unemployment insurance, social housing, and free child care impact on living standards, so as to develop a complete anti-poverty agenda. Much work has already been undertaken in this area, such as the Canadian, Manitoban and Ontario Alternative Budgets (see reference) and much remains to be accomplished.

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*.

Chris Schenk received his Ph.D. in Sociology and Industrial Relations from the University of Toronto in 1983.







