



**District 6**  
**Ontario & Atlantic Provinces**

**Marty Warren**  
District Director

**Submission to Ontario's Minimum Wage Advisory Panel**

October 18, 2013

The United Steelworkers union endorses the Ontario Federation of Labour's (OFL) call for a minimum wage of \$14 per hour, to ensure that Ontarians who work full-time earn appreciably more than the poverty line. As the OFL submission states:

Minimum wage legislation is an important social policy because it establishes a wage floor. Everyone deserves the opportunity to earn a decent wage, whether it's a single mother raising a family or a student saving for college. An adequate minimum wage can help to ensure that workers with little bargaining power in the labour market are paid a livable wage. The minimum wage is about lifting working people out of poverty, but it's also about fairness and the value of work. Even for individuals not living below the poverty line, a decent wage can provide opportunities and allow them to contribute more to their families and local economies.

Establishing a higher wage floor can also help to address inequality. The earnings of Ontarians have become polarized. Those at the top are earning more, while those in the middle and at the bottom are facing stagnating wages. Putting more income into the hands of those earning the least can help address this inequality. Establishing an adequate minimum wage is one way to do this.

In addition to the facts and arguments presented by the OFL, we ask the panel to consider the following material on who would benefit from a higher minimum wage, whether it would reduce employment, and how it should be indexed.

**Who Would Benefit from a Higher Minimum Wage?**

The vast majority of union members earn substantially more than minimum wage, but the United Steelworkers union is very diverse and we strive to organize the lowest-paid workers who are most in need of collective representation. In particular, we are the largest union of security guards in Canada.

Two months ago, we won a first contract for security screeners at the Norman Rogers Airport in Kingston. Prior to Steelworker representation, the starting wage for people performing this essential service was below \$14 per hour. Our collective agreement increased it to \$16 per hour.

The Ontario government should improve labour legislation to make collective bargaining available to more workers. For example, certification based on a majority of employees signing up to join a union is currently restricted to the construction sector but should be extended to all Ontario workplaces. We must also legislate a decent minimum wage for all employees, especially those who currently lack union representation.

After the OFL made its submission, the Wellesley Institute released a report entitled “Who Is Working For Minimum Wage In Ontario?” It confirms that recent immigrants, visible minorities and women are more likely to work for minimum wage, which means that a higher minimum wage would help achieve greater equity for these groups.

The Wellesley Institute also found that people older than 24 accounted for 40% of those earning Ontario’s minimum wage and 60% of those earning more than minimum wage but less than \$14 per hour. These figures debunk the stereotype that only teenagers living with their parents get paid minimum wage. A higher minimum wage would help hundreds of thousands of adults who can barely make ends meet.

### **Would a Higher Minimum Wage Reduce Employment?**

The main objection to increasing the minimum wage is that employers would supposedly hire fewer workers. In reality, labour costs are usually only a fraction of an enterprise’s total costs. By increasing consumer spending, a higher minimum wage also raises business revenues.

Minimum-wage work is concentrated in areas like fast food, retail and security, which have very little latitude to substitute capital for labour. Because these industries serve local markets, they cannot shift jobs to lower-wage jurisdictions.

Fast food, retail and security typically employ people for variable shifts and hours. If these employers want less labour, they cut back hours rather than laying off workers. As long as the percentage increase in the minimum wage exceeds the possible percentage reduction in paid hours, employees would earn more income.

Opponents of a higher minimum wage cannot simply suggest that it might slightly reduce demand for labour at the margin. They would have to prove that paid hours would fall by a larger percentage than the wage increase.

In fact, the evidence indicates that minimum-wage increases do not decrease employment. Economics professors from the Universities of Massachusetts (Amherst), North Carolina (Chapel Hill) and California (Berkeley) recently compared adjacent U.S. counties along the borders of states with different minimum wages.

Their conclusion was published in the November 2010 edition of *The Review of Economics and Statistics*: “For cross-state contiguous counties, we find strong earnings effects and no employment effects of minimum wage increases.” In other words, boosting the minimum wage succeeded in raising pay without reducing employment, even when neighbouring jurisdictions maintained a lower minimum.

### **How Should the Minimum Wage be Indexed?**

After being increased to an appropriate level, Ontario’s minimum wage should be indexed to keep pace with other wages and prices that rise over time. The Ministry of Labour’s consultation paper asks whether the minimum wage should be indexed to inflation or average weekly earnings.

Alberta indexes its minimum wage to the average of inflation and average weekly earnings. Saskatchewan is proposing to index its minimum wage to the average of inflation and the average hourly wage.

The minimum wage should increase by at least as much as inflation to avoid falling behind the rising cost of living. It should increase by at least as much as the average wage to prevent income inequality from worsening.

The United Steelworkers union proposes the following indexing formula for Ontario: the minimum wage should be raised at least once per year by the rate of inflation or by the average wage increase, whichever is greater. Given the minimum wage’s social and economic benefits, it is reasonable for indexation to err on the side of increasing it more rather than less.