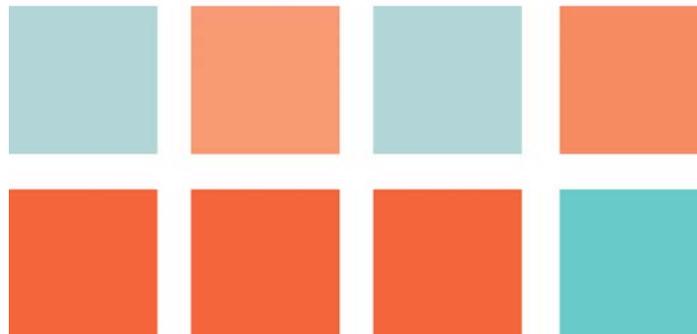




**Submission to the Minimum Wage
Advisory Panel: Increase the minimum
wage so that work is a pathway out of
poverty**

October 18, 2013

**The Registered Nurses' Association of
Ontario (RNAO)**



The Registered Nurses' Association of Ontario (RNAO) is the professional association representing nurses, in all settings and roles across Ontario. It is the strong credible voice leading the nursing profession to influence and promote healthy public policy.

As RNAO stated in two recent open letters to Premier Wynne,^{1 2} Ontario's nurses implore the government to accelerate poverty reduction efforts so that all Ontarians can have a fair chance at good health and well-being. The evidence is compelling that alleviating poverty is important economic, social, and health policy in that health inequities are caused by social inequities. As an example, it is completely unacceptable that in a province as affluent as Ontario that there could be a twenty-one year difference in life expectancy in the five kilometer distance between a high-income and a low-income neighbourhood in Hamilton.^{3 4} Decades of cumulative evidence compiled by the World Health Organization's Commission on the Social Determinants of Health⁵ make it clear that the key to reducing avoidable and unnecessary premature deaths is inexorably linked with reducing poverty and income inequality. There is an international consensus based on public health science and human rights legislation that "governments have a responsibility for the health of their peoples, which can be fulfilled only by the provision of adequate health and social measures."^{6 7} Raising the minimum wage so that full-time work becomes a pathway out of poverty is integral to implementing a comprehensive poverty reduction strategy so that all Ontarians can live in health and dignity.

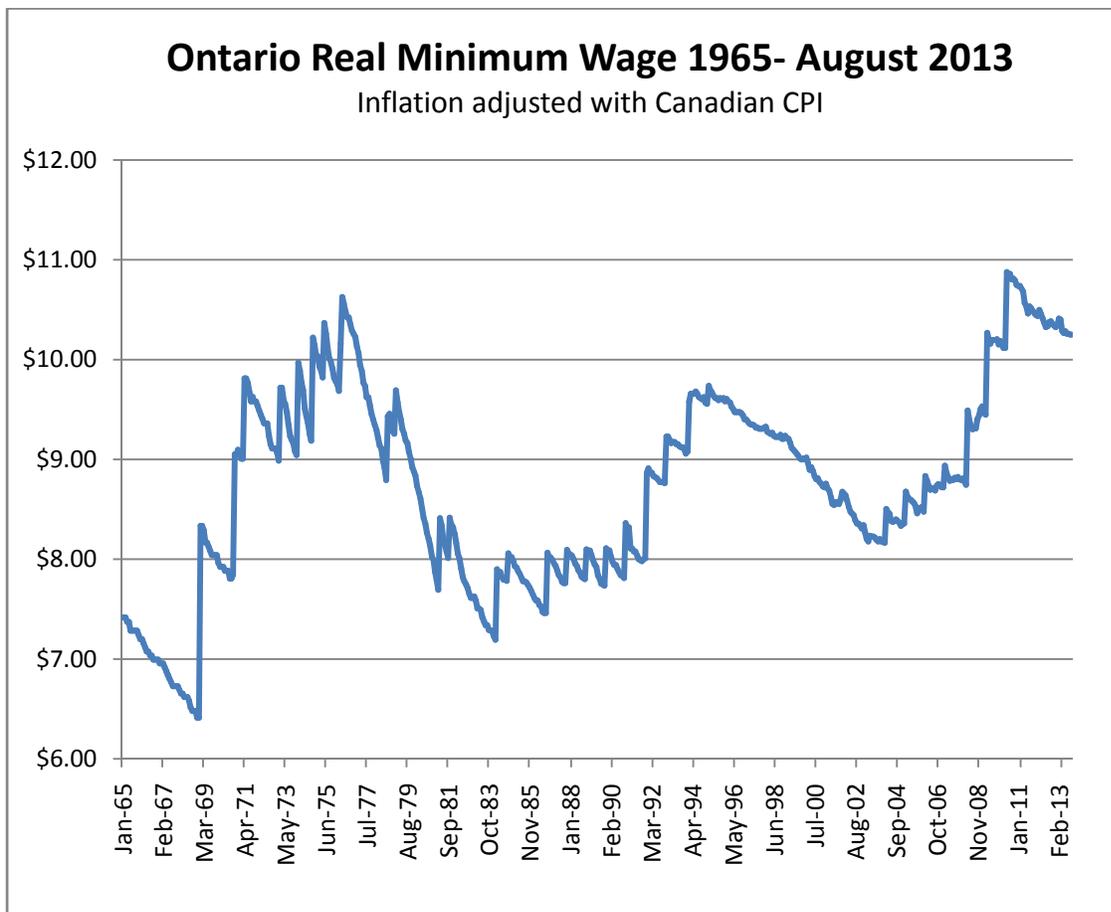
The Registered Nurses' Association of Ontario supports the broad-based community movement calling for an increase of the minimum wage to 10 per cent above the Low Income Measure (LIM) or \$14 per hour in 2013 and then automatically index it annually to the rate of inflation.^{8 9}

The minimum wage was frozen at \$6.85 per hour from 1995 to 2004, corresponding to a 17 per cent cut in purchasing power. After that, important increases brought it to \$10.25. The table below shows the recent progression in minimum wage rates in Ontario.

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Ontario Minimum Wage	
Date of Change	Rate
01-Jan-1995	\$6.85
01-Feb-2004	\$7.15
01-Feb-2005	\$7.45
01-Feb-2006	\$7.75
01-Feb-2007	\$8.00
31-Mar-2008	\$8.75
31-Mar-2009	\$9.50
31-Mar-2010	\$10.25

The situation for workers earning minimum wage is not so rosy once adjusted for inflation as the chart below demonstrates:



With the minimum wage frozen at \$10.25 per hour since 2010, the real minimum wage has started to decrease as shown above. Over the last three years, inflation has driven down the minimum wage earnings 19 per cent below the poverty line (using the LIM).¹⁰

Except for New Brunswick and Prince Edward Island, Ontario's workforce is more reliant on minimum wage than any other part of Canada.¹¹ Minimum wage workers account for almost one in ten employees in Ontario, which is more than double the share compared with a decade ago.¹² Of the 464,000 employees paid at minimum wage in Ontario in 2011, women, racialized people, and recent immigrants are disproportionately more likely to be working for minimum wage.¹³

Wages that cause individuals and families to live in poverty not only harm those directly involved but also displace costs from corporations to the public sector. A newly released study in the United States found that 52 per cent¹⁴ of front-line fast food workers "earn so little they must rely on public assistance to get by."¹⁵ A conservative estimate of the cost of publicly funded social safety programs provided by government to augment low-wage jobs in the fast-food industry in the United States comes to \$7 billion per year.¹⁶ In the context of the American fast-food industry generating sales of \$200 billion per year, Jack Temple of the National Employment Law Project notes: "It doesn't matter whether you work or shop at McDonald's or not, the low-wage business model is expensive for everybody. Companies...are basically pushing off part of their costs on the taxpayers."¹⁷

While the potential employment effects of increasing minimum wage has been contested in the academic literature, two meta-studies analyzing research on the minimum wage since the early 1990's concluded that "the minimum wage has little or no discernable effect on the employment prospects of low-wage workers."¹⁸ One can find studies that conclude negative employment effects, but even if correct, the magnitude of the claimed effects is small and readily outweighed by the much larger income effects. In fact, a study of the impact of "business assistance living wage laws," which require businesses receiving public subsidies to pay workers above the poverty level, found that 15 cities effectively implementing these laws had the same levels of employment growth as a comparable group of control cities.¹⁹

An analysis of the economic impact of higher wages for Walmart workers found a tremendous benefit for workers living in poverty and near-poverty with only a modest impact on shoppers. Even if Walmart were to pass 100 per cent of wage increases onto consumers, the average impact would be only 1.1 per cent of prices, which works out to 46 cents per shopping trip.²⁰ While the Walmart shoppers would spend an additional \$12.49 per year, low-income Walmart workers would see a raise of \$1,670 to \$6,500 per year.²¹

Counter to the claim that raising the minimum wage would hurt employment or low-income shoppers is the more compelling argument that raising the minimum wage would be good for everyone. As 54 per cent of Canada's gross domestic product is due to household spending, businesses will benefit from increased consumer demand and governments will increase revenues from economic growth.²² Unlike corporations that are hoarding their cash reserves as "dead money" up by \$72 billion in 2011,²³ the bottom 20 per cent of people tend to spend 60 per cent of their income on frills such as housing, food, and clothes.²⁴ More generally, low income people tend to spend almost all of their income, so any increase in their income goes overwhelmingly into buying goods and services, thus creating more jobs than created by increases at the top of the income scale.

While a minimum wage of \$14 per hour which is then indexed to inflation annually is a good start, an actual living wage would be even better for stronger, more inclusive, and democratic communities.²⁵ Estimates of a 2012 living wage for Kingston have been set at \$16.51 per hour and \$17.87 per hour for Toronto,²⁶ while an updated living wage for Vancouver has been calculated at \$19.62 per hour for 2013.²⁷

Thank you for the opportunity to participate in collective conversation and work to build a healthier, more equitable, and vibrant province.

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