



A CMHA Ontario Submission to the Minimum Wage Advisory Panel: A Healthy Approach to Earned Income

Introduction

Canadian Mental Health Association (CMHA) Ontario is pleased to contribute to the dialogue on raising the minimum wage in Ontario. CMHA Ontario is a non-profit, charitable organization committed to improving the lives of people with mental illnesses and their families, and to the promotion of mental health for all Ontarians. We anticipate that our recommendations will help inform the Minimum Wage Advisory Panel as it considers research and the formulation of the Chair's recommendations to the Ministry of Labour. This submission was developed in partnership with CMHA Brant, CMHA Hastings, CMHA Halton Region, CMHA Ottawa, CMHA Sault Ste. Marie, and CMHA Sudbury/Manitoulin.

Every employee deserves to earn enough to ensure a decent standard of living. However, there is no consensus of what this means in Ontario. In the absence of a legislated "decent standard of living" wage, many concepts have been debated, such as a living wageⁱ or a wage that is set above established poverty linesⁱⁱ. Until such a time as Ontario adopts a wage policy that provides for a decent standard of living, minimum wage is and will continue to act as the reference point for employee compensation. Minimum wage is an important instrument to address compensation for a worker's labour, and ensure that wages at the lowest end of the labour market keeps pace with the rising costs of goods and services. This is indeed a feasible goal if the minimum wage is set at a level that ensures employees working full time full year earn a wage that achieves an earned income above the poverty lineⁱⁱⁱ.

The Connection between Income, Minimum Wage and Health

Income is an important social determinant of health.^{iv} There is a large body of evidence that illustrates the causal effect between income and health.^v Those with lower incomes generally report poorer physical and mental health than those in the higher income quintiles.^{vi} For example, a recent Canadian Medical Association poll stated that only 39% of the poorest Canadians report excellent or very good health, compared to 68% of the richest Canadians. According to the Wellesley Institute, the implications

for health must be embedded in policy development and implemented across different government ministries. As such any public policy that affects a key determinant of health, such as income, through an increase in the minimum wage, should be viewed through a health in all policy approach, as minimum wage can be viewed as part of a complex mix that supports personal and population health.^{vii}

According to the commissioners for the review of social assistance in Ontario, the minimum wage effectively acts as a “ceiling” for social assistance rates. Pulling up the minimum wage floor could help raise the ceiling on social assistance rates.^{viii} Ensuring that government policies are integrated to their fullest ability will help ensure that a change in one government policy does not have unintended negative consequences for the most marginalized workers.

Therefore, CMHA Ontario recommends that,

Any rise in the minimum wage should account for any unintended consequences in other policies outside the Ministry of Labour which may impact negatively on low-income workers. Policies such as those governing affordable housing policies, rent control increases (which often outstrip the rise in wages), and how a rise in wages will affect any future adjustment in social assistance rates, are issues that need to be taken into consideration in advance of any wage increases.

Setting the Minimum Wage

CMHA Ontario believes that the minimum wage should be increased to a level that provides for a decent standard of living and is raised annually to adjust for increases to the cost of living.^{ix} Minimum wage should be implemented in such a way as to enable a pathway out of poverty for those earning an income, without jeopardizing the economic health of Ontario businesses and their employees and with the knowledge that legislative changes are feasible within the timeframe indicated.

CMHA Ontario recommends that,

The current minimum wage of \$10.25 be increased incrementally over 5 years to reach a wage of 10% above the poverty line by 2018^x.

We call for incremental increases to the minimum wage over a five year period, instead of a one-time increase with the realization that minimum wage alone cannot reduce poverty; rather it is just one tool in the arsenal of tools that can be used to narrow the poverty gap.^{xi} Moreover, the five year period aligns with the development period for the 3rd poverty reduction strategy, allowing minimum wage to be an integral part of the poverty reduction dialogue.

This gradual increase will narrow the poverty gap without having a detrimental or lasting impact on business. While every worker deserves to earn a wage that provides a pathway out of poverty, bumping up the current minimum wage all at once to achieve this objective is not feasible. Increasing the minimum wage immediately to 10% above the poverty line translates into a 37% increase the minimum

wage, and may induce negative effects on employment, making it even more challenging for persons with disabilities to secure and retain employment.

After a period where the minimum wage was frozen, incremental increases were introduced in 2004. The minimum wage rose from \$6.85 to \$10.25 over a 7 year period. Research shows that employers adapted, and overall employment remained unchanged by the increase because it was spread over a number of years, allowing businesses to account for its impact in their business process, and buffering low income wage earners from being let go to absorb a sudden and significant raise in business costs.^{xii}

If minimum wage is increased it will not just be the large profitable corporations that will have to pay more. Furthermore, large increases in operating costs are much harder for small and medium size enterprises to absorb. A large increase in earnings payout may result in job loss, as employers compensate for a significant one-time increase in earnings payout by reducing the number of jobs in their workplace. Evidence shows that workers with the least skills in the poorest paid jobs will be among the first to lose their jobs, resulting in higher unemployment among a worker population that already have the highest unemployment rates in Ontario.^{xiii} Conversely, incremental increases can achieve the same objective over a number of years and have little or no negative impact on business.^{xiv}

Ensuring Minimum Wage Keeps Pace with Inflation

Indexing the new minimum wage is beneficial for several reasons: it will prevent the erosion of the minimum wage once it is set at a socially acceptable level, indexing will avoid any future need for significant one-time increases^{xv}; and future moderate increases to minimum wage are not likely to have significantly negative impacts on employer actions.

CMHA Ontario recommends that,

Ontario join the four other provinces and territories by indexing the minimum wage yearly to the cost of living, using the Consumer Price Index as the economic indicator.

Alberta, Manitoba, Nova Scotia and the Yukon adjust the minimum wage by the CPI each year. Saskatchewan is considering indexing the minimum wage to the CPI based on recommendations from the province's Minimum Wage Board. The Newfoundland and Labrador Minimum Wage Advisory Committee recently recommended increasing the minimum wage and indexing it annually to the CPI.^{xvi}

Effect of Minimum Wage Increase on Persons with Disabilities

Approximately two million people in this province have a physical, mental, sensory or learning disability, and that number will grow as Ontario's population ages.^{xvii} Successfully engaging workers with disabilities in the labour market is crucial, not only for improving their own physical and mental well-being, but also for strengthening overall economic growth, equality and social cohesion. Research shows

that people with disabilities have lower incomes than people without disabilities, have a higher risk of poverty, are less likely to be employed, and are at risk of social exclusion.^{xviii} When workers with disabilities are employed, jobs tend to be in entry level positions in low-wage industries that do not provide benefits and often only offer part-time and/or temporary employment. This is known as precarious work.

Precarious work is associated with a greater risk of illness or injury and a lack of benefits, which can lead to greater workplace absenteeism and lower rates of participation by those with disabilities in the workforce. Increasing the wages paid for work that is often performed by the most vulnerable in our society leads to decreased reliance on passive income supports, decreased healthcare costs and greater rates of social and economic participation.

Almost one in ten Ontario workers relies on minimum wage jobs.^{xix} Moreover, research shows that only 10 – 20% of persons with the most serious mental illnesses are even in the workforce. The reality is persons with disabilities, especially workers with severe mental health issues, also receive income support, and may only work part-time to supplement their disability income. However, whatever extra income they do receive through a higher minimum wage may reduce their reliance on social assistance and may also allow them to spend more on local goods and services, boosting the local economy.

Minimum Wage should be Part of a Larger Labour Market Framework

Minimum wage is a vehicle that contributes toward building a healthier workforce. It increases employee retention, enhances employee loyalty and productivity (thus increasing business' bottom line) and reduces employee turnover. But minimum wage in itself is insufficient to establish or sustain a healthy labour market. Other intergovernmental policies and programs are needed to create and sustain an active and vibrant labour market.

CMHA Ontario recommends that minimum wage decisions be part of a larger labour market framework that includes the following recommendation:

Extend universal basic health coverage (prescription drugs, vision care, and dental) to all low-income workers in Ontario.

The majority of minimum wage earners are working in jobs that do not provide health care benefits. Providing a universal benefit would allow workers to keep more of their take home pay.^{xx} This is especially important for workers with mental health conditions whose cost of medication can make work unfeasible.

Much advocacy has been focused on strengthening enforcement of employment standards to protect the rights of workers under the law with a focus on employers that are high risk for non-compliance. Ensuring that minimum wage workers get the wages that they have worked for will also encourage more marginalized workers to maintain employment.

Perhaps the most important component of a larger labour market strategy should be to improve and expand employment supports, training and upgrading for social assistance recipients and low wage earners, especially those with a disability.

CMHA Ontario recommends that,

Employment services be expanded to include a full range of employment readiness activities (such as soft skill development), a more extensive job coaching component than is currently funded, and a focus on building individual capacity and skills; rather than a generic program that is focused on rapid labour market (re)entry at the expense of the job seeker.

The full potential of workers with disabilities is not accommodated within the current system of supports. A focus on meeting job placement targets often means that persons with the most barriers to employment are often overlooked for service in favour of those who can maintain employment within the rigid funding requirements that currently exist.

CMHA Ontario recommends that,

A provincial disability employment policy strategy needs to be developed that fits within a larger labour market framework.

This strategy could be based on the Making it Work Framework developed by the Ministry of Health and Long-Term Care in 2000. The Ministry of Health and Long-Term Care envisioned a shared-service model approach — in partnership with the Ministry of Community and Social Services, federal government programs, the business community and the training and education sectors — that would result in a comprehensive range of employment support options to address the unique needs of persons with serious mental illness. This strategy could be adapted to address the barriers in common for all workers with disabilities. In order to achieve this goal, partnership between different levels of government is required.

Experiential Knowledge is Key

In research on how other jurisdictions decide on a mechanism for increasing minimum wage, the Ontario Chamber of Commerce, identified four common mechanisms:

1. The minimum wage is determined by the government on an ad-hoc basis (the status quo)
2. The minimum wage is determined by an independent body of experts
3. The minimum wage is determined by the government on the advice of an independent body of experts
4. The minimum wage is tied to an economic indicator, such as the Consumer Price Index (OCC Sept 3013)

CMHA Ontario agrees that the decision to raise the minimum wage should be determined by the Government. However, a process should be established that allows for a third party, such as an advisory panel, to inform the Government on proposed recommendations. The structure of this panel should be equitable in nature and reflect the perspective of marginalized workers.

CMHA Ontario recommends that,

The current minimum wage advisory panel should be expanded to include an umbrella group in Ontario that represents marginalized workers who have or currently make minimum wage.

Summary of Recommendations:

- 1) Any rise in the minimum wage needs to be measured against the unintended consequences in other policies outside the Ministry of Labour which may impact low-income workers. Policies such as those governing affordable housing policies, rent control increases (which often outstrip the rise in wages), and how a rise in wages will affect any future adjustment in social assistance rates, are issues that need to be taken into consideration in advance of any wage increase.
- 2) The current minimum wage of \$10.25 be increased incrementally over 5 years to reach a wage of 10% above the poverty line by 2018
- 3) Ontario join the four other provinces and territories and index the minimum wage yearly to the cost of living, using the Consumer Price Index as the economic indicator.
- 4) Extend universal basic health coverage (prescription drugs, vision care, and dental) to include all low-income workers in Ontario.
- 5) Employment services be expanded to include a full range of employment readiness activities (such as soft skill development), a more extensive job coaching component than is currently funded, and a focus on building individual capacity and skills; rather than a generic program that is focused on rapid labour market (re)entry at the expense of the job seeker.
- 6) A provincial disability employment policy strategy needs to be developed that fits within a larger labour market framework.
- 7) The current advisory panel should be expanded to include an umbrella group in Ontario that represents marginalized workers who have or currently make minimum wage.

Conclusion

CMHA Ontario believes that employment should provide a pathway out of poverty. It is imperative to establish a minimum wage that will provide workers working full time, full year with a decent standard of living. However, minimum wage alone should not be the only vehicle used to lift workers out of poverty. For this reason, CMHA Ontario has suggested a mix of policy options that, if addressed in combination, can strengthen workers' abilities to create a secure living for themselves and their families.

Endnotes

ⁱ "A living wage is a wage that allows employees not just to survive (in minimal physiological terms) but to have a decent quality of life, to raise children to be healthy and successful citizens, to enjoy recreation, culture, and entertainment, and to participate fully in social life." Stanford, J. and Mackenzie, H. Centre for Policy Alternatives. 2008.

ⁱⁱ Ontario community agencies and social justice advocates have called for an immediate increase of the minimum wage to \$14/hr, which equate to 10% above the poverty line using (low income measure) LIM as their measure.

ⁱⁱⁱ This submission defines full time work as 35 hours a week for 50 weeks of a fiscal year.

^{iv} Mikkonen, J., & Raphael, D. (2010). Social Determinants of Health: The Canadian Facts. Toronto: York University School of Health Policy and Management. The Canadian Facts <http://www.thecanadianfacts.org>

^v CMA poll finds "worrisome" gap in income-related health status
http://www.cma.ca/index.php?ci_id=204846&la_id=1

^{vi} Canadian Medical Association. Health care in Canada: What Makes Us Sick? July 2013.

^{vii} Wellesley Institute. Realizing The Potential Of Health In All Policies: Lessons From Finland. April 2013

^{viii} Commission for the Review of Social Assistance in Ontario. Brighter Prospects: Transforming Social Assistance in Ontario, recommendation #26, A Report to the Minister of Community and Social Services. 2012.

^{ix} As measured by the Consumer Price Index

^x We do not prescribe a specific poverty line to be used in any calculation, but rather leave this to the policy makers to decide.

^{xi} Gunderson, Morley. Minimum Wages: Issues and Options for Ontario. 2007; Ontario Chamber of Commerce, The Business Perspective on How to Set Ontario's Minimum Wage: Predictable, Transparent, and Fair. 2013.

^{xii} Gunderson, Morley. Minimum Wages: Issues and Options for Ontario. 2007; Ontario Chamber of Commerce, The Business Perspective on How to Set Ontario's Minimum Wage: Predictable, Transparent, and Fair. 2013.

^{xiii} Law Commission of Ontario. Vulnerable Workers and Precarious Work. 2012

^{xiv} "John Schmitt of the Centre for Economic Policy and Research finds that the majority of recent studies in the U.S. conclude that the effects on employment are extremely small with some studies showing small positive impacts on jobs." Schmitt, J. Why Does the Minimum Wage Have No Discernible Effect on Employment? Centre for Economic and Policy Research, Washington, D.C. 2013; <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

^{xv} Indexing the minimum wage means adjusting it automatically each year to keep pace with the rising cost of living.

^{xvi} Newfoundland and Labrador, Minimum Wage Advisory Committee. Operations and Findings. 2012; http://www.gov.nl.ca/lra/min_wage_review_2012/MWRReport.pdf

^{xvii} Ministry of Finance 2013 Ontario Budget; <http://www.fin.gov.on.ca/en/budget/ontariobudgets/2013/>

^{xviii} Conference Board of Canada. Disabled Income. <http://www.conferenceboard.ca/hcp/details/society/disabled-income.aspx>

^{xix} 9.3% in 2012. Armine Yalnizyan, Boost the Minimum Wage, Boost the Economy <http://www.progressive-economics.ca/2013/02/27/boost-the-minimum-wage-boost-the-economy/>

^{xx} Working on the Edge, Workers Action Centre (2007); http://www.workersactioncentre.org/wp-content/uploads/2011/12/pb_WorkingOnTheEdge_eng.pdf