

Social Services Division
Heather MacVicar, General ManagerMetro Hall
12th Floor, 55 John Street
Station 1123
Toronto, ON M5V 3C6

BRIEFING NOTE

DATE: March 1, 2007

TO: City Council

FROM: Heather MacVicar, General Manager, Social Services

RE: A Toronto case for increasing the minimum wage to \$10.00 per hour

Purpose:

In recent months there has been a renewed focus in the media and among different advocacy groups on the adequacy of minimum wage rates. Increasing the minimum wage is seen as one of a series of actions that can be taken to improve the standard of living and quality of life for some of the most vulnerable residents of this city and province.

At its meeting of February 19, 2007 the Community Development and Recreation Committee (CDRC) requested that the General Manager of Toronto Social Services:

“submit a briefing note to City Council on March 5, 2007, supporting the Toronto case for an increase to the minimum wage”

The following briefing note includes data provided by the City’s Economic Development, Culture and Tourism Division. It reiterates key arguments that have been made regarding the need for increasing the minimum wage as well as provides demographic information about the people directly affected and the industries where minimum-wage work is concentrated.

Background:

In June 2006, City Council adopted the 65 recommendations and actions contained in the Toronto Social Services report, *Systems of Survival, Systems of Support: An Action Plan for Social Assistance in Toronto*, which outlined specific measures that

Facts about Low Income Residents:

- In 2001, Toronto had 68% of persons in the GTA living below the Low Income Cut-Off (LICO), 62% of poor children and 58% of lone parent families. (see footnote #2 for an explanation of LICO and Low-Income Measure (LIM))
- In 2004, 42% of lone parent families had income below Statistics Canada’s LIM
- Toronto remains the most expensive rental housing market in Canada. In 2001, one- half of both low-income owner and renter families were spending 50% or more of their income for shelter.

different orders of government need to take to restore and reinvest in Toronto's social safety net. Included in the Action Plan was a position that the minimum wage should be increased to provide a livable income that allows vulnerable Toronto residents to afford the basic necessities such as food, clothing, housing and transportation.

Further to this, the Community Development and Recreation Committee (CDRC), at its meeting of February 19, 2007, received from the Board of Health a report, *Progress Report: Meeting Current Nutritional Needs of Toronto's Children and Youth*, which recommended that the minimum wage be "increased to \$10.00 per hour as a step towards ensuring that the Province's low wage earners are better able to afford nutritious food".

At this same meeting, CDRC adopted a resolution calling on City Council to "endorse provincial Bill 150, An Act to amend the Employment Standards Act, 2000, which would raise the minimum wage to \$10.00 an hour" to protect Toronto's most vulnerable residents.

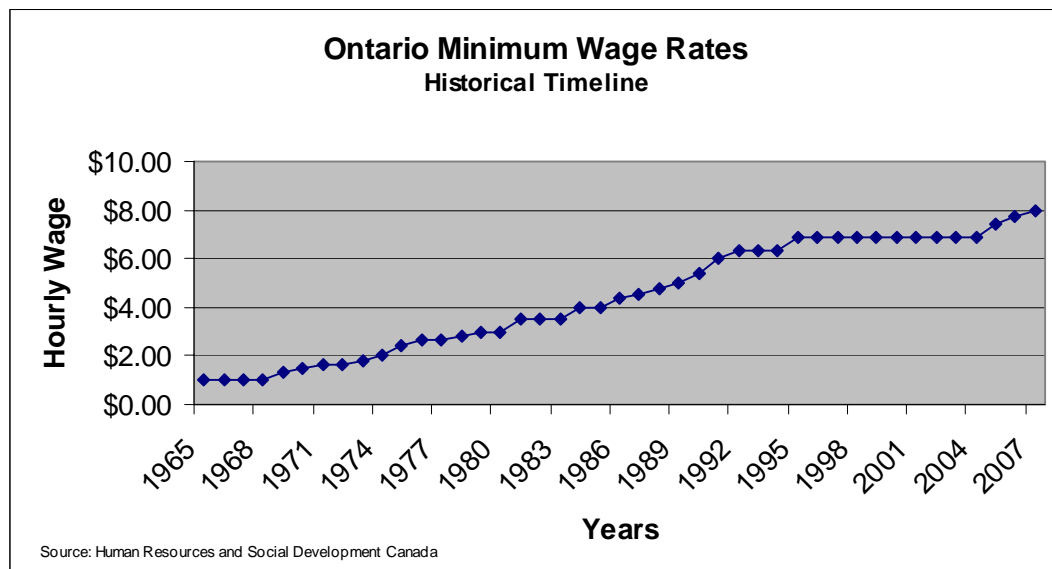
Context:

Key observations from this briefing note include:

1. Improvements in the current minimum wage rate will provide positive benefits for a sizable number of the City's vulnerable residents;
2. A \$10.00 minimum wage sets a wage floor that will assist low wage earners to meet the high costs of living in Toronto;
3. Toronto's minimum wage earners are more likely to be older and employed full-time than elsewhere in the Province, and;
4. Any increase will disproportionately benefit women, who are more likely to work full-time in low wage employment.

The Case for Increasing the Minimum Wage:

The following graph shows Ontario's minimum wage rate since 1966. Rates increased on a regular basis between 1970 and 1994 but were frozen between 1995 and 2004. In 2005, the Provincial Government again began to increase the minimum wage. The most recent increase, in February 1, 2007, has brought the current rate to \$8.00 per hour. No further increases are scheduled at this time.



According to the Canadian Council on Social Development, had the minimum wage continued to increase between 1995 and 2005 at the same pace as the previous decade, it would now be at least \$9.25.¹

Facts about Income and Earnings:

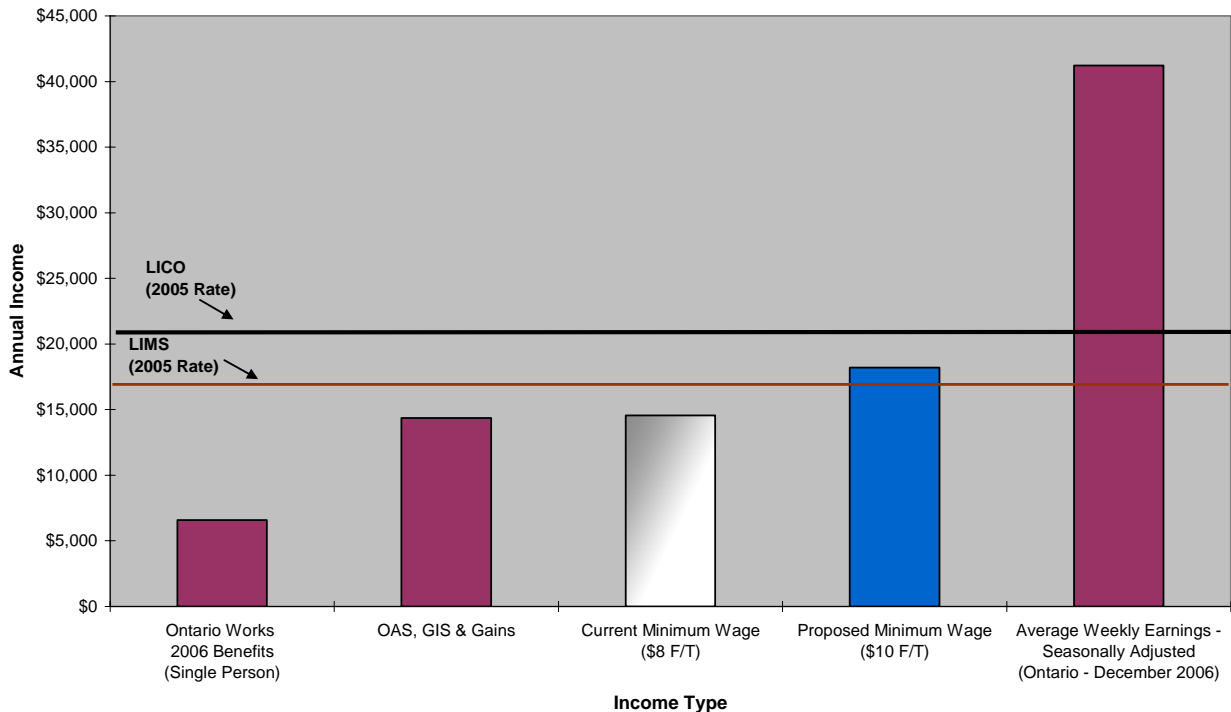
- Median hourly wages for all Toronto workers rose from \$14.81 in 1997 to \$17.95 in 2006, an increase of 21%. For the same period, the minimum wage increased from \$6.85 to \$7.75 or 13% while average rent rose by 32%.
- In 2005, the cost of living for a family of four in the Toronto Metropolitan Area was \$31,266.00. Based on a thirty-five hour work week, a family would need an hourly income of \$17.18 to achieve this standard of living.
- The median income level for low-income couples and lone parent families was \$14,500.00 and \$14,000.00, respectively in 2004.

The current \$8.00 an hour minimum wage rate is widely seen to be insufficient to meet the basic needs of the City's most vulnerable working residents. For those employed at the current minimum wage of \$8.00 an hour, the annual salary earned is approximately \$14,560.00. A raise in the minimum wage to \$10.00 an hour provides

an individual with a yearly salary of \$18,200.00.

The following chart compares: annual incomes for single adults working an average 35 hour work week at the current minimum wage, the proposed \$10.00 minimum wage, those in receipt of Ontario Works Benefits, recipients of OAS, GIS and GAINS along with Statistics Canada's Seasonally Adjusted Average Weekly Earnings for Ontario.

**Estimated Average Annual Incomes
By Income Source**



¹ Canadian Council on Social Development. *Minimum Wage is Not a Living Wage*, 2003/2004.

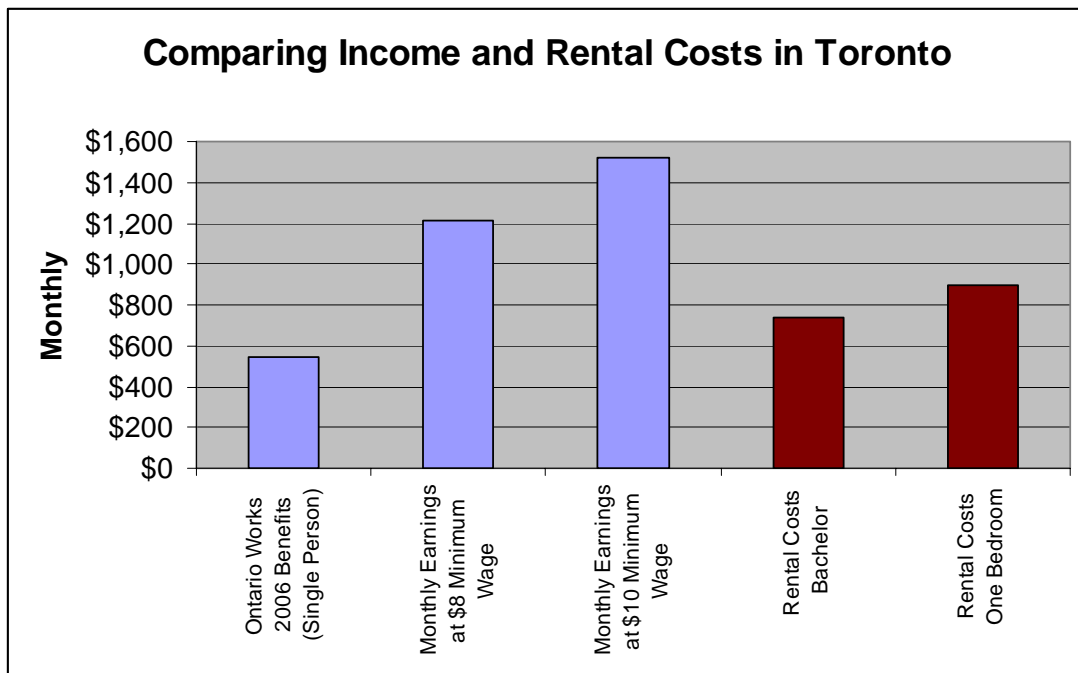
As the chart shows, increasing the minimum wage from \$8.00 to \$10.00 would push the minimum wage earner to just above Statistics Canada's 2005 Low Income Measure (LIM) but still well below the 2005 Low Income Cut-Off (LICO)².

Meeting Basic Needs in Toronto:

A. High Costs of Housing

Toronto remains the city with the highest rental costs among all major Canadian cities. In 2006, the average monthly rental costs for an apartment were \$740.00 for a bachelor apartment or \$896.00 for a one-bedroom³. In Toronto, a significant majority of low income earners live in rental housing.

Statistics Canada reports that, on average, households may face difficulties when more than 30% of total income is allocated for housing costs. Yet according to 2007 statistics from the *Canadian Housing and Renewal Association*, and as demonstrated in the chart below, in order to limit rental costs to 30% of total income, a single person in Toronto would need to earn more than \$14.00 an hour to afford the rent for a bachelor apartment. A family of three needs a combined income of nearly \$25.00 an hour to afford a two or three bedroom apartment. As a result, a single parent in Toronto must either have multiple full-time minimum wage jobs or be employed in a job paying almost three times the minimum wage to afford the rent for an average two-bedroom apartment.⁴



² *Low Income Cut-off (LICO)* compares total household income and spending patterns against the income and spending patterns of the general population. Households that spend disproportionate amounts of their pre-tax income on food, clothing and shelter – 20% above the average family – are considered low income.

Low Income Measure (LIM) considers a family to be low income if its income, adjusted for family size (number of adults and children), is less than half the median income (the point at which half of all families are above and half are below). LIM is primarily used to compare countries.

³ Canada Mortgage and Housing Corporation. *Rental Market Statistics*. 2006

⁴ Canadian Housing and Renewal Association. *Minimum Housing Wage 2006: Housing Continues to Move Out of Reach for Minimum Wage Workers*. January 2007

B. Nutritional Food Costs:

A single male between 25 and 49 years of age in the City of Toronto who is paying average rent and buying food, as per the nutritional food basket, needs to spend approximately \$930.00 a month. This means that minimum wage earners are required to spend almost 80% of their pre-tax income on just food and shelter before taking into account other basic costs like transportation and clothing. At \$10.00 an hour the minimum wage earner would spend about 65%.

Who Earns Minimum Wages? The current situation:

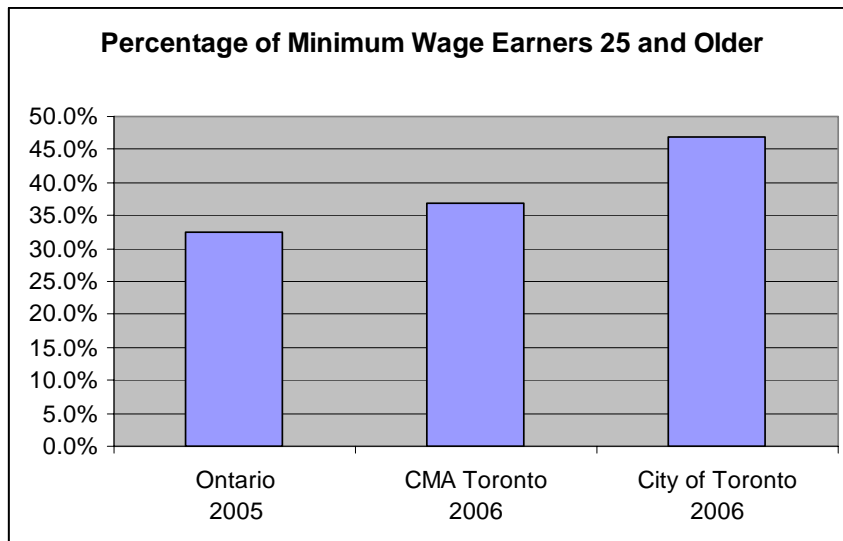
Minimum wage earners are often characterized as young adults living at home and working part-time at a local retail outlet while attending school. While this may be the case for Ontario, it is much less true for Toronto where minimum wage earners are more likely to be older and employed full-time than elsewhere in the Province.

According to Statistic Canada's 2005 Labour Force Survey, of Ontario's nearly 5.5 million employed, 4.3% or just over 235,000 people were working for minimum wage. In Toronto, 2006 Labour Force Survey data shows that out of the 1.2 million people employed, 3.9% or 45,500 residents were working for minimum wage.

The following sections describe key characteristics associated with minimum wage earners in Ontario, the Toronto Census Metropolitan Area (CMA) and the City of Toronto. They identify correlations between age, gender and type of employment (part or full-time) to earning minimum wage, as well as which industries have the largest proportion of minimum wage earners. The Provincial numbers were drawn from Statistics Canada's 2005 Labour Force Survey while the Toronto CMA and City of Toronto Data is from a Statistics Canada special run of the 2006 Labour Force Survey Data.

A. Age

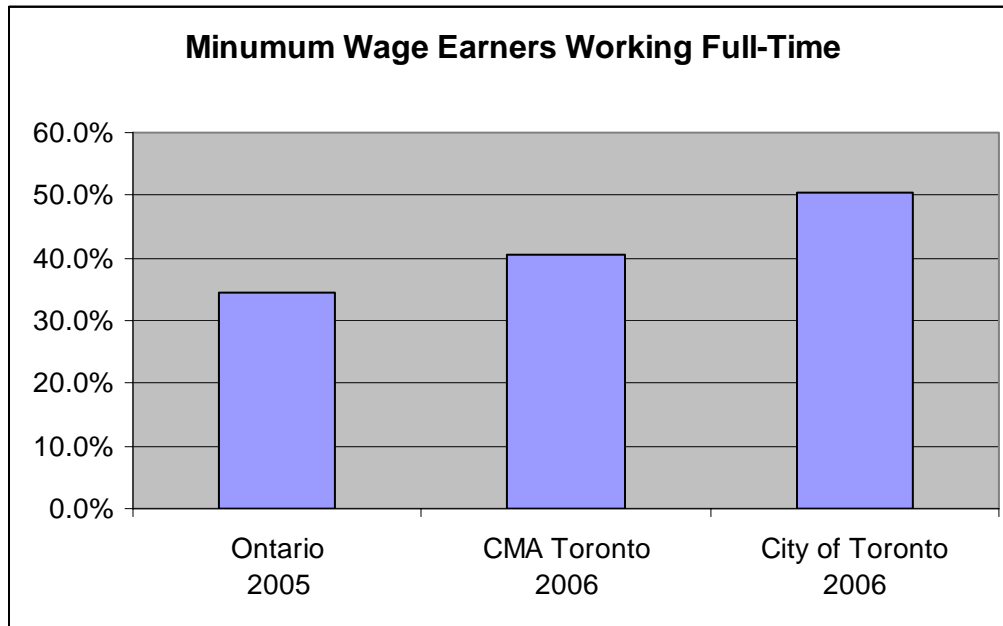
Toronto minimum wage earners tend to be older than in other parts of the province. As the following chart shows the percentage of minimum wage earners in Toronto who were 25 years or older was significantly higher than what was reported for either the CMA or the Province.



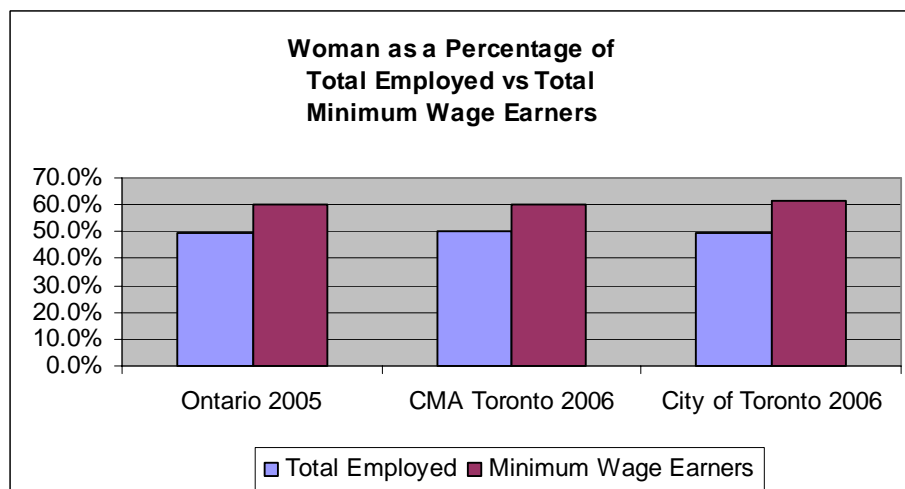
Almost 47% of all minimum wage earners in Toronto were 25 years or older in 2006 accounting for about 21,000 employed residents, compared with 33% provincially and 37% in the CMA. In fact, while Toronto accounted for only 49% of all employed people employed in the CMA, it had over 60% of those 25 years and older working for minimum wage.

B. Employment Arrangements

Unlike the rest of the Province, for the City of Toronto over 50% of all minimum wage jobs were full-time, accounting for almost 23,000 employed residents. The majority of these full-time minimum wage earners were woman, at just over 62% or 14,000 people. Only 35% of Ontario's minimum wage earners worked full-time and just over 40% were full-time in the CMA.



C. Gender



Women are disproportionately represented among minimum wage earners. Slightly fewer than half of all employed people either in Ontario, the Toronto CMA or the City of Toronto were women, accounting for over 60% of those earning minimum wages. In short, 28,000 women held minimum wage jobs in Toronto in 2006.

D. Industry

These same statistics show that certain industries have consistently higher concentrations of minimum wage earners as shown in the table below. Accommodation and Food Services has the highest concentration of minimum wage jobs regardless of whether or not you measure the City or the Province.

Minimum Wage Earners by Industry			
Industry	Ontario (2005)	Toronto CMA (2006)	City of Toronto (2006)
Accommodation and Food Services	22.7%	18.4%	16.4%
Trades	9.6%	8.6%	9.0%
Services-Producing sector	5.4%	4.8%	4.4%

While the same industries tended to have the highest concentrations of minimum wage earners for both the Province and City, it should also be noted that Toronto's did so at lower levels. For example, in the Accommodation and Food Services sector, the percentage of employees working for minimum wage was more than 25% lower than for the province.

Raising minimum wage rates will not only directly benefit minimum wage earners but may also have a positive affect on other low wage earners by potentially improving the wages they receive. However, concerns have also been raised, suggesting that industries relying on minimum and low-wage jobs may reduce the number of jobs available at these wage rates, however economists are undecided about the magnitude. For example, one pertinent Canadian study indicates that even significant increases to minimum wage, such as a 10% increase, have potentially small unemployment effects.⁵

Summary:

The high costs of living in Toronto and the unique make up of the workers who are earning minimum wage, or less than \$10.00, provide a set of conditions that will see improvements in the current minimum wage rate providing positive benefits for a sizable number of very vulnerable residents.

While raising the minimum wage may result in fewer jobs, the extent to which is difficult to determine, a \$10.00 rate will establish a wage floor that begins to assist low wage earners to better afford to meet their basic needs, including housing and food costs. Even at this level, however, the high costs of living in Toronto will leave many low wage earners paying disproportionately large amounts of their income to meet basic needs. Similarly, with nearly half of all minimum wage earners in Toronto 25 years of age or older and working full-time, a \$10.00 per hour wage will directly benefit older, full-time workers, as well as younger part-time workers, who are often seen to represent the vast majority of low wage workers. Further, such an increase will also benefit women, who are more likely to work full-time in low wage employment.

⁵ Michael Goldberg and David Green. *Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada*. September 1999