

June 10, 2005

A Policy Mix For Canada's Working Poor

Ottawa – A new CPRN study proposes a policy mix to see that no Canadian who works full-time is poor.

In *Lifting the Boats: Policies to Make Work Pay*, Ron Saunders, Director of CPRN's Work Network, explores measures to help the one in six Canadians who work for less than \$10/hour improve their lot in the labour market and their community.

The Canadian economy has come to depend on paying poverty-level wages to almost 2 million full-time workers. The share of jobs paying such low wages in Canada has not changed since 1981, despite a 43% rise in our standard of living.

“Our failure to generate higher wages relieves the pressure on employers to take steps to boost productivity and become more efficient,” says Saunders. “That’s bad for workers and it’s bad for the economy.”

He examines three types of policies to change the situation:

1. Steps that improve income, e.g. increased minimum wage, income supplements for the working poor.
2. Improved non-wage benefits and supports, e.g. childcare, affordable housing, dental and pharmaceutical benefits and better unemployment insurance coverage.
3. Measures to increase financial assets and skill levels.

Saunders draws on research and experience in Canada and abroad to bolster his arguments.

Regarding income, for example, the average minimum wage set by Canada's provinces ranks 9th among 13 OECD countries (behind Australia, Belgium, Ireland, the Netherlands, New Zealand and the United Kingdom among others). “Raising the minimum wage costs governments nothing and especially benefits low-paid workers,” Saunders argues. He finds little evidence that raising the minimum wage results in job loss for any but the youngest workers.

Income is not the only factor behind persistent poverty. Lack of childcare, inadequate housing and medical costs can make it difficult for a working family to make ends meet. Saunders favours a universal approach to providing these benefits, relieving employers of responsibility in this area.

Finally, he argues that asset-building strategies must be part of the anti-poverty toolkit.

“We pay lip-service in Canada today to the importance of developing our human capital,” says Saunders. “But we offer little help to low-paid workers to help them take advantage of learning opportunities.”

Among his “mix” of policy recommendations:

- Higher minimum wages – on the order of \$9/hour (currently \$5.90-\$8/hour)
- An income supplement for the working poor of up to \$200-250/month
- Public pharmaceutical coverage (for at least catastrophic drug costs) and basic dental care on a universal or ‘progressive universal’ basis
- Affordable childcare
- Renewed investment in affordable housing
- Improved access to EI benefits (only 39% of the unemployed qualified in 2001, down from 74% in 1990)
- Better access to learning opportunities for low-paid workers
- Removing, or reducing, asset-based claw-backs in government programs that make asset building incentives ineffective
- Encourage firms to voluntarily embrace decent pay and working conditions for their employees

The concept of a ‘policy mix’ is important,” Saunders says. “None of these instruments works on its own, and some work better when accompanied by others.”

Income supplements, for example, could be siphoned off by employers lowering wages, were they not accompanied by an adequate minimum wage.

“This policy mix shifts some of the burden off the shoulders of the working poor onto governments and employers. It also shifts some responsibilities from the private to the public sector,” Saunders says. “The pay-off is in higher productivity, well-being and undermining the costly poverty cycle.”

Saunders calls for additional research to document the impact of policies to make work pay.

- 30 -

CPRN is a national not-for-profit research institute whose mission is to create knowledge and lead public debate on social and economic issues important to the well-being of Canadians, in order to help build a more just, prosperous and caring society.

For more information contact:

Ron Saunders, Director, Work Network, • E-mail: rsaunders@cprn.org • Tel: (416) 932-0318

Peter Puxley, Director, Public Affairs • E-mail: ppuxley@cprn.org • Tel: (613) 567-7500 ext. 2019