

Low wage jobs and social assistance

BACKGROUNDER

In Ontario, the unemployment rate averages around 6%. Clearly, there are not enough decent jobs for everyone that needs them. Of the jobs that are available, many are poorly paid, without benefits and lacking security.

Often when low-wage workers become unemployed, they have to apply for social assistance (welfare) in order to make ends meet. Many low wage workers are not eligible for Employment Insurance (EI). In fact, in Ontario only 23% of unemployed women and 30% of unemployed men receive EI benefits. Those who are EI-eligible receive only 55% of their wages (up to \$413 a month), making it impossible for low-wage workers to survive on EI.

Eventually, many people find paid work again. However, it is primarily low-wage, insecure jobs that are available. As a result, low-wage workers commonly work for a period of time, and then are laid off and in need of social assistance again. Consequently, many low-income people in Ontario cycle between low-wage work and social assistance.

Social assistance rates affect wages

For a worker, losing a job is always a serious issue. However, it is even more serious when the social safety net we need during difficult times isn't available.

This creates a fear factor amongst workers which companies take advantage of. Workers are often too afraid to say anything when their wages are cut or they're told to do an unsafe job without proper training or protection. This fear holds back workers' demanding better pay and the benefits they need to improve the lives of their families and put more purchasing power into local economies.

Low wages affect welfare rates

The relationship between welfare and wages goes both ways. Generally, welfare rates are lower than the minimum wage. Policy makers believe that if welfare rates are too close to the minimum wage, people on social assistance won't have any incentive to look for work. Politicians use this "welfare wall" theory to justify their refusal to increase social assistance rates.

However, most people on social assistance aren't lacking the financial incentive. They want to work but face multiple barriers including disability, childcare responsibilities, a lack of affordable daycare, lack of marketable skills and discrimination.

Even if we ignore the reasons people are on social assistance and accept that families should be better off working at minimum wage, the answer is not to keep welfare rates so low that people can't even afford to pay their rent and buy fruits and vegetables. The solution is to increase the minimum wage so that social assistance rates can also be increased. That way, low-wage workers are no longer working for poverty wages and people on social assistance can live with dignity while they're looking for work, getting training or if they can't work.

What we need

We need to develop a social safety net that acknowledges the causes of poverty and the legitimate barriers to paid employment faced by many people.

The solution is to provide adequate supports to assist people, where possible, in overcoming the barriers – recognizing that some barriers, like discrimination, are systemic.

Further, both social assistance rates and the minimum wage should be increased to ensure everyone has a decent standard of living.