

Minimum wage increases reignite livable income debate

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Five provinces hiked their minimum wage on Thursday, intensifying long-running controversies over the impact on hiring, and what constitutes a liveable income.

Newfoundland, Ontario, Manitoba, Saskatchewan and Alberta all boosted their minimum wage rates as of Oct. 1. The Northwest Territories still has the highest minimum wage in the country, at \$12.50 an hour, while Ontario's is the second-highest, at \$11.25. New Brunswick has the lowest at \$10.30.

The debate has cropped up in federal and provincial election campaigns this year. NDP Leader Thomas Mulcair has pledged to hike the federal minimum wage to \$15 an hour by 2019. Among provinces, Alberta Premier Rachel Notley aims for her province's minimum wage to reach \$15 by 2018, while Ontario Premier Kathleen Wynne has promised to index raises to inflation.

The latest increases – and Alberta's long-term plans for more – drew the wrath of the Canadian Federation of Independent Business, which said they will result in job losses because small firms will not be able to afford to hire workers. The CFIB called Alberta's \$15 plan “reckless” and “misguided.”

On the other hand, the Alberta Federation of Labour's acting president, Siobhan Vipond, said the increases are “good for Albertans and good for our local businesses.” Giving minimum wage workers more “means putting more money in the local economy,” she said. “People in this wage category spend their money locally – so they're maybe going out to dinner once where they weren't before or buying more groceries.”

Some calculations peg a living wage in Alberta's two big cities at \$17.30 an hour, and at \$15 per hour elsewhere. Given rapid increases

in costs in the province, “this is a step in the right direction, but we have a way to go,” Ms. Vipond said.

Leilani Farha, executive director of Canada Without Poverty, called the provincial increases a “necessary, solid step forward” that will make a real difference. The increases will add \$500 to \$2,000 in gross annual income, she said. “For a family living in poverty struggling to put food on the table, this is more than one month's food allowance.”

Still, Ms. Farha said, living wages – the amount needed for a decent lifestyle – are far beyond the current minimum levels.

Minimum wage rates are not at a peak. Canada's minimum wage was, on average, \$10.39 an hour last year – below levels in 1976, when the average was \$11.28 in constant dollars or adjusted for inflation, according to a Statistics Canada June paper.

Minimum wage – or “Fight for \$15” – campaigns are gathering momentum south of the border. Seattle, San Francisco and Los Angeles have passed \$15 minimum wage laws. New York State has approved a \$15 minimum for fast-food workers.

Many studies in Canada and elsewhere disagree about the impact of raising minimum wages on employment, and whether employers cut jobs when the rate increases.

Craig Alexander, vice-president of economic analysis at the C.D. Howe Institute, said businesses do not usually cut jobs when minimum wages go up, but they may slow new hiring – and that is more difficult to measure.

The crucial statistic, he said, is where the minimum wage stands relative to average hourly earnings. Academic studies show that if the minimum wage is less than 50 per cent of the

average hourly wage, it has little negative impact on employment.

Currently, minimum wages across the country are below that threshold – and have been for many years, according to Statistics Canada. Consequently, Thursday’s increases in five provinces will not have “a material negative impact on employment,” Mr. Alexander said. In fact, he added, even if Alberta raises its minimum wage to \$15 in 2018, that will likely still be less than half the average hourly wage – currently at \$29 and rising.

Mr. Alexander said increases to the minimum wage help offset income inequality in Canada, but are only part of a broader “tool box” for reducing poverty. “They are not a silver bullet.”

Some companies in Canada have pledged to go beyond the minimum wage and pay their workers a living wage, such as digital communications agency Wise & Hammer of Hamilton.

“We really just wanted to make sure our staff are the best, that they’re able to work for us with a focus on our company – meaning they don’t need two or three jobs to support themselves – so even if they’re only working hourly, they can at least afford to survive,” said Nicolle Morton, director of strategic development at the firm, which employs 12 full-time people and some part-timers.

Like other small businesses, it keeps a close eye on the bottom line. But also “there needs to be more of a focus on people, and the quality of people, and providing a good quality of life for your employees as opposed to 100-per-cent focus on profit margin,” Ms. Morton said.