

Minimum wage hike won't bring 'doom and gloom,' economists say

By Sara Mojtahedzadeh

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“Doom-and-gloom predictions” about the impact of minimum wage increases on job losses and inflation are not supported by evidence, according to a group of Canadian economists.

In an open letter on Premier Kathleen Wynne’s proposed minimum wage hike — which would lift base rates from \$11.40 an hour to \$15 by 2019 — some 53 economic experts across the country claim the move “makes good economic sense” and could generate “substantial benefit to low-wage workers, their families and the economy as a whole.”

“For years, we have heard that raising the minimum wage will kill jobs, raise prices and cause businesses to flee Ontario,” the letter says. “This is fear-mongering that is out of line with the latest economic research.”

Signatories include 40 economists at Canadian universities and two former president of the Canadian Economics Association, Craig Riddell and Lars Osberg.

“It’s a very good thing for the segment of the workforce who hasn’t seen very much good news for quite a long time,” Osberg said.

Adjusted for inflation, the letter says Ontario’s current minimum wage is barely \$1 higher than its value in 1977, even though workers’ average productivity has risen by 40 per cent over the same period.

“Around one in 10 Ontario workers make minimum wage today, with a large increase in this proportion over the last two decades,” it says. Around one-quarter of employees in the province currently make less than \$15.

The provincial government says the proposed increase, which is part of a set of sweeping

labour reforms, will “help ensure that more workers are benefitting from Ontario’s economic growth.”

The prospect of a higher minimum wage has been embraced by those who currently struggle to get by.

“I really cannot go out that much. I only have money to go to work, go home, that’s it,” said Maranda White, 56, who works in the low-wage food services industry in Toronto. “It would take the burden off me so I wouldn’t have to worry every day.”

But the plan has drawn ire from the province’s business community.

Julie Kwiecinski, Ontario’s director of provincial affairs for the Canadian Federation of Independent Business, says her members were “blindsided” by the suggested wage hike — which was originally not contemplated in the government’s two-year review of labour standards.

“You are looking at a 32 per cent increase in the minimum wage in only 18 months,” she said. “The speed of that makes it very, very difficult for businesses to cope.”

In recent years, several other jurisdictions including San Francisco, Seattle, and Alberta have committed to minimum wage raises, driven in part by momentum generated by the so-called Fight for \$15 movement which advocates for low-wage workers.

Research by the U.S.-based National Employment Law Project — which examined 22 federal minimum wage hikes between 1938 and 2009 — found no correlation between those increases and lower employment levels. In fact, the analysis found that in 68 per cent of

cases, overall employment went up after a federal wage increase.

Research released this month from the University of Washington suggests Seattle's wage hike has resulted in large job losses, with working hours in low-wage jobs down by 9 per cent, which translated into \$125 less a month in take-home earnings for workers.

"What I'm hearing directly from people who create jobs in this province is, they're going to cut their hours, cut jobs, potentially their businesses will die and move to the States," said Kwiecinski, adding that higher labour costs could drive up the prices of consumer goods.

The Seattle study has been criticized for excluding data from some 40 per cent of the

city's workforce. Osberg said research showing that minimum wage raises have a minimal impact on employment and inflation have repeatedly been replicated around the world.

"It would be swimming against a large tide of contrary results," he said of the Seattle research.

"Certainly, it's a well known finding among professional economists that there's very little disemployment effect."

"Economics may be known as the 'dismal science'," the letter concludes, "But on the issue of the minimum wage many economists are ready to admit that the weight of evidence points to a strong case for raising the minimum wage."