

\$15/hour: An antidote for low-wage jobs in Canada

By Trish Hennessy

November 1, 2017 – *The Monitor*, CCPA

Results from the long-awaited return of Canada's long-form census are showing us just how intractable income inequality can be in the absence of a dedicated public policy strategy to tackle the problem. In 2015, for example, Toronto's one-per-centers made on average 66% more money than the city's poorest 10%. In Calgary, those at the top earned 62% more than those at the bottom.

The income gap remains wide throughout the country. In Ontario, where I live, income inequality has become stubbornly entrenched, aided by a worrying trend: since 2000, the labour market income of the bottom half of families has been dropping while the incomes of the upper half are increasing. That trend has been fuelled by a decline in Ontario's manufacturing sector and the rise of low-wage, precarious jobs.

High levels of labour market inequality do no one any favours. Inequality feeds the anxiety you keep hearing about Canada's middle and working classes: the fear that we're losing ground; the concern that our children's and grandchildren's generations will not do better than this one. That fear can diminish faith in institutions, in politicians, and in each other.

In the blink of an eye, fear can replace a democracy with a plutocracy — government by and for the wealthy. All we need to do is look south of the border to see how a labour market powered by so-called right-to-work laws and weak labour standards feeds extreme income inequality, polarization and economic anxiety, with ugly social and political results.

The rise of the "alt right," neo-nazism and overt racism in Donald Trump's America should cause concern for us here in Canada, because we are not immune. The kinds of violence and

divisiveness that we are observing on our news feeds didn't erupt overnight. It is the inevitable result of a society that tolerates and ignores extreme levels of income inequality, racism and other systemic — and related — barriers to equality of opportunity (let alone outcome).

So we greet with cheers any movement from governments to start closing the income gap. Three provinces — Alberta, Ontario, and B.C. — are doing exactly that by pursuing a \$15 minimum wage strategy.

Alberta led the way with a commitment to get to a \$15 minimum wage by October 2018 (in October 2017 it went up to \$13.60). Ontario followed suit, promising to raise the minimum wage to \$14 on January 1, 2018 and to \$15 on January 1, 2019. In its election campaign, the B.C. NDP promised to get to a \$15 minimum wage by 2021. Now in government, it's unclear how fast the NDP will move in that direction.

Raising the floor on the minimum wage is an important approach to reducing income inequality because it will make concrete progress in reducing labour market inequality. But as you'd expect with any minimum wage increase, large or small, there is a vocal business lobby trying to suppress any improvements to low-wage workers' bottom line.

We are notoriously living in the age of "alt facts," and in Ontario we have been barraged with misinformation by the business lobby claiming the sky will fall if the minimum wage goes up.

Over at RankandFile.ca, David Bush did a brilliant job documenting such nakedly self-interested fear mongering dating all the way back to 1922.

Here is the Globe and Mail that June:

The Minimum Wage Board, at a public hearing last night granted to employers and employees of the textile industry in Ontario, heard the protest against, its scale of a Tavistock manufacturer, who claimed that the girls in his factory could not be induced to work harder for better wages as they were content \$6 or \$7 a week with a lighter task.

Business lobby arguments against minimum wage hikes in the following decades were no less ridiculous, as Bush recites in his article.

- In 1962, the business lobby claimed restaurant prices would have to increase.
- In 1963, the business lobby claimed increases were “too much, too soon.”
- In 1976, they cried, “We’re on the road to pricing ourselves out the tourism business.”
- In 1980, they said it “discourages employers from offering work to the low-skilled.”
- In 1987, they claimed it could mean fewer jobs for teenagers.
- In 1992, they said they “fear for small businesses...it will result in job losses.”
- In 2010, they said “restaurant owners could be forced to cut hours and jobs.”

Today we hear these same old arguments trotted out in Ontario, where the hike is said to be “too much too fast” and “could lead to job losses.” But this time the business lobby is upping the ante, with threats of replacing service and retail jobs with automation, which by “all discernable macroeconomic measures,” notes Bush in another piece for RankandFile.ca, “is occurring at the slowest rate since World War Two.”

They are also touting flawed research warning of massive job losses. The most conservative estimate—that 50,000 jobs could vanish—comes from Ontario’s Financial Accountability Office. The most outrageous figure—185,000

jobs gone over two years—comes from an Ontario Chamber of Commerce–funded report that accepted all of the worst-case scenarios and, as a result, came up with a jarring and outlandish guesstimate.

Economists Zohra Jamasi, Sheila Block and Michal Rozworski analyzed the Chamber of Commerce numbers and found the exercise to be flawed and premised on outdated economic thinking. It’s important to note that even this flawed research is warning of slower job growth; no one is seriously saying thousands of workers will get pink slips next year.

Lost in the fear mongering is the fact that a significant number of adult workers in Ontario will have their financial bottom line greatly improved with these scheduled minimum wage increases. If you’re working full time, all year in Ontario and earning minimum wage today, you are among the working poor. At a minimum, the most basic reward for working should be that it lifts you out of poverty. A \$15 minimum wage does that.

This summer, 53 Canadian economists signed a letter supporting the Ontario government’s move to bring the minimum wage to \$15 an hour. They estimate that a \$15 minimum wage in 2019 would only be \$1 more than the 1977 minimum wage when adjusted for inflation. The economists also note that minimum wage increases have not kept up with improvements in worker productivity.

As CCPA Senior Economist Sheila Block has written, the share of Ontario workers who are in minimum wage jobs more than doubled between 2003 and 2013. One in four workers make less than \$15 an hour in Ontario today. That’s a significant proportion of workers who would get a raise, and 82% of them are working adults over the age of 20.

It all comes down to this: a \$15 minimum wage would boost spending power for low-income workers, which is good for the economy. The 53 Canadian economists write:

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

CCPA Research Associate Jordan Brennan, an economist with Unifor, writes:

Of the hundreds of studies that have been conducted on the employment effects of a minimum wage increase, the majority find no evidence of significant job losses. Even when the studies zero in on those segments of the labour market where low-wage workers are overrepresented—such as retail, hospitality and young workers—there is no evidence of significant job losses over long spans of time in North America or Europe.

Brennan’s own research with economist Jim Stanford examined minimum wage increases in 10 provinces over 30 years. Their conclusion: there is no consistent connection between a higher minimum wage floor and employment levels in Canada. “Our results confirm that stimulating more purchasing power in the economy is the most important way to support job creation,” says Stanford. “The stagnation of overall wage levels has contributed to the weak demand conditions holding back Canada’s economy, and increasing the minimum wage would, in fact, help to address that weakness.”

Economists Armine Yalnizyan and Kaylie Tiessen wrote in their 2013 report:

A minimum wage that is above the poverty line for a full-time full-year worker is good for business and the economy in three important ways: (1) businesses and workers would have a predictable basis on which to plan for the future; (2) businesses would likely achieve a stronger worker retention rate,

lowering training and recruitment costs; (3) a decent minimum wage would increase the purchasing power of low- and middle-income households who typically spend their money locally. This would contribute to increased consumer demand and local economic growth. That’s good for workers and it’s good for business.

As economists Lars Osberg, Craig Riddell, Michal Rozworski and Jim Stanford have written, “Ontario’s move is ambitious but hardly unprecedented.” Next year, Alberta will have a \$15 minimum wage. Vancouver has committed to pay its workers a minimum of \$20 an hour — a living wage in that city. And the City of Cambridge, Ontario pays its workers the local living wage as its minimum wage floor, which is currently \$15.42 an hour.

For all the bluster you’ll hear from the well-funded business lobby, there’s a new employer group called The Better Way Alliance. Pay attention to them, because they’re paying a living wage and are championing the \$15 minimum wage. These employers say they’re saving money on sick days, reducing staff turnover, seeing greater employee engagement, and they appreciate the role they are playing in spurring local economic growth by paying their own workers a higher rate of pay.

Don’t fall for the fear mongering. Almost half of minimum wage workers in Ontario have jobs in big companies (employing more than 500 people). Those workers contribute to the companies’ success and profits. They deserve a raise.