

Minimum wage bump means \$1,500 more a year for low-income workers

By Sara Mojtahedzadeh

March 15, 2018 – *The Toronto Star*

For low-income earners in Ontario, what's better for the bottom line — lower income taxes, or a higher minimum wage?

Progressive Conservative leader Doug Ford calls the Liberal and NDP pledge to increase rates to \$15 an hour by 2019 a tax grab. According to economist Sheila Block, the move would mean an extra \$1,465 in the pockets of the working poor.

The question is already a key debate between parties vying for votes, with both Liberals and New Democrats promising to implement the wage hike. The Conservatives, meanwhile, say they will freeze wages at their current \$14 hourly rate and eliminate provincial income tax for everyone earning below \$30,000. The Conservatives would have no say over the federal portion of income taxes.

Block, who works for the left-leaning Canadian Centre for Policy Alternatives, recently analyzed the Canada Revenue Agency figures from 2015 to determine the answer that makes most sense for low-wage earners.

According to her analysis, two-thirds of the 4.9 million Ontarians making less than \$30,000 already pay no income tax. The average bill for the 34 per cent who did was \$485 in 2015. This is the amount they would save with a tax break.

Assuming a low-wage earner works 37.5 hours a week, a \$1 increase in the minimum wage would mean an extra \$1,950 a year before taxes — leaving them about \$1,500 richer than they would be under Ford's plan.

“If you want to focus on increasing the incomes for low-wage workers, an increase in the minimum wage is a much more effective way of doing it,” said Block.

A minimum-wage increase was originally outside the scope of the current government's recently-concluded review of labour laws, aimed at tackling the rise of precarious work in Ontario. But the two independent special advisers appointed to conduct the review noted that many vulnerable workers are “low-wage earners and are highly concentrated in the retail trades, accommodation and food services industries.”

The Ontario government subsequently vowed to increase the province's base hourly rate, from \$11.60 to \$14 an hour in 2018 and to \$15 an hour by 2019.

Addressing journalists on Thursday, Labour Minister Kevin Flynn said Ford's tax-cut plan was “mean-spirited” and “would mean less money for essentials.”

“I believe that is because the Tories and their new leader simply don't care about working Ontarians.”

The Conservative party has not responded to the Star's request for comment. Employer associations have consistently warned that a wage hike could result in job losses and increased consumer prices. In its submission to the so-called Changing Workplaces Review, the employer-side Keep Ontario Working coalition warned the changes could “make it more difficult for Ontario business to grow and create good jobs.”

The impact on vulnerable workers has also sparked debate. A 2017 report by Ontario's Financial Accountability Office said a minimum-wage hike could cost the economy 50,000 jobs, but said it would boost the income of some 1.6 million workers and that jobs

created from higher consumer spending would be expected to offset some job losses.

But the report also suggested “higher minimum wages are not an effective way to alleviate poverty” because it expected income gains to be spread across households rather than concentrated in low-earning ones.

Block said a substantive body of evidence supports wage hikes as a way to reduce inequality.

“We have 20 recent years of economic research that says that you are not going to see a decrease in employment as a result of an increase in the minimum wage,” she added, pointing to similar increases in B.C. and Alberta that have not led to job losses.

“Increasing the minimum wage is a good way to decrease income inequality because it provides a transfer from employers to low-wage workers,” she added.

Block said low-income earners are “more likely to spend their earnings than higher-income

earners, and they are most likely to spend it locally.”

“If you have higher income you’re more likely to save and you’re more likely to take your kids somewhere warm for March break, for example.”

Flynn said the increase was part of a suite of measures introduced in Bill 148 to help low-wage earners, including two paid sick days and new protections for part-time, temp agency, and casual workers — who will now be entitled to equal pay for doing the same job as full-time and permanent employees.

Ford has not yet released his position on other labour-related issues.

“I’m not sure I’d agree that the minimum wage is a blunt tool, but it can’t be the only tool either,” Flynn said.

“Poverty by definition is not having enough money. Surely one integral part of that is to make sure that people are paid fairly.”