



Why the minimum wage debate is so hot

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There is a good reason why the minimum wage has fired up so much debate lately. It has to do with how a “trickle-down” recovery has dogged so many advanced economies since the 2008 global crisis hit.

For most people today, growth is happening somewhere else, for someone else. The result is a crescendo of frustration.

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The accompanying chart [http://www.theglobeandmail.com/report-on-business/economy/economy_lab/the-relative-recovery-of-major-economic-factors-in-canada-and-ontario-since-2000/article16710791/#dashboard/follows/1] shows relative rates of

begin. The most rapid post-crisis improvement has been enjoyed by Canada’s primary stock market, the Toronto Stock Exchange. Although it hasn’t yet surpassed its 2008 record high, the TSX has risen 81 per cent since 2009. Canadians, as a group, are a lot richer: The value of equity is up by \$2-trillion since 2009. Profits have been rising faster than gross domestic product and GDP growth has outpaced wage growth since 2009.

Within the wage share of the economy, which includes everything from high-end services to servers – only the average top-1-per-cent earner saw enough income growth to outpace inflation between 2009 and 2011. (Statistics Canada hasn’t yet published 2012 data for top earners.) The further down the income ladder you go, the smaller the income increase. Average incomes have grown more rapidly in Ontario than for low earners and the bottom 50 per cent alike; but so has inflation. (The consumer price index grew by 9.3 per cent in Ontario since 2009, 8.3 per cent Canada-wide.)

Hourly wages provide a more up-to-date assessment of recovery. In Ontario – where the minimum-wage debate is raging – the average industrial wage (workers from houses to barmaids) increased by \$1.87 an hour from 2009 to 2013, an 8.2-per-cent rise. The minimum wage rose by 75 cents (7.0 per cent), but that increase happened in 2010. Inflation has since stripped away its purchasing power.

The 2008 financial crisis brought income inequality to the center of the political debate.

Everyone agrees there is no easy solution to replacing the good jobs, wages, benefits and pensions lost in recent years. Raising the minimum wage is, then, perhaps the most acceptable and ready measure on the menu of ways to reduce income inequality and improve the lives of some people. Some points for discussion:

Ontario raised the minimum wage, but then stopped. The longer you leave something unchanged, the hotter the debate to change it.

Since 2010, the debate itself has changed. It's changed most over the past year, in the wake of unorganized fast-food and retail workers in the United States. It's changed during the course of a six-month study of the minimum wage in Ontario

<http://www.labour.gov.on.ca/english/ee/minimum/index.html>

Talk has turned from minimum wages to living wages. A growing share of workers are finding themselves in jobs that pay the local minimum wage, but their meal ticket for the foreseeable future. In the United States, the people on the street say they need \$15 an hour. In Ontario, the target is \$14.

Why \$14? We explain in the Canadian Centre for Policy Alternatives report.

average industrial wage (\$14.75), a goal to be achieved by regular increments of 75 cents. (If we had continued to raise the minimum wage since 2010 by 75-cent increments annually, we would have reached \$14 next year.)

Bold, yes, but less dramatic than the path trod by Ontario Progressive Conservative Premiers John Robarts and Bill Davis, who quadrupled the minimum wage

<http://www.labour.gov.on.ca/english/ee/minimum/index.html>

Perhaps a generational change is afoot. Certainly momentum is escalating

U.S. President Barack Obama announced last week

2FSB10001424052702304007504579347652759111902.html] that he will use his executive powers to raise the federal minimum wage by 40 per cent, to \$10.10, for government contractors. In 2013, five states [http://www.bloomberg.com/news/2013-11-12/states-moving-beyond-15-minimum-wage-as-congress-stalls.html] raised their minimum wage, and at least 30 states [http://www.cnn.com/2014/01/08/politics/minimum-wage/index.html] will do so in 2014.

Ontario announced last week that the minimum wage will rise to \$11 in June [http://news.ontario.ca/opo/en/2014/01/ontario-increasing-minimum-wage.html] and that it will tie annual increases thereafter to inflation, integrating the key element of predictability that Premier Kathleen Wynne hopes will "depoliticize" the minimum-wage issue.

But the issue is unlikely to go away yet, for four reasons:

- The provincial "solution" locks in the minimum wage's purchasing power in 2010, the time of the last increase. Inflation adjustment is likely not enough. Future increases of 10 cents an hour or less won't cover rising housing and transit costs. One study [http://www.bls.gov/news.release/wage/hl1000.pdf] shows that raising the minimum wage can be good for employers (improving productivity, reducing recruitment costs - better bottom line), and has less impact on job loss. [http://www.bls.gov/news.release/wage/hl1000.pdf] wages and jobs: new evidence that we thought
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of those who spend every penny they make could boost the economy

[http://www.ama-assn.org/practicing/your-practice/economics/minimum-wage-boost-economy]

do.

sure to ignite debate about how to split economic growth between profits and wages.

Making sure the minimum wage doesn't stray far from 60 per cent of the average wage is smart

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