



FASTFACTS



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It's Time to Adopt A Living Wage Policy

For the first time ever, the “living wage” emerged as an election issue in the city of Winnipeg.

Several candidates, including two mayoralty candidates, Marianne Cerilli and Kaj Hasselriis, supported living wage legislation. The living wage is one of nine principles appearing in the Just Income Charter produced by Manitoba's Just Income Coalition for this election. The Just Income Coalition, formed five years ago, is made up of 25 labour, faith, aboriginal and community groups.

The living wage proposed in the charter calls upon the city of Winnipeg to pay its employees, employees of businesses contracted by the City, employees of businesses that sell goods and/or services to the City, and employees of businesses that receive assistance from the City of Winnipeg in any form no less than \$10.25/hr. plus \$1.00/hr. where no benefit plan is in place. This is calculated on the basis of an individual working 40 hours a week earning an hourly wage that allows him (her) to equal the Low Income Cut Off established by Statistics Canada and broadly accepted as the poverty line for Canada. It amounts to an annual personal income of \$21,000 before taxes.

The Charter also calls upon the city to explore adopting the Chicago model of extending the living wage requirement to big box stores and other large businesses. Chicago is one of 140 U.S. cities that have passed living wage ordinances since the late 1990s. Chicago city council, attempting to broaden coverage of the ordinance, extended it in late July 2006 to include big box stores; but this extension was vetoed

by Chicago mayor Richard Daley, his first ever veto in 17 years as mayor.

Opposition to the living wage has been fierce everywhere it has been proposed and several states have adopted measures to prevent local governments from passing living wage ordinances.

This past year several Manitoba unions, together with the Winnipeg Labour Council and the Just Income Coalition held a living wage workshop with Jen Kern, director of the Living Wage Resource Centre at ACORN, the U.S. based national coalition of anti-poverty groups, and a driving force for the living wage movement there. This fall ACORN, together with the AFL-CIO and other organizations, is conducting a door-to-door campaign in six states where proposals to increase the minimum wage is on the ballot.

Opposition to the living wage is led by chambers of commerce and small business. They claim that in many instances employers cannot afford to pay a living wage, causing them to lay off workers, reduce their hours or go out of business entirely.

But there have been a number of studies of living wage laws in the US. In assessing these studies, two leading economists in this field, Scott Adams and David Neumark, conclude in a January 2005 article in the academic journal, *Industrial Relations*, that living wage laws applying only to city contractors “do not have detectable effects on wages or employment of low wage individuals” at the city level.



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While some contractors may go out of business if their competitive advantage comes from low pay — other contractors, whose advantage comes from superior efficiency or service, and who pay decent wages, will then get the contract. The overall job loss is therefore little, if any. The result is that workers are able to look forward to decent pay and taxpayers are able to hold their heads just a little higher, knowing that those paid to work on their behalf are no longer earning a wage too low to live on.

In Canada, much more ambitious than the municipal targeted living wage campaign, has been the campaign to boost provincially-based minimum wages to living wage standards. Readers can inform themselves about this campaign by going to the web site of the National Anti-Poverty Organization, www.nap-onap.ca.

When Manitoba's Just Income Coalition determined to hold a low wage inquiry last year, it commissioned a Statistics Canada study to indicate how many Manitoba workers earned less than a living wage. The results are startling. They show that working for a living is not enough to escape poverty. Currently, 125,000 workers, a quarter of Manitoba's work force, earn a low wage. Over half of all part-time workers earn a low wage. Nearly 60 percent of low wage workers are women. Half of low wage workers are over 25 years of age; only 12 percent are under 18 years of age.

Fully one-third of child care and home care workers earn a low wage. A quarter of all clerical workers earn a low wage. A quarter of all factory and warehouse workers earn a low wage. A quarter of all agricultural workers earn a low wage. Over half of all retail trade workers earn a low wage. Four-fifths of all food and restaurant workers earn a low wage. (Less than half of these received tips.) Over one in ten health support staff earn a low wage.

The Doer government has consistently rejected lifting Manitoba's minimum wage to a living wage, and seems content to raise it incrementally by 25 cents a year. But over 20 years that would still leave the minimum wage below the poverty line.

The government, echoing Manitoba's business lobbies, claims a living wage policy is impractical. But it is not.

Since most low-wage work is performed in the service sector, the likelihood of businesses closing down to relocate to places where they can hire cheaper labour, is very small. Most services must be produced in the community they are meant to serve. It's true that supermarkets, restaurants, hotels and the like could reduce their staffs or reduce their hours but since all their competitors are equally compelled to pay their employees a living wage, they would gain no competitive advantage in doing so. Moreover, businesses as a group will benefit from a living wage policy since virtually all of the resulting higher income will be spent in the local economy. As well, lower absentee rates and turnover and improved morale resulting from higher wages will raise productivity and lower labour costs.

Of course, the impact of a large increase in the minimum wage can depend a great deal on how businesses choose to respond to it. Improved training and skill up-grading will increase worker productivity. Improved work methods and organization and elimination of waste will go a long way in offsetting the higher wage bill.

Finally, in recent years, Manitoba employers have been complaining of a shortage of workers. What better way of keeping young workers from leaving the province than by adopting a living wage program.

- by Cy Gonick

Cy Gonick is a member of the Just Income Coalition, a retired Professor of Economics, and the long-time editor of Canadian Dimension magazine.

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