

Raising the risk of extremism

Not hiking minimum wages will marginalize workers and endanger Canada's democracy



R. MICHAEL WARREN
OPINION

Before I argue that Ontario Premier Kathleen Wynne's higher minimum wage and other workplace improvements will benefit our economy and democracy, let me make a couple of things clear.

First, I've had experience meeting payrolls in my own businesses. It's challenging. Second, I'm not a left-leaning economist using this platform for political advocacy. Instead, I am trying to take an evidence-based look at the longer-term political and economic benefits of improving the employment conditions of low-wage workers in Ontario.

It's hard to avoid the raging debate in the media. A variety of business groups have turned up the volume on their objections. And they have an important point.

Implementing a \$15 minimum wage by 2019 (up from \$11.40) is too fast and the pre-election timing reeks of political expediency. In 2014, Wynne promised to eliminate minimum wage politics. She set the amount at \$11.24 and told business it would be increased annually based on the rate of inflation.

However, this May she broke that promise and introduced an expanded employment standards package including a proposed minimum wage increase to \$14 by this January and \$15 by 2019.

That's a 32 per cent increase over 18 months. Too much, too fast. If Wynne feels she set the minimum wage too low in 2014, she should give business a longer phase-in period to adjust to her latest move.

Beyond the need for a longer phase-in period, the arguments for Wynne's aggressive upgrade of basic working conditions are on her side. First, why a \$15 minimum wage will help our democracy.

We don't think of Canada as operating a low-wage economy for decades. But it has, and Ontario has a higher reliance on low wages than B.C., Alberta or Quebec. Nearly 30 per cent of Ontario's workforce is earning less than \$15 an hour. That's almost 2,000,000 workers struggling to make ends met, while the one per cent control more and more of our income and wealth.

The implications of leaving such a large segment of the workforce, and their families, on the fringe of the economy can be dangerous for any democracy. The condition can be sustained for a while, but when it collapses and chaos ensues, often suddenly, everyone seems surprised.

The polls showed a likely "No" vote for Brexit. But they didn't foresee the referendum would be supported en masse by disgruntled UK workers. They saw Brexit as a 'nothing to lose' way of escaping their eroded standard of living. Of course, Brexit will make it even harder for them to gain a fair share of their economy.

South of the border, Donald Trump's core supporters are largely white men and women for whom the American Dream has long passed them by. They feel they've found a voice in Trump and so far this destructive, child-president can do no wrong. But in the end, it's doubtful he'll deliver them a better life.



Two food-service workers double down on the noon-hour rush at a fast-food outlet in Welland. Sweeping labour reforms proposed by Ontario's Liberal government would, among other things, hike the province's minimum wage to \$15 an hour by January 2019.

Fortunately, France missed the bullet in their recent presidential election. But the extreme right remains strong in many European states. They are waiting for income and wealth disparity to get so unbearable that people take to the streets and push political extremism into power.

And it could happen here. If our federal and provincial governments don't move forcefully to reform the tax system and improve working conditions we will inevitably face the same reaction from our disenfranchised. We have nearly two million workers in Ontario, and their families, trying to live on less than \$15 an hour. Many have to stitch together part-time jobs with no benefits and no future.

The bottom line? Bring greater

fairness to our tax system and to the working conditions of the marginalized — or risk political extremism.

The argument that a \$15 minimum wage is good for business is equally strong.

Economies around the world are driven by domestic consumption. Household purchases in Canada represent 57 per cent of our GDP. When higher income households experience income increases some usually goes into savings. But when lower income households see wage gains, they spent all of it on food, housing and other essentials — all of it going into the local economy.

Economist Armine Yainizyan, writing in Maclean's says, "So boost the minimum wage and you boost the economy from the

ground up." While some workers may lose their jobs, a very large number (two million in Ontario alone) will see a wage hike that will circle back into the economy.

She goes on to argue that the resulting increased consumer spending will grow the top line of business. This will increase the need for more workers to meet the demand for more goods and services. And these workers will be earning better pay.

In response, a business group, Keep Ontario Working Coalition, commissioned a study that claims 185,000 jobs are at risk in Ontario if Wynne's employment standards package is implemented. This finding ignores the benefits of a higher minimum wage, contradicts many other studies and the actual experience in other jurisdictions.

A 2016 study examined 78 years of federal minimum-wage hikes in the U.S. It showed no correlation between those increases and job losses — even in sectors most impacted.

Fifty of Canada's leading economists have signed an open letter supporting a \$15 minimum wage. They say, "There are many possible reasons for minimum wage increases to lead to little or no job loss." They refer to studies showing less turnover, improved productivity, less absenteeism, and reduced recruitment and training costs.

The business community needs to look beyond their initial reaction to the actual experience elsewhere and the evidence-based democratic and business arguments for a \$15 minimum wage.

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