

Living wage repays society in the end [CA]^[1]

OPINION

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Just about everyone agrees that the best social policy is a good job.

But, as unemployment falls and welfare rolls shrink, it is clear that far too many Canadians end up in low-paid, dead-end jobs. The key question is, what are we going to do about it?

The Organization for Economic Co-operation and Development (OECD) defines low wages as earning less than two-thirds of the national median hourly wage. In other words, in Canada, that is anything below \$10 an hour. By this measure, Canada has more low-wage workers than any advanced industrial country in the world, with the single exception of the United States, where things are slightly worse. About one in four Canadian workers is low paid, compared to about one in eight in the Netherlands and Germany, and just one in 20 in the Scandinavian countries.

Not surprisingly, countries with a high level of low wages also tend to have high rates of poverty. If the job market isn't providing basic income security for working families, it's pretty hard and expensive to fix the problem through social policy.

While low wages are most common for young people, data from the Labour Force Survey show that one in 10 adult men and one in five adult women are low-wage workers. They earn \$10 an hour or less.

Coincidentally, a single person in a large city must work full time for a full year at \$10 an hour to get above the poverty line -- or low-income cutoff (LICO) in Statistics Canada's language. The risk of poverty for low-wage workers is high because most are in precarious jobs, where the low wages come with a high risk of periodic unemployment.

Recent research tells us that most adult low-wage workers tend to stay in low-wage jobs, often because they lack access to training opportunities and career ladders. The ranks of the working poor disproportionately include women, new immigrants and those with limited formal education.

In rhetoric if not always in reality, governments have begun to recognize that low-wage jobs just don't provide enough to live on. Thus, in the 1990s, the thrust of Canadian social policy slowly began to turn from sticks (EI and welfare cuts to force people into low-wage jobs) to carrots (income supplements and employment supports.) The flagship new social policy instrument, the National Child Benefit, now provides significant income support to working poor families with children. In the United States, the Clinton administration boosted the incomes of the working poor through a significant Earned Income Tax Credit. But, what balance should be struck between government top-ups of low wages to counter poverty and minimum wages? While we can and should do both, it seems reasonable to expect employers to pay at least a poverty line wage to single workers who work full time for a whole year. But research by Ken Battle of the Caledon Institute shows minimum wage incomes almost always fall well below this low standard.

Raising low wages would "make work pay," and also give governments more resources to spend on employment supports such as child care. A higher wage floor would raise the incomes of the working poor, and allow for more generous income supports for lower-income families with children, persons with disabilities, and so on.

But, the critics always say, higher minimum wages would cost the working poor their jobs. Not so. It is quite possible to have both high employment and a high-wage floor, as in the Scandinavian countries and the Netherlands. And OECD research has shown that minimum wages, at reasonable levels, counter poverty and inequality with little impact on adult employment.

In conservative political economy theory, minimum wages price low-productivity workers out of jobs. But in actual practice, higher minimum wages reduce worker turnover and thus lower the recruitment and training costs of low-wage employers. Moreover, low-wage workers spend every penny of what they earn.

- reprinted from The National Post.

Tags: poverty^[2]

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