

FIGHT FOR \$15 & FAIRNESS

Raising the minimum wage is good for the economy

MYTH: Raising the minimum wage will cost low-wage workers their jobs.

FACT: Even though fear mongers in business, politics and the media continue to raise this argument, there is resounding evidence that raising the minimum wage is not a major job-killer. Economists doing cutting-edge studies have found that the typical minimum wage increase does not cause overall job loss. They say that “job loss is more of a threat than a theory.”

There are lots of reasons why a higher minimum wage would not affect job numbers. First, economies around the world, including Canada, are still stagnating after the last financial crisis. The rich keep churning billions from higher real estate and stock prices, but little of this money goes into the local economy and productive investment. In contrast, low-wage workers spend most of their money in their communities. A \$15 minimum wage would pump billions of dollars into the Ontario economy, thus stimulating new demand and creating jobs, even if some businesses that could only function by paying poverty wages had to (rightfully!) cut back with better employers taking their place.

We’ve all heard the argument that the robots are coming for our jobs and that technology will kill jobs even faster if wages go up. This same story, however, has been told for over 200 years and we’re still working 40 hours a week or more.

Remember, too, that most minimum- and low-wage jobs are concentrated in the service sector. While robots are pretty good at making cars, they are not as good at cooking meals, caring for children or stocking shelves at the supermarket. The argument that jobs will be shipped offshore fails similarly; much as business tries, it’s not yet possible to move a barista job halfway around the world.

Raising the minimum wage also has lots of effects on the job. When the minimum wage goes up, workers become more valuable to businesses and jobs generally get better. Workers get more training and there is less turnover. Businesses can put more energy into raising efficiency rather than keeping tabs on workers in poverty. Wages also become a bit more equal: economists have found that when the minimum wage goes up, wages for managers and other high-paid workers don’t go up as much, which means businesses can still spend similar amounts on wages but proportionately more on the lowest-paid.

Finally, potential job losses are not the only thing we should care about when the minimum wage goes up. Less poverty, better jobs, higher incomes for the lowest-paid---all of these would far outweigh the impact of a minimal job loss even if it was to happen.



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Raising the minimum wage is good for the economy (Continued)

MYTH: Raising the minimum wage will hurt small business.

FACT: The local economy benefits the most when the minimum wage goes up. When workers who were struggling to make ends meet get a raise, they immediately put their wages to work where they live. With a raise, more and better groceries are suddenly affordable, as is going out to that new restaurant around the corner or catching a movie. A low-wage economy doesn't only leave workers in poverty, it also suffocates small businesses, which cannot cut costs as aggressively as larger corporations.

Not that long ago, child labour was an accepted business practice, but we decided collectively that we do not condone it and business had to adapt.

An economy cannot work if more and more people are in poverty. While workers need businesses for their jobs, don't forget that businesses need workers to buy their products. The 15 and Fairness campaign is a way of saying loudly that paying poverty wages is not a sustainable business model.

A higher minimum wage can produce a vibrant local economy. Cities in the US where the Fight for \$15 has been successful have not seen the predictions of the doomsayers come true. In Seattle, for instance, total wages and employment for low-wage workers went up after the first substantial increases came into effect, and the local economy hasn't suffered.

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Seven Nobel Laureates in Economic Sciences called on government to raise the minimum wage

MYTH: Economists are united in their opposition to minimum wage increases.

FACT: While the Fraser Institute continues to beat its cartoonishly business-friendly drum, many economists in the US and Canada is speaking up for low-wage workers. They're showing that the job losses and other catastrophes predicted by the prophets of doom at your local Chamber of Commerce don't have a basis in fact and in theory.

Just a few years ago, over 600 economists in the U.S., including seven Nobel Prize winners, signed a letter arguing that "increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers, even during times of weakness in the labour market... [and] could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth."

While it comes down to the arcane statistics, you don't need a PhD to see what's happened. Older studies (including Canadian ones that continue to be cited by business-friendly economists) found that job numbers supposedly fell when minimum wages

rose, but this was due to their out-dated, heavy-handed methods. These studies were unable to isolate the effect of the minimum wage going up from all the other factors affecting the economy--and thus jobs---at the same time. The new crop of studies has corrected this mistake and found no link between minimum wage hikes and job loss.

The debate is not a false one between hard-nosed economics and feel-good politics. Today's economy is struggling to generate enough demand; raising the minimum wage is one way out of the funk. Economics plays a big part in explaining why raising the minimum wage works for workers.



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Wage increases for workers in low-income work distributes income and curbs excessive profit

MYTH: Raising the minimum wage will raise prices.

FACT: The perfectly free markets of Economics 101 are an even bigger myth than anything the business press can come up with about the minimum wage. In the real world, companies have significant flexibility in setting prices. McDonald's or Loblaws are huge players who are not just passively responding to "the market".

Currency gyrations, oil price shocks and many other economy-wide factors have much bigger impacts on prices. So while wages are a cost to business, there is no necessary connection between this higher cost and higher prices, especially if wage increases result from greater worker bargaining power and a more balanced relationship between workers and business.

The last few decades have seen the share of the economic pie going to wages go down and the share going to profits go up. The owners of businesses large and small who have had it very good for so long will still have plenty left over if the minimum wage is higher. Higher minimum wages can come out of profits; they don't have to show up in higher prices.

The numbers back this up. A study from the University of California, Berkeley that looked at what would happen if New York state raised its minimum wage to \$15 found that any price increases resulting from it would be a rounding error relative to the normal rate of inflation.



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Let's make life affordable by raising incomes while dropping fees for transit, education and child care

MYTH: A basic income is a better poverty-fighting tool than raising the minimum wage.

FACT: While a basic income---giving everyone, whether they work or not, some minimum annual income from the government---sounds like a good idea, it hides many dangers.

Conservatives of all stripes like the basic income because their version goes hand-in-hand with gutting the rest of our welfare state.

They see government writing small cheques and leaving everything from healthcare to education to the market. In fact, one of the idea's biggest proponents in Canada and the person tasked by the Ontario government to shepherd its pilot project is former Conservative senator Hugh Segal.

What kind of basic income program would we be most likely to see today? Would it be one that raises the standard of living? Or would the parties of Bay St. be happy to lop off some more public programs to their friends in the private sector while introducing ever more means-testing for the poor? Basic income in the abstract is not up for debate today; if it was, we would be feasting.

Instead, we need to be taking a hard look at what something concrete enacted by today's Liberal Party would look like. And it looks like table scraps at best.

Fighting for \$15 an hour sounds like a lot less than fighting for \$15,000 a year, but it is only by building our power from the ground up rather than appealing to the nice feelings of elites that we'll truly win. Every time workers have demanded something and won, they've had to build collective power from the bottom-up. A higher minimum wage not only helps hundreds of thousands of workers escape poverty, it grows bargaining power, making the relationship with employers less skewed for all.

A successful minimum wage campaign puts employers and the government on the defensive. A higher minimum wage on its own won't alleviate all poverty, but it will build some of the power to achieve other demands.



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Let's make life affordable by raising incomes while dropping fees for transit, education and child care

Continued

MYTH: A basic income is a better poverty-fighting tool than raising the minimum wage.

A minimum wage hike is best seen as part of a broad anti-poverty strategy, one that includes demands like better EI, higher welfare rates and stronger social programs like childcare. A higher minimum wage makes jobs better and more stable and this in turn gives us more time to fight for demands in other areas of life.

In Seattle, Fight for \$15 campaigners used the slogan, “Make Seattle

Affordable” to show the depth of their demands. Alongside a \$15 minimum wage, they demanded rent control to counter skyrocketing housing costs and higher taxes on the rich to fund transit and school. The 15 and Fairness campaign in Ontario is similarly plugging into many local demands while reaching thousands of people. The Fight for \$15 from the bottom up will get us much further than a basic income handed from the top down.