

Living Wage

Evidence (for & against),
Impact, and Why It Matters

Ryan Lacanilao

Coordinator & Economist

Alberta Living Wage Network



Council Members

- City of Airdrie
- City of Brooks
- City of Grande Prairie
- City of Lloydminster
- City of Medicine Hat
- City of Red Deer
- City of St. Albert
- Community-University Partnership, University of Alberta (Drayton Valley)
- Edmonton Social Planning Council
- FCSS Barrhead & District
- Greater Edmonton Alliance for the Common Good
- John Howard Society of Red Deer
- Lakeland Credit Union
- Medicine Hat Community Housing Society
- Municipality of Jasper
- Regional Municipality of Wood Buffalo
- Social Health Equity Network of Lethbridge and Area
- Town of Drayton Valley
- Town of High River
- Town of Rocky Mountain House
- Town of Spruce Grove
- Town of Stony Plain
- Vibrant Communities Calgary

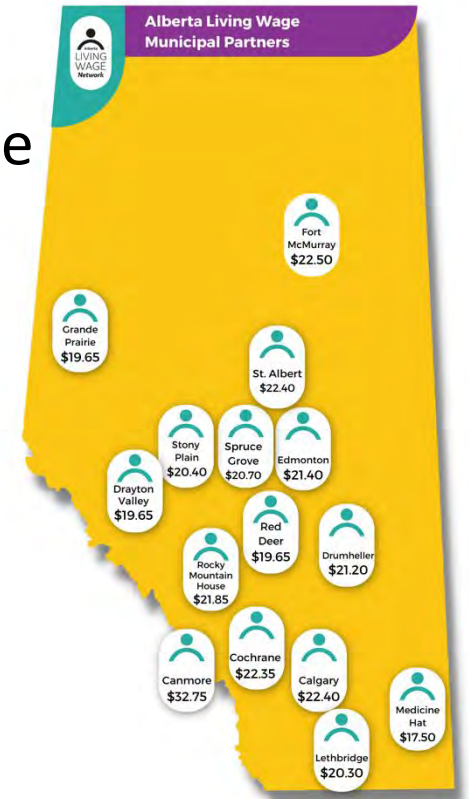
Minimum Wage

- \$15 across Alberta
- Mandatory
- Can work full time and still live in poverty



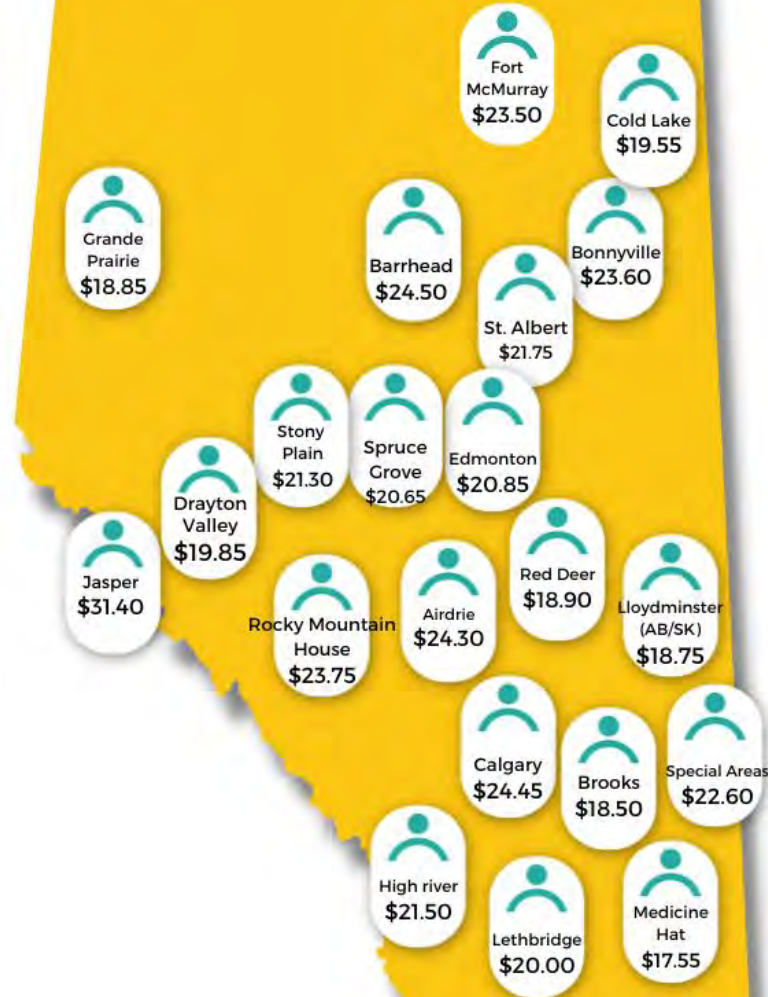
Living Wage

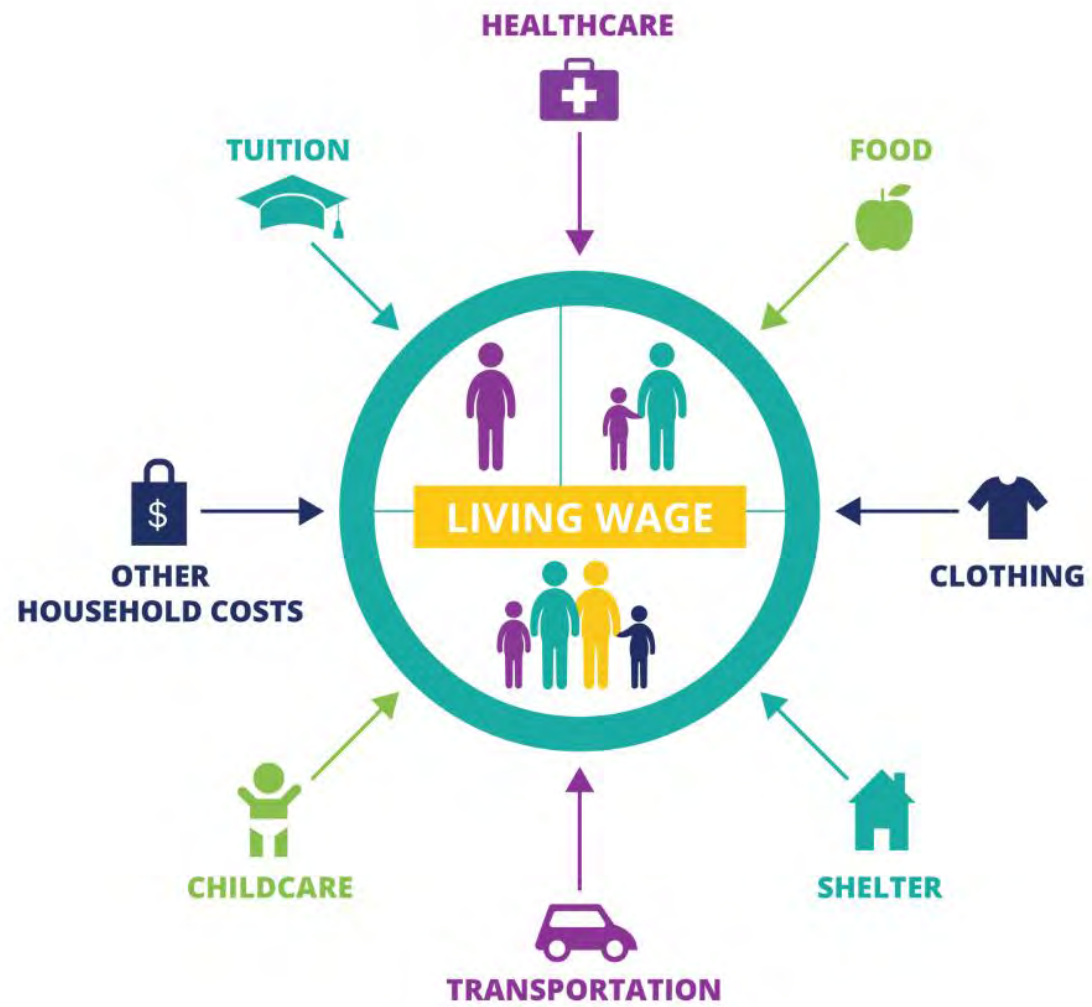
- Community specific
- Voluntary
- More able to make ends meet





Alberta Living Wage Municipal Partners

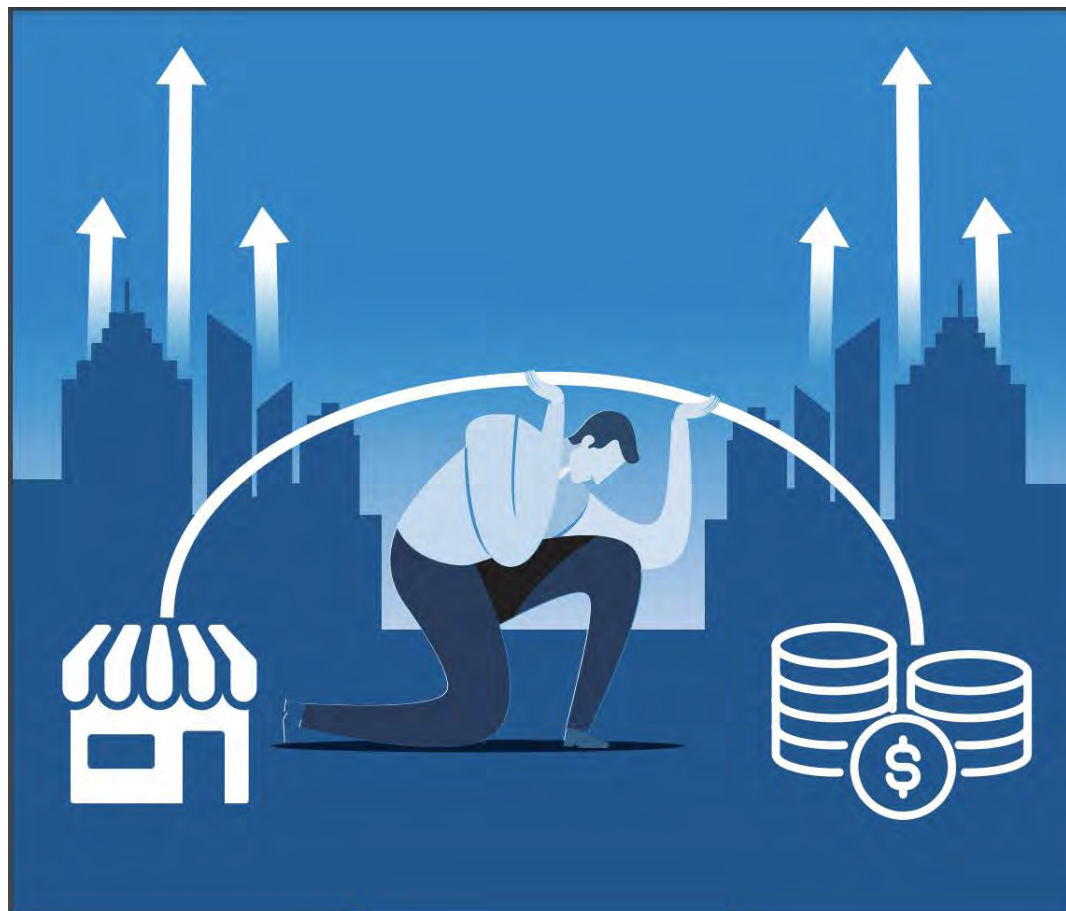




The Literature

- Not a lot of Canadian data/research
- Political interest biasing research
- Complexity in policies and frameworks
- Theory vs. reality

Against



Affordability, minimum wages, and living wages:

Striking a balance for small businesses

May 2024

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CANADIAN FEDERATION
OF INDEPENDENT BUSINESS
In business for your business.

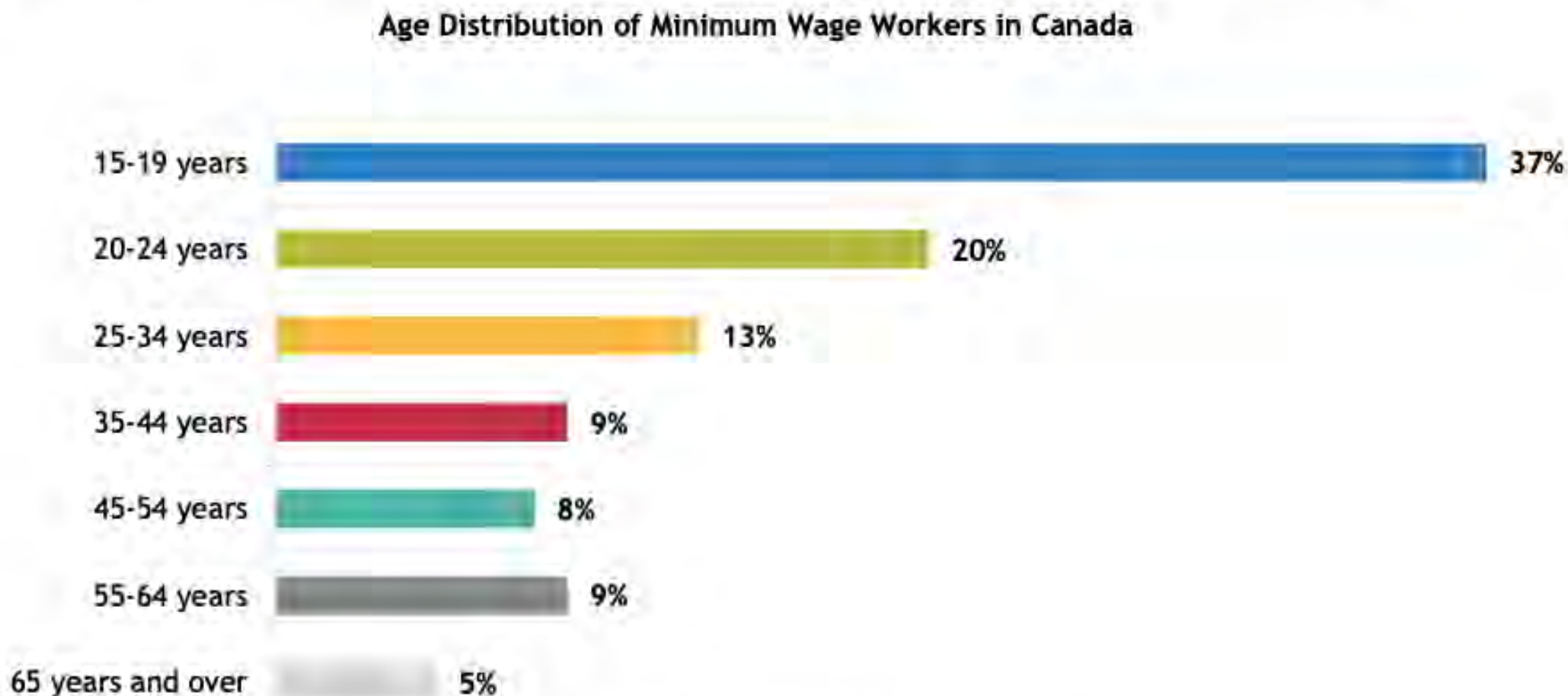
Key takeaways

- Most minimum wage workers are young people entering the workforce, with a high school education or less, living with their parents.
- Most minimum wage jobs are transitional, often serving as a starting point for young workers.
- Minimum wage setting processes are unpredictable, subjective, and lack transparency and consideration of economic effects.
- Minimum wage growth has outpaced inflation, labour productivity, and median wage increases in the last 10 years.
- At its core, the concept of a living wage is flawed due to the diversity in individual preferences, varying levels of willingness to pay for goods and services, and unique thresholds for financial well-being.
- Mandating a \$20/hour living wage in each province would cost \$44.9 billion, potentially fuelling inflationary pressures, and putting more than half a million businesses at risk of unprofitability.
- While businesses are responsible for providing competitive wages based on skills and experience, taxes and regulations significantly impact the affordability of essentials like rent, utilities, food, childcare, and transportation.
- Governments have a responsibility to ensure that workers are better positioned to handle the rising cost of living, without solely relying on businesses to bear the financial burden of addressing the economic challenges workers face.
- Addressing the root causes of the rising cost of living, coupled with providing targeted fiscal support to vulnerable workers, presents a more effective approach to dealing with Canada's affordability challenges, all without burdening small businesses with added expenses and responsibility.

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- Most minimum wage jobs are transitional, often serving as a starting point for young workers.

Figure 2. Most minimum wage workers (57%) are young people entering the workforce (ages 15-24)



Source: Statistics Canada, Labour Force Survey, Selected characteristics of employed employees by minimum wage status and sex, Canada and provinces, annual average, 2012 to 2022, sent on October 27, 2023.

REPORT OF THE MINIMUM WAGE EXPERT PANEL

26 February 2020

Alberta Minimum Wage Expert Panel

Table 3: Proportion of Alberta Minimum Wage Earners by Age (years)

	2014/2015		2015/2016		2016/2017		2017/2018		2018/2019	
Age	Employees	Share	Employees	Share	Employees	Share	Employees	Share	Employees	Share
15-19	14,900	33.4%	23,800	32.4%	35,200	32.3%	36,000	26.1%	57,200	25.1%
15-17	8,700	19.5%	15,400	21.0%	18,900	17.3%	17,200	12.5%	24,800	10.9%
18-19	6,200	13.9%	8,400	11.4%	17,000	15.5%	18,800	13.7%	32,300	14.2%
20-24	6,400	14.3%	15,000	20.4%	20,800	19.1%	29,200	21.2%	45,700	20.1%
25-29	3,500	7.9%	7,700	10.5%	9,400	8.6%	15,400	11.2%	20,800	9.1%
30-34	3,100	7.0%	5,600	7.6%	8,600	7.9%	11,900	8.7%	15,000	6.6%
35-39	3,400	7.6%	4,500	6.1%	5,500	5.0%	9,700	7.0%	15,700	6.9%
40-44	3,800	8.6%	2,700	3.6%	6,100	5.6%	7,200	5.2%	14,300	6.3%
45-49	1,900	4.2%	2,300	3.2%	4,800	4.4%	6,200	4.5%	14,300	6.3%
50-54	1,700	3.7%	2,500	3.4%	4,700	4.3%	6,200	4.5%	13,200	5.8%
55+	5,900	13.3%	9,400	12.9%	13,900	12.8%	15,900	11.5%	31,200	13.7%
Total	44,700	100%	73,500	100%	109,400	100%	137,700	100%	227,300	100%

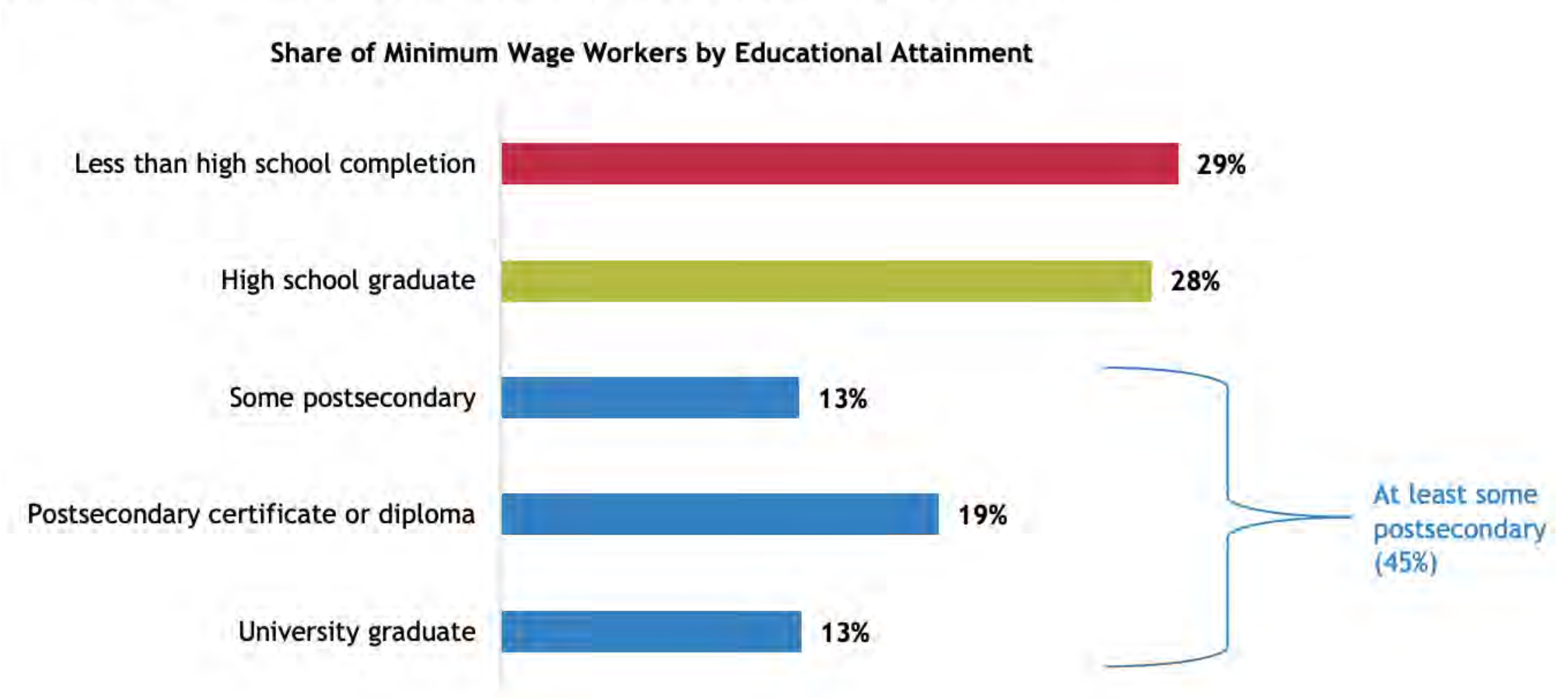
Source: Statistics Canada Labour Force Survey (LFS) Microdata

Note: Sum of category sub-totals may not equal to overall total due to rounding

Minimum Wage Earners in Alberta

- 89.1% are adults (18+)
- 74.9% are 20+

Figure 3: Most minimum wage jobs don't require high levels of specialization



Alberta Minimum Wage Expert Panel

Table A.4: Proportion of Alberta Minimum Wage Earners by Highest Educational Attainment

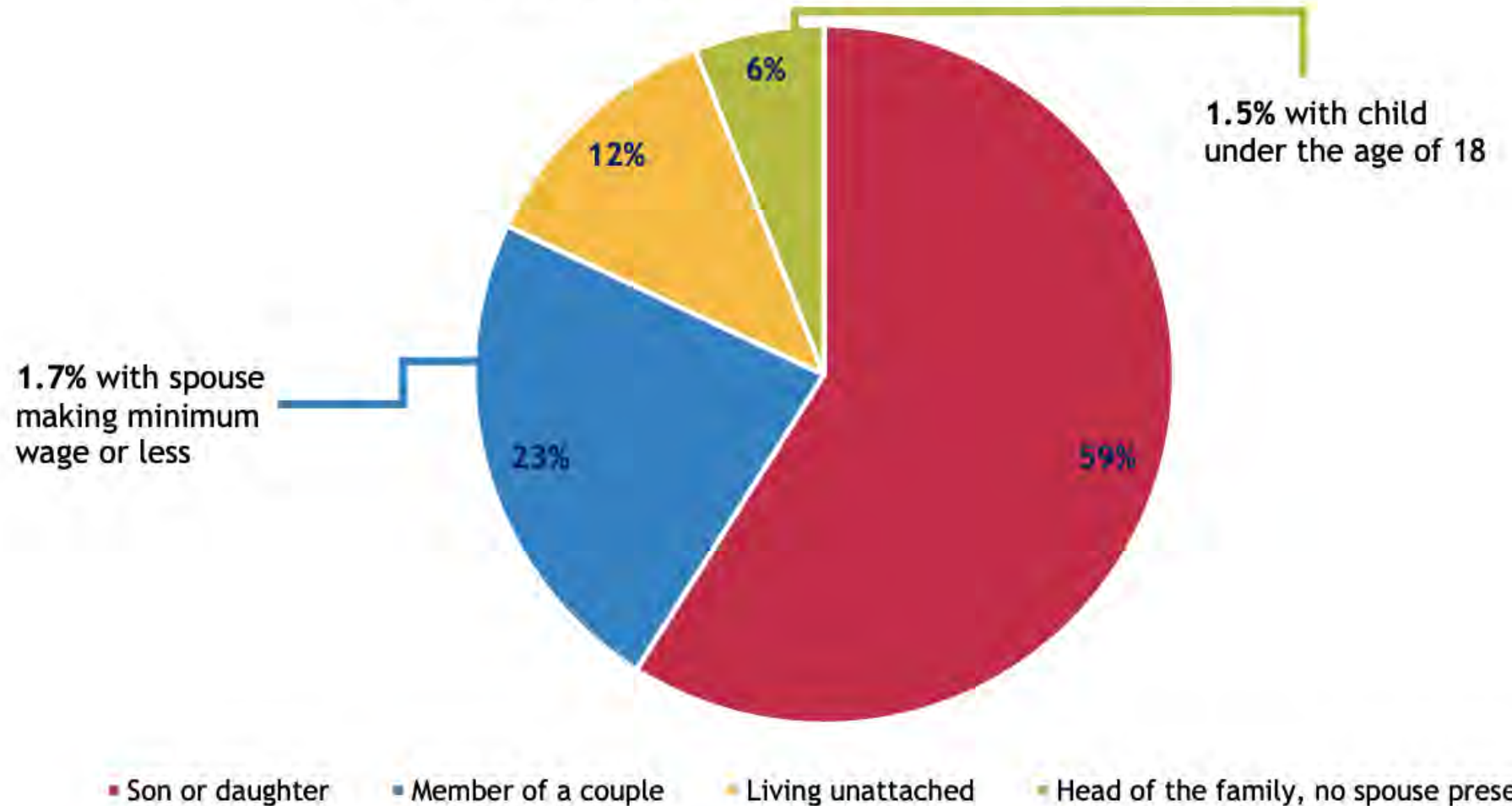
	2014/2015		2015/2016		2016/2017		2017/2018		2018/2019	
	Employees	Share	Employees	Share	Employees	Share	Employees	Share	Employees	Share
0-8 Years (Elementary)	3,300	7.3%	1,700	2.3%	2,700	2.5%	4,200	3.0%	7,700	3.4%
Some High School	11,700	26.1%	19,900	27.0%	29,600	27.2%	27,300	19.9%	40,900	18.0%
High School Graduate	13,000	29.0%	20,800	28.3%	28,300	26.0%	42,300	30.7%	72,700	32.0%
Some Post-Secondary	2,600	5.9%	6,700	9.2%	10,900	10.0%	13,900	10.1%	24,300	10.7%
Post-Secondary Certificate or Diploma	8,100	18.0%	13,000	17.8%	19,000	17.4%	28,700	20.9%	47,500	20.9%
University Degree	6,100	13.6%	11,300	15.4%	18,500	17.0%	21,300	15.4%	34,300	15.1%
Total	44,700	100.0%	73,500	100.0%	109,400	100.0%	137,700	100.0%	227,300	100.0%

Minimum Wage Earners in Alberta

- Almost half (46.7%) have at least some post-secondary
- More than a third (36%) have completed a post-secondary certificate, diploma, or degree

Figure 5. Most minimum wage workers are sons or daughters living with their parents

Household Composition of Minimum Wage Earners



Source: Statistics Canada, Labour Force Survey, Selected characteristics of employed employees by minimum wage status and sex, Canada and provinces, annual average, 2012 to 2022, sent on October 27, 2023.

Alberta Minimum Wage Expert Panel

Table A.6: Proportion of Alberta Minimum Wage Earners by Family Type

	2014/2015		2015/2016		2016/2017		2017/2018		2018/2019	
	Employees	Share	Employees	Share	Employees	Share	Employees	Share	Employees	Share
Employee with Children under 18	18,300	40.9%	31,800	43.3%	45,900	42.0%	54,400	39.5%	94,200	41.4%
Married, dual earners with children under 18	11,600	26.0%	20,300	27.6%	29,200	26.7%	37,600	27.3%	65,500	28.8%
Married, single earner with children under 18	3,600	8.1%	6,300	8.6%	10,300	9.4%	9,200	6.7%	13,800	6.1%
Single parent, employed with children under 18	3,100	6.9%	5,200	7.1%	6,500	5.9%	7,600	5.5%	14,900	6.6%
Married, Dual earners, no children under 18	10,500	23.5%	14,700	20.0%	24,900	22.8%	29,500	21.4%	49,500	21.8%
Married, Single earner, no children under 18	3,200	7.2%	5,300	7.2%	7,500	6.9%	10,800	7.8%	16,800	7.4%
Unattached individual	6,200	13.9%	9,200	12.5%	13,000	11.9%	19,300	14.0%	28,400	12.5%
Other	6,500	14.5%	12,500	17.0%	18,100	16.5%	23,600	17.1%	38,500	16.9%
Total	44,700	100.0%	73,500	100.0%	109,400	100.0%	137,700	100.0%	227,300	100.0%

Note: Children are only considered if under 18

Alberta Minimum Wage Expert Panel

Table A.7: Proportion of Alberta Minimum Wage Earners by Main Income Source

	2014/2015		2015/2016		2016/2017		2017/2018		2018/2019	
	Employees	Share	Employees	Share	Employees	Share	Employees	Share	Employees	Share
Main income earner	13,900	31.1%	23,000	31.3%	31,100	28.4%	50,300	36.5%	80,800	35.5%
With children	2,300	5.1%	5,500	7.5%	6,400	5.9%	13,700	9.9%	24,400	10.7%
Without children	11,600	26.0%	17,500	23.8%	24,700	22.6%	36,600	26.6%	56,400	24.8%
Spouse	7,900	17.7%	10,900	14.8%	18,100	16.5%	23,600	17.1%	41,300	18.2%
Son or daughter (or Son or daughter in law)	18,400	41.2%	32,300	43.9%	49,100	44.9%	51,600	37.5%	83,500	36.7%
Parent (or parent in law)	*	*	2,600	3.5%	4,200	3.8%	3,200	2.3%	6,600	2.9%
Other	3,200	7.2%	4,700	6.4%	6,900	6.3%	9,100	6.6%	15,100	6.6%
Total	44,700	100.0%	73,500	100.0%	109,400	100.0%	137,700	100.0%	227,300	100.0%

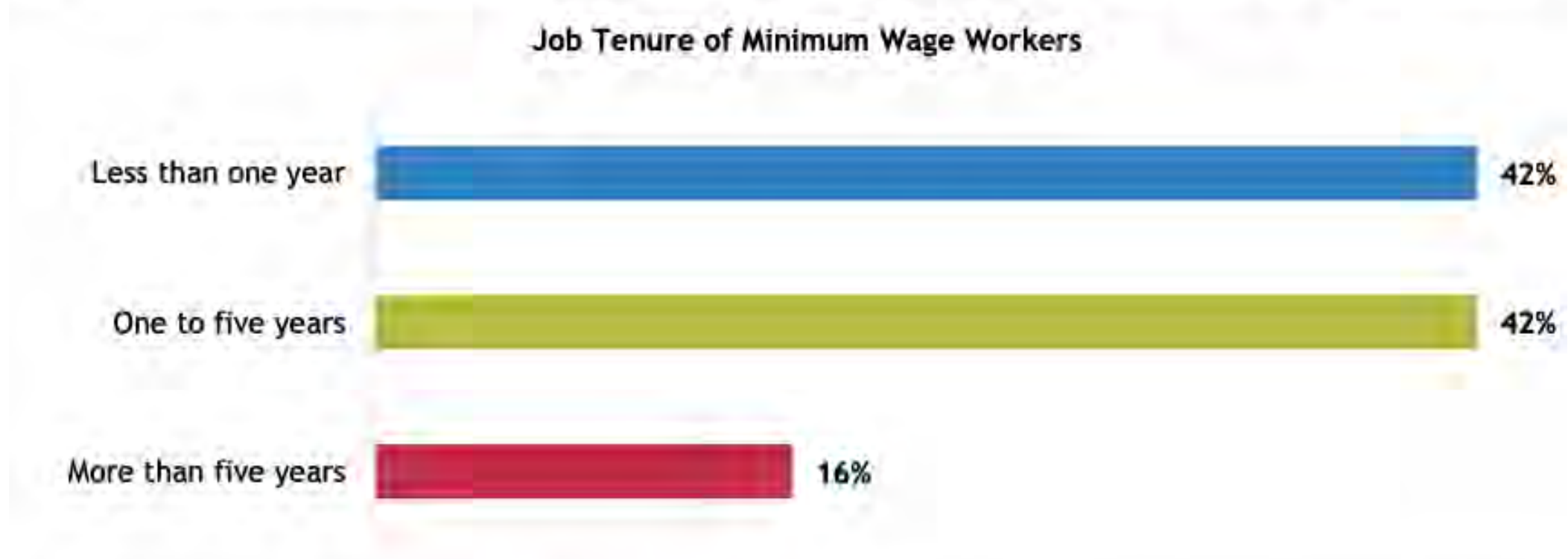
Minimum Wage Earners in Alberta

- 41.4% have children
- 12.7% single earner with children under 18
- 35.5% are the main income earner

Also True

- At minimum wage, can't afford to move out
- Can be trapped in financially dependent relationship
- 12.7% single earner with children under 18

Figure 4. Minimum wage jobs are transitional and often serve as a starting point for young workers



Source: Statistics Canada, Labour Force Survey, Selected characteristics of employed employees by minimum wage status and sex, Canada and provinces, annual average, 2012 to 2022, sent on October 27, 2023.

Also True

- Minimum wage jobs don't pay a living wage
- Super high turnover: 42% leave within a year, 84% leave within 5 years for survival

Minimum Wage vs. Living Wage

- Those making minimum wage make up a small portion of those making below a living wage
- Stats about who a living wage will help should look at all those making below a living wage, not just those making minimum wage

CFIB

- Minimum wage setting processes are unpredictable, subjective, and lack transparency and consideration of economic effects.
- Minimum wage growth has outpaced inflation, labour productivity, and median wage increases in the last 10 years.

CFIB


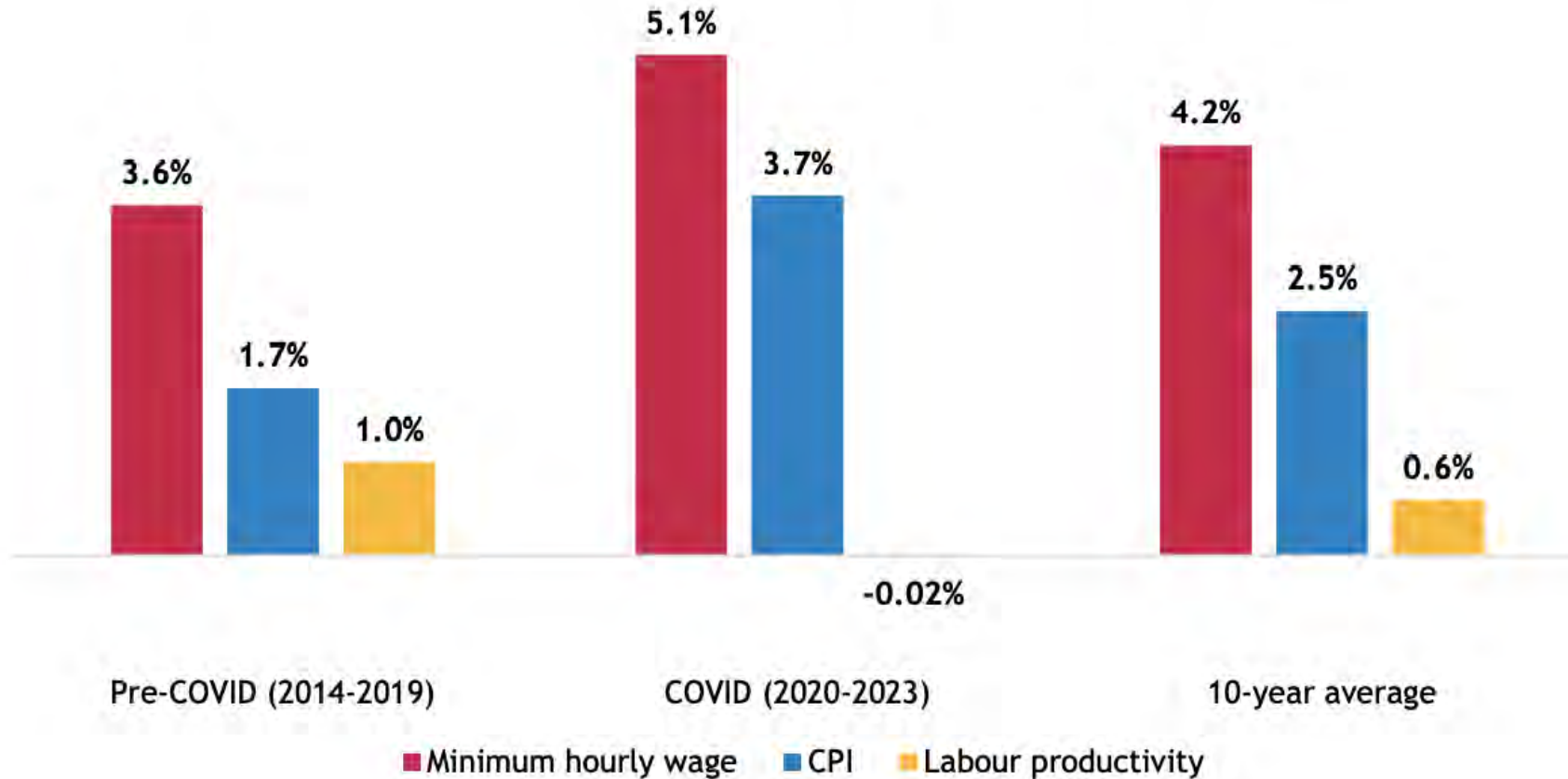
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- 

Figure 7. Annual minimum wage increases have largely outpaced inflation and labour productivity since 2014

Annual Average Growth Rates in Minimum Wage, CPI, and Labour Productivity



Source: CFIB's own calculations based on Government of Canada, General hourly minimum wage rates in Canada since 1965 <https://srv116.services.gc.ca/dimt-wid/sm-mw/rpt2.aspx>, using an average of provincial minimum wages, Statistics Canada Table 14-10-0064-01 Employee wages by industry, annual <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006401>, and Table 36-10-0206-01 Indexes of business sector labour productivity, unit labour cost and related measures, seasonally adjusted <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610020601>.

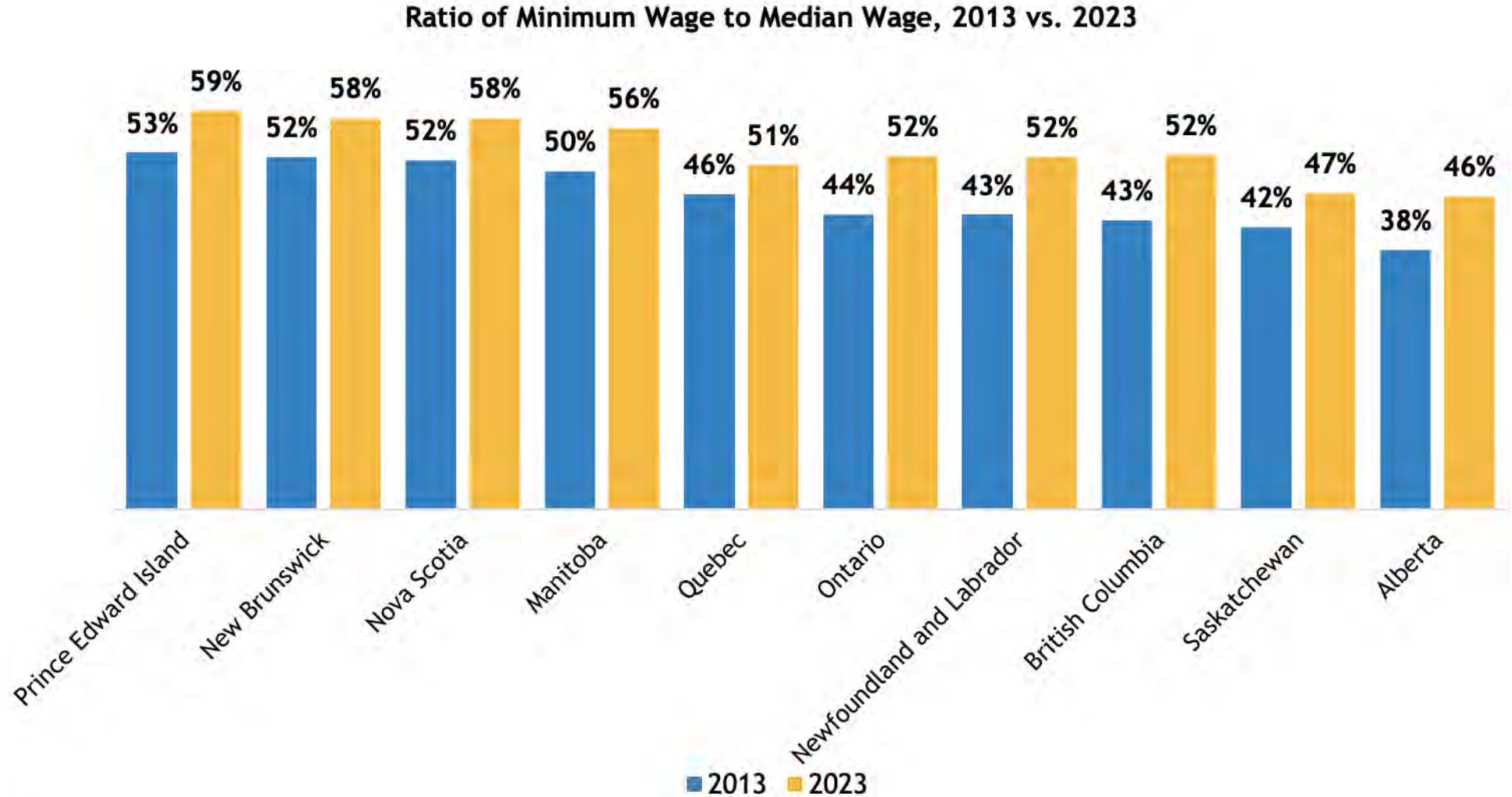
Minimum Wage in Alberta

- 2015–2018: Increased 47% in in 3yrs (\$10.20 to \$15)
- 2018–2025: Increased 0% in 7 years (still \$15)
- AB went from highest in 2018 to lowest currently

Also True

- For the last 7 years, minimum wage has not kept up with inflation and labour productivity

Figure 8. The “bite of the minimum wage” has increased in the last decade with some provinces reaching potentially damaging levels



Source: CFIB’s own calculations based on Government of Canada, General hourly minimum wage rates in Canada since 1965 <https://srv116.services.gc.ca/dimt-wid/sm-mw/rpt2.aspx>, and Statistics Canada Table 14-10-0064-01 Employee wages by industry, annual <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006401>.

Alberta Minimum Wage Expert Panel

- Both conventional regression techniques and the synthetic control technique indicate no statistically significant relationships between the 2015-2018 minimum wage increase and employment amongst Albertans aged 25 and older. While it is well established that tens of thousands of additional Albertans lost their jobs, including among those aged 25 and older, these losses were influenced by other factors, including the economic downturn.

47% min wage increase, no statistically significant relationship to employment of Albertans 25+

CFIB

- At its core, the concept of a living wage is flawed due to the diversity in individual preferences, varying levels of willingness to pay for goods and services, and unique thresholds for financial well-being.

CFIB

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What's flawed is their understanding of what a living wage is

Living Wage

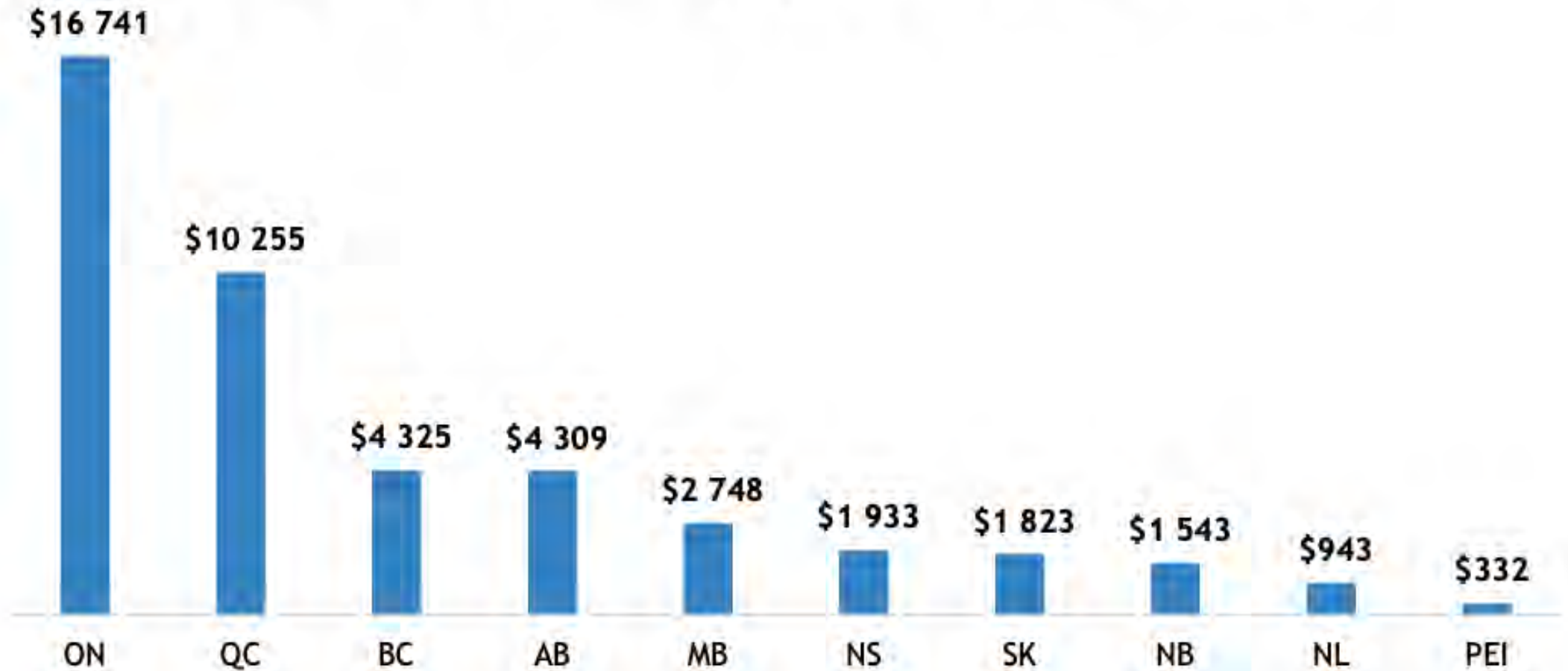
- Diversity in individual preferences: Living wage is flexible enough for individual preferences (e.g., drive vs. transit, car vs. truck, different types of recreation, etc.)
- Varying levels of willingness to pay for goods and services: Living wage uses averages and is not meant to be exact for each person
- Unique thresholds for financial wellbeing: Living wage is the point you can afford the basic basket of goods—just assumes spiraling debt is bad for financial wellbeing

CFIB

- Mandating a \$20/hour living wage in each province would cost \$44.9 billion, potentially fuelling inflationary pressures, and putting more than half a million businesses at risk of unprofitability.

Figure 11. Mandating a living wage of \$20/hour would cost \$44.9 billion

Cost of a Mandated \$20/Hour Living Wage in All Provinces, in Millions of Dollars



Source: CFIB's own calculations based on Statistics Canada, Labour Force Survey, Employed employees by custom hourly wage distributions, Canada, provinces and territories, annual average, 2012 to 2022, sent on October 27, 2023.

What's Missing?

- Overly simplistic calculation: just the cost of raising all employees making below \$20 up to \$20
- Doesn't consider the cost savings of increased productivity (\$54B) and decreased turnover
- Doesn't consider increased revenue from people with money to spend in local economy

Why Canadians' financial stress has reached the point of a 'wake up call'

President of the National Payroll Institute explains why his organization is so concerned about the results of their latest survey



By David Kitai

Sep 30, 2024 / Share



What's Missing?

employees under financial stress bring that stress to work.

The survey found that many employees experiencing financial stress spend significant amounts of time at work trying to cope with their stress. NPI estimates that the lost productivity to financial stress costs employers around **\$54 billion** per year. Tzanetakis says that number has doubled since 2021. Tzanetakis believes that this issue has gotten so dire that employers, as well as individuals and governments, need to be taking action now.

“We really believe that the where we're at today in terms of the levels of financial stress, it really is an all hands on

What's Missing?

The impact on business of adopting Living Wage policies:

by Sarah V. Wayland, PhD,
Prepared for the Hamilton Roundtable for Poverty Reduction Living Wage Working Group
November, 2011

"Living wage" refers to an hourly wage that allows employees and their families to meet their basic needs. Living Wage policies have been in place since the mid 1990s and are now working in some 140 municipalities and counties in the United States, including Boston, Detroit, Chicago, Los Angeles and New York City. In London, UK, at least 115 companies have now committed to pay the London Living Wage of £7.85 an hour, including 50 private firms, 39 third sector employers, 16 public sector and 10 Higher Education and Think Tanks (City of London 2010). In 2010, the City of New Westminster, B.C., became the first Canadian municipality to enact a comprehensive Living Wage policy.

There are many obvious benefits to workers who receive a living wage, especially when it boosts working poor people and their families out of poverty. But what does living wage mean for employers? The costs of paying a living wage are often cited as a significant barrier to its implementation. In actuality, however, these costs either do not materialize, are counter-balanced by reduced costs in other areas (such as lower turnover rates and less sick leave among employees), or are minimal. Based on a search of research reports and scholarly articles, this briefing paper makes the business case for the living wage.

How paying a living wage benefits employers

Decreased employee turnover; cost savings for staff hiring and training; improved job quality, productivity and service delivery; lower absenteeism

- A study of employers in Los Angeles found lower rates of labour turnover, absenteeism and overtime rates and higher rates of training amongst 75 living wage contractors when compared to 210 similar non-living wage firms. Staff turnover rates at firms covered by the law averaged 17% lower than at firms that were not (Fairris and Reich 2005).
- A leading study of the San Francisco airport by researchers at the University of California found that after the airport boosted wages, turnover among contracted security screeners plummeted from 95% to 19% as their hourly wage rose from \$6.45 to \$10.00 an hour. Service quality improved dramatically, as did morale: 35% of employers reported improvements in work performance, 47% reported better employee

Decreased Turnover

- Los Angeles, 75 living wage vs. 210 non-living wage firm: turnover rate ↓ 17% for lw firms
- San Francisco airport security: turnover ↓ from 95% to 19%
- San Francisco home-care workers: turnover ↓ 57%
- KPMG London: halved turnover rate

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Stimulate Local Economy

- Low earners spend more of increased income in local economy; higher earners spend only 3–5 cents of each dollar raise (Goldman Sachs, 2009)
- 23 yrs household spending data: for every \$1 ↑ min wage, families w/ min-wage worker ↑ spending by >\$800/quarter (Aaronson et al. 2008)

↑ **wages:**

↑ **labour costs**

↓ **turnover**

↑ **productivity**

↑ **revenue**

Table 1. Mandating a \$20/hour living wage will put almost 600,000 businesses at risk of unprofitability

	Business counts²⁰	Business owners who responded that a \$20/hour living wage would make them unprofitable²¹	Projection of total businesses at risk of unprofitability
Newfoundland and Labrador	19,002	56%	10,653
Prince Edward Island	6,976	44%	3,100
Nova Scotia	32,419	43%	14,048
New Brunswick	26,468	47%	12,519
Quebec	278,278	51%	141,927
Ontario	506,632	40%	200,387
Manitoba	43,781	54%	23,485
Saskatchewan	43,007	43%	18,432
Alberta	175,383	42%	73,181
British Columbia	215,519	35%	75,495
Canada	1,351,744	42%	572,499

Based on a survey, no actual calculations or analysis related to profitability

CFIB

- Mandating a \$20/hour living wage in each province would cost \$44.9 billion, **potentially fuelling inflationary pressures**, and putting more than half a million businesses at risk of unprofitability.

What Happens in Reality?

 MDPI

Open Access Article

The Impact of a City-Level Minimum Wage Policy on Supermarket Food Prices by Food Quality Metrics: A Two-Year Follow Up Study

by James Buszkiewicz ¹, Cathy House ², Anju Aggarwal ¹, Mark Long ³, Adam Drewnowski ¹ and Jennifer J. Otten ^{4,*}

¹ Epidemiology, Center for Public Health Nutrition, University of Washington, Seattle, WA 98195, USA
² Nutritional Sciences Program, University of Washington, Seattle, WA 98195, USA
³ Daniel J. Evans School of Public Policy and Governance, University of Washington, Seattle, WA 98195, USA
⁴ Environmental and Occupational Health Sciences, Center for Public Health Nutrition, University of Washington, Seattle, WA 98195, USA
* Author to whom correspondence should be addressed.

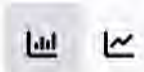
Int. J. Environ. Res. Public Health **2019**, *16*(1), 102; <https://doi.org/10.3390/ijerph16010102>

Submission received: 13 November 2018 / Revised: 12 December 2018 / Accepted: 24 December 2018 / Published: 1 January 2019

(This article belongs to the Special Issue Built Environments, Food Environments, and Public Health)

Seattle Minimum Wage Ordinance
“Overall, the authors found no significant evidence of price increases associated with the minimum wage ordinance.”

Consumer Price Index by Province



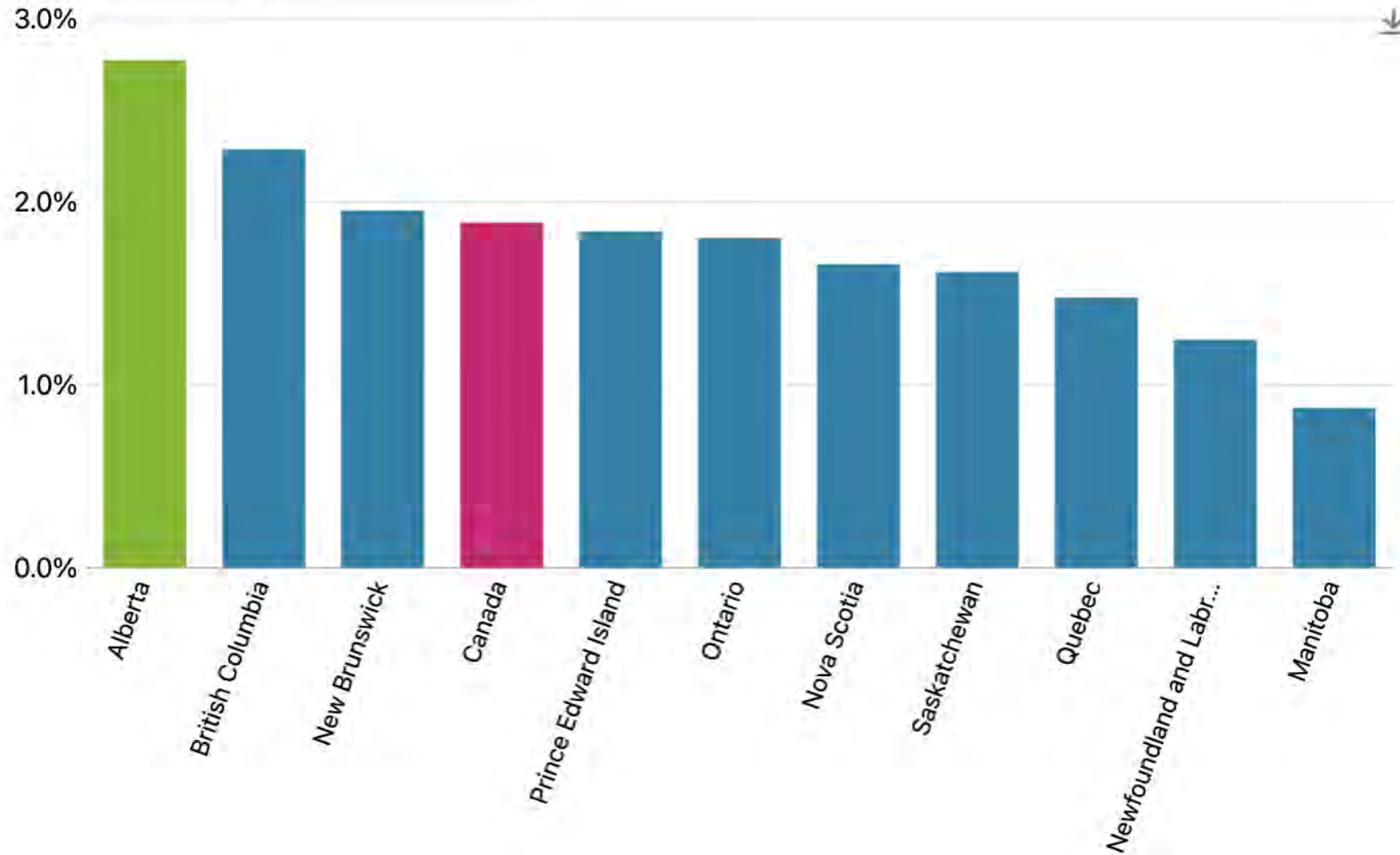
Annual Change, Index (2002=100)

View data for:

November 2024

Sort by:




Value Descending



CFIB

- While businesses are responsible for providing competitive wages based on skills and experience, taxes and regulations significantly impact the affordability of essentials like rent, utilities, food, childcare, and transportation.
- Governments have a responsibility to ensure that workers are better positioned to handle the rising cost of living, without solely relying on businesses to bear the financial burden of addressing the economic challenges workers face.
- Addressing the root causes of the rising cost of living, coupled with providing targeted fiscal support to vulnerable workers, presents a more effective approach to dealing with Canada's affordability challenges, all without burdening small businesses with added expenses and responsibility.

CFIB

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Impact

Who makes under \$20/hour?



Stereotype

Teenager
Works part-time after school
Lives with parents
Earning extra spending money



Reality

81% are adults
61% are women
36% have children under 18
57% work for a company with over 100 employees

Living wages:

- put money in the pockets of workers who really need it
- reduce inequality
- support a sustainable local economy

Why It Matters

Discussion Questions

- How do living wages affect workers?
- How do living wages affect broader social systems?
- What does this mean for FCSS programs?

Thank you!

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