



RICHARD FLORIDA

Urban workers need more pay

Richard Florida

Special to The Globe and Mail

Published Friday, Feb. 07 2014, 7:26 AM EST

Last updated Friday, Feb. 07 2014, 7:28 AM EST

The Ontario government announced last week that it would lift a four-year freeze on the province's minimum wage, raising the hourly rate from \$10.25 to \$11.00. The news came in the wake of U.S. President Barack Obama's move to raise the minimum wage for federal contract workers from \$7.25 to \$10.10.

The province should be commended for raising its minimum to the highest level in the country. Doing so will boost the living standards of the more than half a million Ontario workers who currently toil in low-wage jobs.

But, it fails to take into account how much more workers need to make ends meet in a big city such as Toronto, with its prohibitive housing costs, than they do in smaller cities and towns. It is high time that minimum wage standards reflected these very real differences in living costs.

The basic clustering of companies and talent that makes cities engines of innovation and economic growth also drives up housing costs. Obviously these costs are more affordable for high-paid knowledge workers than for low-paid service workers, the majority of whom are employed in the fast-growing job categories of food service, personal care and retail sales. These workers now represent nearly half the labour force.

A simple way to account for city-by-city differences is to peg the minimum wage to the local median wage. Arindrajit Dube, an economist at the University of Massachusetts and a leading expert on wage policies, says governments should aim for a threshold of 50 or 60 per cent of the prevailing median wage. Such a target would bring North American municipalities more or less in line with international standards.

In order to determine appropriate minimum wages based on Mr. Dube's guidelines, the labour-market data and research firm EMSI provided current median wages for 10 of Canada's largest metropolitan areas. The results are interesting.

First off, the minimum wage in the greater Toronto Area would need to be \$11.24 to put it at 50 per cent of the prevailing median, and \$13.48, closer to the \$14 an hour sought by labour and social activists, to reach 60 per cent. In Ottawa-Gatineau the suggested minimums would be \$12.08 and \$14.50. They would be lower in Hamilton if pegged to its metropolitan median wage, \$10.94 at 50 per cent or \$13.13 at 60 per cent.

Still, Ontario's recent hike puts the province's largest cities in much better shape than their western counterparts. The current minimum wage in Vancouver is \$10.25. It should be \$11.01, to bring it to 50 per cent of the region's median wage, or \$13.21 to be at 60 per cent. Alberta's minimum wage is \$9.95. Calgary would need a minimum wage of at least \$12.58 to be at 50 per cent of the regional median, and \$15.09 to be at 60 per cent.

The province's new minimum-wage standard leaves workers in Toronto in far better shape than their counterparts in many comparably sized U.S. metro areas, such as the San Francisco Bay Area, Washington, D.C., and Boston, where the minimum wage would need to rise to \$13, \$14 or even \$15 per hour to meet 50 per cent of the metro median.

The Ontario government was right to raise its minimum wage, and to introduce legislation that would peg future increases to inflation. But the new legislation should also take into account the significant differences in costs of living across the province. It should include provisions to index the minimum wage on a geographic basis.