

# LIVING WAGE SERIES

OCT 2013

A CALL TO ACTION FOR GUELPH & WELLINGTON

## ABOUT THE AUTHORS

### INCOME SECURITY ACTION GROUP

**This report was largely compiled by the Income Security Action Group of the Guelph & Wellington Task Force for Poverty Elimination. Contributing members include:**

David Thornley

Diane Nelson

Gail Hoekstra

Jenni Brooks

Maris Lush

Randalin Ellery

Ron MacKinnon

Stuart Beumer

Terry O'Connor

The Income Security Action Group would like to acknowledge the contributions of Meaghan Anderson, intern at the Institute for Community Engaged Scholarship/The Research Shop.

# Living Wage Series

## A CALL TO ACTION FOR GUELPH & WELLINGTON

### INTRODUCTION

The Guelph & Wellington Task Force for Poverty Elimination works collaboratively, informed by diverse voices of experience, to support local action and to advocate for system and policy change to address the root causes of poverty.

Beginning in 2012, the Poverty Task Force (PTF) Income Security Action Group (ISAG) and PTF Research & Policy Working Group engaged with various partners to explore and develop a living wage for Guelph and Wellington. The Canadian Centre for Policy Alternatives defines the living wage as “the hourly rate at which a household can meet its basic needs, once government transfers have been added to the family’s income (such as the Universal Child Care Benefit) and deductions have been subtracted (such as income taxes and Employment Insurance premiums).”<sup>1</sup>

In the first of our Living Wage Series, *A Living Wage for Guelph and Wellington*, the living wage was calculated based on a modest, bare bones budget to meet the cost of living for three profiles – a family of four (2 adults, 2 children), a family of two (one adult, one child), and a single adult. The living wages for each profile were then averaged to determine a living wage of \$15.95 for Guelph and Wellington.<sup>2</sup>

By championing the living wage, our community can ensure that individuals and families working full-time can meet their basic living expenses, support the healthy development of their children, and allow them to fully participate in work, family life, and community activities. While paying a living wage is perhaps the most obvious way to support this, other communities before of us have demonstrated that there are other worthwhile opportunities to consider. We encourage you to explore this report for a taste of what you and your sector can do to implement or advocate for a living wage in Guelph and Wellington. We hope this report, along with others in our Living Wage Series, stirs discussion, challenges thinking, and starts our community on a path to becoming a living wage community.

# NON-PROFITS

## MYTHS

*“A living wage requirement can reduce a nonprofits ability to provide services.”*

*“Paying a living wage is the only way an organization can truly support the campaign.”*

## TRUTHS

Research demonstrates that, for the many nonprofits, “the financial impact on most non-profits is minor.” REYNOLDS, D. & VORTKAMP, J. (2000).

Some non-profits would find it truly impossible to pay a living wage without considerable support from funders. However, there are other ways that non-profit employers and employees can support the living wage campaign. See below for some ideas!

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### HOW **NON-PROFITS** CAN SUPPORT THE LIVING WAGE IN GUELPH & WELLINGTON

- Be a champion for the Living Wage movement: Raise community awareness.
- Support policy changes that improve government benefits and social programs.
- Support flexibility in the workplace to keep costs down. For example, offer parents an earlier or later shift so they can avoid paying for before or after school care for their children.

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United Way of Lower Mainland in British Columbia is proud to be a Living Wage Employer and encourages other organizations to adopt the Living Wage Policy and join their cause in breaking the cycle of child poverty and building a stronger community for all. To learn more, visit [www.uwlm.ca](http://www.uwlm.ca).



**MYTHS**

*“Municipal living wage policies will lead to higher taxes to cover higher contract costs.”*

*“It’s up to the provincial government to ensure the minimum wage is adequate to lift people out of poverty.”*

**TRUTHS**

Governments and taxpayers absorb little, if any, extra cost as the result of implementing a living wage. Researcher demonstrates that “the real costs of many contracts actually decline after a living wage law takes effect.” BRENNER, M., LUCE, S. (2005).

Increasingly, leadership for policy change comes from outside the provincial government, not from within. Ontario’s minimum wage is still well below what research evidence would consider to be a living wage. HENNESSY, T. (2012).

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**HOW MUNICIPALITIES CAN SUPPORT THE LIVING WAGE IN GUELPH & WELLINGTON**

- Adopt a living wage policy and set an example for other businesses in the community.
- Be a champion for the Living Wage movement: Raise community awareness.

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In April 2010 the City of New Westminster became the first Municipality in Canada to pass a Living Wage policy. City Councillor Jaimie McEvoy explains, “the Living Wage policy was part of an overall effort to address poverty in our community through the powers of our City.”<sup>3</sup> To learn more, visit



[http://www.youtube.com/watch?feature=player\\_embedded&v=j2\\_1EWgAjU#t=171](http://www.youtube.com/watch?feature=player_embedded&v=j2_1EWgAjU#t=171)

## MYTHS

*“Living Wages hurt small businesses.”*

*“Companies hire fewer people if they increase labour costs.”*

## TRUTHS

Paying a living wage expands economic activity. Small businesses draw their customers from the local community. Higher incomes allow families to purchase more goods and services in their neighbourhoods. CARD, D. & KREUGER, A. (1995).

Studies show businesses are usually able to absorb increased living wage costs through some combination of price and productivity increases, reduced turnover and training costs or redistribution with the firm. SCHMITT, J. (2013).

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### HOW **SMALL BUSINESSES** CAN SUPPORT THE LIVING WAGE IN GUELPH & WELLINGTON

- Adopt a workplace Living Wage policy.
- Volunteer your time and expertise as a member of the Income Security Action Group and help develop a Living Wage employer recognition program in 2014.
- Be a champion for the Living Wage movement: Raise community awareness.
- Support policy changes that improve government benefits and social programs.



eclipse awards.com  
HAPPINESS DELIVERED

Eclipse Awards specializes in high quality glass and crystal recognition awards based in Vancouver, BC. In 2010, Eclipse Awards was recognized as a living wage employer by the Living Wage for Families Campaign. This small business notes that paying a living wage “is simply an extension of our belief that people are the most important part of any organization.”<sup>4</sup> To learn more about this business and their commitment to the Living Wage, visit <http://www.eclipseawards.com/>.

## MYTHS

*“Companies will go elsewhere if the city has a living wage policy.”*

*“Living wage policies will cause job losses, especially for young people and those just entering the job market, such as New Canadians.”*

## TRUTHS

The quality of life and ability to attract a knowledgeable workforce are the main considerations for companies when they decide where to locate. Strong communities and good health, education and public services attract good employers. LEROY, G., TALLMAN, K., HSO, F. & HINKLEY, S. (1999).

Many areas in the US with living wage policies experienced minimal job losses; increased productivity and decreased turnover costs offset the wage increases. LESTER, W. (2011).

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### HOW **CORPORATIONS** CAN SUPPORT THE LIVING WAGE IN GUELPH & WELLINGTON

- Adopt a workplace Living Wage policy.
- Provide employees annual benefits, such as non-OHIP health benefit packages, public transit subsidies or child care subsidies, to ensure all workers are paid a living wage.
- Support policy changes that improve government benefits and social programs.



SAP is the world’s largest inter-enterprise software company and the world’s fourth-largest independent software supplier. In 2011, SAP Vancouver committed to paying its entire staff and contracted service staff a Living Wage. “SAP is a global multinational company, and we’re very much interested in doing good in the world,” says Kirsten Sutton, managing director for SAP Labs Canada. “But what’s most important is for each location to make sure they’re doing good in their community, and for us here [instituting a living wage] was one way to do that.”

**CORPORATIONS**

## MYTHS

*“A Living Wage won’t benefit unions. Union employees already get paid a living wage.”*

*“Unions should stay on the forefront of the fight for a higher minimum wage.”*

## TRUTHS

Not all union employees are paid a living wage. Living wages directly increase wages for lower-skill union workers who previously negotiated below living wage contracts. REYNOLDES, D. & KERN, J. (2002).

Some unions are now fighting for a living wage, too – the next step in the quest for human dignity and social justice. When unions work with community and faith groups to pressure business, they can win living wages.

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### HOW **UNIONS** CAN SUPPORT THE LIVING WAGE IN GUELPH & WELLINGTON

- Adopt a workplace Living Wage policy.
- Support policy changes that improve government benefits and social programs.



As of May 2013, there are 36 British Columbia companies – including the Hospital Employees’ Union and the BC Teachers’ Federation certified as living wage employers, representing more than 6,000 workers. Today, the union has joined with 200 other organizations across the province to call for “all-party government support” for a legislated poverty reduction plan in British Columbia. To find out more, visit [www.heu.org](http://www.heu.org).

## ANNOTATED BIBLIOGRAPHY

### **Sector: Non-Profits**

**Reynolds, D, and Jean Vortkamp. (2000). Impact of Detroit's Living Wage Law on Non-Profit Organizations. Center for Urban Studies & Labour Studies Centre. College of Urban, Labour and Metropolitan Affairs. Available from: [http://www.faircontracting.org/PDFs/prevaling\\_wages/DetroitsLivingWageLaw.pdf](http://www.faircontracting.org/PDFs/prevaling_wages/DetroitsLivingWageLaw.pdf)**

This paper discusses the specific case of Detroit's Living Wage law, and the impact on non-profit organizations covered by the law. The study finds that only a minority of non-profit organizations face significant burdens from a living wage ordinance, and that the effect can be handled through targeted city policies. It provides some useful data and recommendations for how best to assist non-profits in their compliance with the living wage law.

**Luce, Stephanie. (2005). *The Role of Community Involvement in Implementing Living Wage Ordinances*. *Industrial Relations*. 44(1).**

This paper examines the implementation of living wage laws in the US, and the role of community actors, including nonprofits, in cases where they have been implemented effectively. In particular, the author concludes that in cities where nonprofit organizations participated in monitoring and enforcement, living wage ordinances have been more successful. The involvement of the non-profit sector can give greater legitimacy to city staff to do their job, contribute some of the information and resources needed to implement the laws, and help create state capacity by pressuring the city to commit adequate staff and resources.

### **Sector: Municipalities**

**Brenner, M, and Stephanie Luce. (2005). *Living Wage Laws in Practice: The Boston, New Haven and Hartford Experiences*. Political Economy Research Institute. Available from:**

**[http://www.peri.umass.edu/fileadmin/pdf/research\\_brief/RR8.pdf](http://www.peri.umass.edu/fileadmin/pdf/research_brief/RR8.pdf)**

This paper presents research examining the wider impact of living wage laws in three municipalities in the US, focusing on the impact of these laws on city contracting, on the firms involved, and on the workers of the firms affected. The authors suggest that living wage laws have a modest impact on the contract costs and bidding, and have had a widely mixed impact for municipalities that have enacted living wage laws; in two of the

three cities the authors examined, contract costs actually fell after living wage implementation. Such cost savings result from the interaction of several factors. Those include greater competition among service providers; efforts by the city to restructure contracts, especially by bundling those for similar services; and internal firm dynamics, including a willingness among companies to accept lower profits to retain city contracts

**Thompson J, and J. Chapman (2006). *The Economic Impact of Local Living Wages. Economic Briefing Paper. Washington, D.C.: Economic Policy Institute.***

This briefing paper argues that living wage laws have small to moderate effects on municipal budgets by drawing together empirical research on the effects of living wage policies enacted throughout the US. The authors argue that bidding for municipal contracts remained competitive or improved as a result of living wage ordinances, and that contract costs remained steady.

**Hennessy, T. (2012). *What if the Minimum Wage was a Living Wage? Canadian Centre for Policy Alternatives. Available from***

**<http://www.policyalternatives.ca/publications/commentary/what-if-minimum-wage-was-living-wage>**

This report explores how the minimum wage and living wage relate to one another. It also considers several important differences between the minimum and living wage that can make them complementary to one another within the growing movement for decent jobs.

### **Sector: Small Business**

**Card, David and Alan B. Krueger (1995). *Myth and Measurement: The New Economics of the Minimum Wage. Princeton University Press.***

This book utilizes data from several different case studies throughout the US in which the minimum wage law was enacted, including New Jersey in 1992, California in 1988, and the increase to the federal minimum wage in 1990-91. In each case, they provide evidence that increases to the minimum wage lead to increased pay, not to a loss in jobs. The authors also examine previous literature on minimum wage and argue that it lacks evidence that minimum wage increases lead to job losses. This book has made a substantial contribution to the living wage debate in the US.

**Schmitt, J. (2013). *Why Does the Minimum Wage Have No Discernible Effect on Employment. Center for Economic and Policy Research. Washington, D.C..***

**Available from:** <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

This paper is comprised of 2 meta-studies analyzing research since the 1990s on the employment effects of minimum wage laws. The author concludes that minimum wage laws have no discernable effect on the employment prospects of low-wage workers, given that the cost of wage laws is small in comparison to firms' overall costs. It also provides an explanation of the types of adjustments firms can use to offset the possible impact of living wage laws.

**Sector: Corporations**

**LeRoy, G, Katie Tallman, Fiona Hso, and Sara Hinkley. (1999). *The Policy Shift to Good Jobs: Cities, States and Counties Attaching Job Quality Standards to Development Subsidies*. Good Jobs First. Available from:**

<http://www.goodjobsfirst.org/sites/default/files/docs/pdf/jobquality.pdf>

This paper examines the process of attaching wage standards to development subsidies throughout the US, and determining the impact of these standards, like living wage ordinances, by interviewing development officers. It provides an explanation of the types of job quality standards that have been enacted in various areas throughout the US, as well as the impact that standards have had on economic development efforts and the business climate. The researchers found that job quality standards such as living wage do not harm business climates, and in fact in some cases has had a positive impact.

**Lester, W. (2011). *The Impact of Living Wage Laws on Urban Economic Development Patterns and the Local Business Climate: Evidence from California Cities*. Economic Development Quarterly. 25(3), 237-254. Available from:**

[http://www.irlle.berkeley.edu/events/fall09/wlester/LESTER\\_IRLE\\_Seminar\\_Living\\_Wage\\_Paper\\_9-10.pdf](http://www.irlle.berkeley.edu/events/fall09/wlester/LESTER_IRLE_Seminar_Living_Wage_Paper_9-10.pdf)

This article provides empirical research on living wage impacts by tracking employment and establishment growth at the city level among directly affected employers and other employers that may be indirectly affected. Using panel regression models this article finds that living wage laws have no significant impact on employment or establishment growth, and finds no evidence that living wage laws 'signal' businesses about a potentially harmful change in the local business climate.

### **Sector: Unions**

**Reynolds, D, and Jen Kern (2002). Labour and the Living Wage Movement. Working USA. 5(3), Winter 2001-2002, 17-45.**

This paper examines the relationship between the living wage movement and organized labour, highlighting why unions have organized in favour of living wage policies and what resources they can provide to efforts to enact living wage ordinances. In particular, they argue that living wage ordinances have the potential to even the playing field between union and non-union firms, and help unions to raise the wage standards for their industry.

**Neumark, D. (2002). How Living Wage Laws Affect Low-Wage Workers and Low-Income Families. Public Policy Institute of California. San Francisco, California. Available from: [http://www.ppic.org/content/pubs/report/R\\_302DNR.pdf](http://www.ppic.org/content/pubs/report/R_302DNR.pdf)**

This paper relies on empirical research from living wage ordinances throughout the US, to describe how living wage laws work and how they are monitored, and assess the impact of living wage laws on wages, the workers affected, and the actors involved such as governments, firms, and unions. The author argues that living wage laws can boost the wages of unionized municipal workers, and benefit lower skill unionized workers when they have a broader reach beyond just firms with city contracts.

### **Additional Research**

**Luce, Stephanie. (2012). Living Wage Policies and Campaigns: Lessons from the US. International Journal of Labour Research. International Labour Office, Geneva.**

This paper reviews the history of the living wage movement in the US, including details of the ordinances enacted and background into the concept of a living wage and how this amount can be determined. This paper is a good source of background information for those interested in learning more about the living wage movement, and the history of efforts to enact living wage policies in the US.

**Brenner, M. (2005). Economic Impact of the Boston Living Wage Ordinance. Industrial Relations 44(1). Available from:**

**[http://www.peri.umass.edu/fileadmin/pdf/working\\_papers/working\\_papers\\_51-100/WP80.pdf](http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_51-100/WP80.pdf)**

This paper provides a firm-level analysis of the impact of the living wage law in Boston. The study used both quantitative and qualitative data collection to determine the impact

of the law on employment, hours, wages, employee turnover etc. It concludes that the law did not result in employment loss, and in contrast the average employment within the firms studied expanded.

**Pollin, R, and Stephanie Luce (1998). *The Living Wage: Building a Fair Economy*. The New Press.**

This book examines three case studies in which living wage laws were enacted in municipalities throughout the US. Using a model based on data from the case study of Los Angeles, the authors conclude that many of the criticisms against living wage ordinances are false; most firms' costs increased by very little, and low-wage workers gaining through an increase in their disposable income.

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<sup>1</sup> Ivanova, I. & Klein, S. (2013). "Working for a living wage: making paid work meet basic family needs in Metro Vancouver." *Canadian Centre for Policy Alternatives*. Retrieved from <http://www.ccpa.ca/working-for-a-living-wage>

<sup>2</sup> Elery, R. & Murray, M. (2013). "A living wage for Guelph & Wellington." *BC Social Justice Task Force for Poverty Elimination*. Retrieved from [www.gwpoverity.ca](http://www.gwpoverity.ca)

<sup>3</sup> "Municipalities and the living wage." *A Living Wage for Families*. Retrieved from: [http://livingwageforfamilies.ca/?page\\_id=9](http://livingwageforfamilies.ca/?page_id=9)

<sup>4</sup> "Eclipse awards & the living wage campaign." *Eclipse Awards*. Retrieved from: <http://www.eclipseawards.com/happinessdelivered.asp?ID=42>