

Enhancing Democratic Citizenship, Deepening Distributive Justice

The Living Wage Movement

Jordan Brennan





CCPA

CANADIAN CENTRE
for POLICY ALTERNATIVES
CENTRE CANADIEN
de POLITIQUES ALTERNATIVES

ISBN 978-1-77125-033-7

This report is available free of charge at www.policyalternatives.ca. Printed copies may be ordered through the CCPA National Office for a \$10 fee.

PLEASE MAKE A DONATION...

Help us to continue to offer our publications free online.

The CCPA Ontario office is based in Toronto. We specialize in provincial and municipal issues. We deliver original, independent, peer-reviewed, non-partisan research that equips progressives with the arguments they need to press for social change.

The opinions and recommendations in this report, and any errors, are those of the authors, and do not necessarily reflect the views of the publishers or funders of this report.

CAW 507
OTTAWA

ABOUT THE AUTHOR

Jordan Brennan is a PhD candidate in political science at York University and contract faculty in the School of Liberal Arts and Sciences at George Brown College. He is currently working on a dissertation entitled: *The Business of Power: The Structure, Composition and Performance of Dominant Capital in Canada*.

ACKNOWLEDGEMENTS

The author would like to thank Jim Stanford for his guidance, recommendations and support. Trish Hennessy helped steer the project and provided valuable feedback.

5	Introduction
7	Part 1: The Analytics of a Living Wage
	What Is a Living Wage?
	How Does a Living Wage Differ from a Minimum Wage?
	How Is a Living Wage Calculated?
16	Part 2: A Historical Review
	Some History of the Minimum Wage in Ontario
	Some Recent History of the Living Wage Movement
31	Part 3: The Ethics of a Living Wage
	Positive and Normative Visions of Distribution
46	Conclusion
48	Bibliography
51	Notes

Introduction

Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity...

The Universal Declaration of Human Rights (1948)

No business which depends for its existence on paying less than living wages to its workers has any right to continue in this country.¹

Franklin Delano Roosevelt (1934)

THE IDEA OF a living wage is contentious. It arouses a spectrum of emotions ranging from interest and enthusiasm in its supporters, through curiosity and bewilderment in those unfamiliar with it, and finally, fear and contempt in its opponents. And this is as it should be, for the concept of a living wage is one possible answer to a set of substantive political questions: who *does* what?; who *gets* what?; and *in accordance with what criterion* (Castoriadis 1984)? This is an inescapable set of questions for a people whose cultural development has led them to a place where they ask questions about their laws, customs and institutions. Make no mistake about it: questions around the living wage are not merely technical; they strike at the heart of how our society is organized and how it *ought to be* organized.

The objective of this paper is to sketch some analytical, historical and ethical dimensions of the concept of a living wage with a view to clarifying what avenues social movements might take in trying to institute it. The

paper is carved into three sections. The first section will introduce the concept of a living wage, distinguish it from a minimum wage and detail how some groups have tried to measure it. The second section will recall some recent history of the minimum wage in Ontario and the living wage movement (LWM) in North America. The third section will discuss some of the most powerful ideas underpinning positive and normative theories of distribution. It will argue that the distribution of income reflects, in part, social power. If we are prepared to accept this claim then the movement for a living wage exists in the context of a struggle for social power that is as old as our political-economic system. The movement thus can and should build its advocacy on the back of ideals of democratic citizenship and distributive justice.

Part 1: The Analytics of a Living Wage

What Is a Living Wage?

On a basic conceptual level, a living wage is the rate of remuneration a worker would require in order to afford a minimally decent quality of life. There are two sides to this idea. The first is the positive or technical side, and it is based upon estimates of what it would cost in a given community for an individual or a family to attain a minimal standard of material comfort. The second is the normative or ethical side, which must answer the question: what is meant by a “minimally decent” standard of material comfort and why should the rate of remuneration for work be set there? There cannot be any unalterable or absolute answer to the first part of this question. Instead, a minimally decent quality of life is relative to time and place and is based upon a vision of the good life available to a given community. In both senses—the technical and the ethical—a living wage is ultimately a tool used to promote the public good or, in Aristotelian terms, human flourishing.

Different groups define the idea of a living wage differently. Glickman (1997: 66) defines a living wage as one that has “the ability to support families, to maintain self-respect, and to have both the means and the leisure to participate in the civic life of the nation” (1997: 66). Some speak about a wage rate that is “minimally adequate” in the sense that it enables workers and the family members dependent on that wage to lead lives that are

“minimally secure” (Pollin, Brenner, Wicks-Lim and Luce 2008: 9). Others speak in highly general terms, referring to a wage requisite for workers to “support themselves” (Luce 2012: 12). Some use the language of “economic security” in conjunction with the living wage (Richards, Cohen, Klein and Littman 2008: 7), while others speak of a “decent quality of life” (Mackenzie and Stanford 2008: 7) and yet others of a “livable income” and an “equitable standard of living” (Kingston Community Roundtable on Poverty Reduction 2011: 5). Some define a living wage as “the level of income necessary for a given family type to become independent” of social supports (Ciscel 2000: 527). Many go beyond notions of material comfort and financial security. While important, these are means to other, higher ends. Supporting a family goes hand in hand with self-respect and dignity (Richards *et. al.* 2008: 14). And both material sustenance and dignity are required for broader social and political goals, namely the capacity of people to participate in the cultural and civic life of the community (Pollin 2007: 104).

While different groups may use different grammar when defining a living wage, there are some commonalities in most definitions. The most basic commonality is that which is unspoken, namely what a living wage is *not*. A living wage stands opposed to a wage that requires a person to work more than one full-time job to support herself and her family. A living wage also stands, by definition, in contradistinction to a wage rate that entails food insecurity (or reliance on food banks), homelessness (or reliance on shelters), financial insecurity (or reliance on debt to finance consumption), material deprivation, and ultimately, shame. In other words, a basic starting point in defining a living wage is by contrasting it with its opposite, namely a subsistence or poverty wage.

What is the purpose of a living wage? The authors of *Working for a Living Wage* (hereafter called the Vancouver Report) would use this one tool to mitigate poverty, especially child poverty, reduce income inequality, promote social inclusion, contribute to healthy child development, strengthen gender equality and help ensure families don’t live under perpetual financial stress (Richards *et. al.* 2008: 16). Whatever else we might add to the list, its ultimate purpose is two-fold: on the negative end, a living wage is meant to alleviate (a portion of) the socially unnecessary suffering endured in a given community; on the positive end, it helps develop human capabilities, thus contributing to the public good, and ultimately, human flourishing.

How Does a Living Wage Differ from a Minimum Wage?

There are four principal features distinguishing a living from a minimum wage: (1) the objective of the wage standard; (2) the wage level; (3) the breadth of its coverage; and finally, (4) how the demand for it is operationalized. To begin, a minimum wage is usually defined as the dollar per hour legal floor below which an employer is not lawfully permitted to pay an employee. The objective of a minimum wage may vary with cultural circumstance, but the ultimate aim is to eliminate the serious social and political consequences flowing from material deprivation and economic exploitation. A living wage, by contrast, is predicated not just on the avoidance of deprivation and exploitation (the negative side), but also on the furnishing of resources required to meet material and immaterial needs (the positive side). As such, it strives for a higher standard of living than that provided by a minimum wage. Income security, self-respect, dignity and active participation in the cultural and civic life of the community are aims which separate a living from a minimum wage. This feeds into the second distinguishing feature, namely that the estimated living wage is almost always higher than (or equal to) the statutory minimum wage.

Third, a minimum wage is a legislated standard that appears at a given place and time and applies to a broad cross-section of the labour force, irrespective of the local cost of living, employer benefits, publically-provided services and familial circumstance. So the coverage of a minimum wage tends to be broad and encompassing, though there are almost always exemptions. In Ontario, for example, exemptions include a lower minimum wage for students and liquor servers and a higher minimum wage for homeworkers. A living wage, by contrast, tends to have much narrower coverage (at least in its formal applications). Living wage ordinances (LWOs) will differ from one jurisdiction to the next, but their coverage is usually limited to specific categories of work outlined in the agreement. In the United States, LWOs usually cover private sector companies that have contracts with the municipality that sponsors the LWO, though they may cover county, university and school board employees as well (Luce: 2002: 83).

And fourth, a minimum wage tends to be operationalized through a legislative body. A living wage, historically speaking, tends to be operationalized on a voluntary basis, though that is not always the case. Instead of using law to force employers to pay a given wage amount, proponents of a living wage will try to induce employers to pay a living wage through a combina-

TABLE 1 Differences Between a Statutory Minimum Wage and a Living Wage

Category	Minimum Wage	Living Wage
Objective	Wage floor/poverty threshold Material needs	Minimally decent quality of life Material and immaterial needs
Wage Level	Relatively low	Relatively high
Coverage	Broad and encompassing Entire labour market	Narrow and focused Specified in the agreement
How Operationalized?	Through legislation	On a voluntary basis; city service contracts with private sector firms
Indexed to Inflation?	Not usually	Yes
Sensitive to Changes in Social Programs or Employer Benefits?	No	Yes

tion of wages, benefits or lobbying for improved social services. *Table 1* summarizes some of the differences separating a living from a minimum wage.

How Is a Living Wage Calculated?

Let's begin by looking at the principles which typically guide the calculation of a living wage. It goes without saying that every living wage calculation is underpinned by some value or set of values. Fairness, well-being, decency, dignity and security, among others, are cited by authors as forming the bedrock of their calculations. The expression of these values is the tacit response to an unasked question: why a living wage?

A second guiding principle is noted by the authors of the Vancouver Report, who state that the intent of a living wage is to provide adequate income to a family throughout the generational life-cycle. An individual or a couple should not be dissuaded from having children for fear of material deprivation or financial insecurity. The sustenance and security of family life is a second guiding principle.

This principle is almost always buttressed by a third, diverging principle, namely conservatism. Phrases like “bare bones budget” (Richards *et. al.* 2008: 18), “basic needs” (Pollin *et. al.*, 2008: 115) and “hardly [a] generous standard of living” (Mackenzie and Stanford 2008: 9) are often appended to the calculation of a living wage. The living wage won't eliminate hardship, nor is it intended to furnish luxuries. Most living wage calculations are based on conservative estimates of a “minimally decent” standard of life.

Beyond the guiding principles, the actual mechanics of a living wage calculation usually come in four steps. To begin, the author must select a reference family type. The second step is to calculate family expenses on the basis of a given basket of goods and services, taking into account public services. The third is to factor in government deductions and taxes. And the fourth involves factoring in government exemptions, subsidies and transfers.² Ivanova (2012: 4) generates the following formula to calculate a living wage:

$$\text{Annual family expenses} = \text{Income from employment (Living Wage)} + \text{Income from government transfers} - \text{EI and CPP pre-miums, federal and provincial taxes}$$

On the basis of a given family type, a basket of goods and services that takes into account tax and transfer payments and publically-funded services, a pre-tax disposable income is computed on an annual basis. From there, authors typically work in reverse to arrive at the hourly rate of pay required to support the reference family. We will work through each set of assumptions, one at a time.

The first step is the positing of a reference family type. Because the living wage grows out of human need, not “market forces,” what first needs determination is the structure and composition of the family being supported by the wage(s). The wage rate required to sustain an unmarried adult without children obviously differs from that needed to sustain two parents, both of whom work full-time to support two children. The authors of the Vancouver Report make their calculations under the assumption of a four-person family with two parents working full-time to support two young children. While that might be the most sensible set of assumptions, many families, especially those living in relative poverty, are single parent-led with one or more children. The living wage can accommodate a three-person, two-child family, for example, so long as the calculations are tailored to the familial circumstances (see Pollin *et. al.* 2008, chapter 8, for multiple family type calculations).

Table 2 outlines some of the assumptions made by the Vancouver Report.³ Subsequent studies on Canadian jurisdictions, including Manitoba and Kingston, replicate this reference family (Hajer 2009, hereafter called the Manitoba Report; Kingston Roundtable 2011, hereafter called the Kingston Report). In these three instances, a family of four was used as the reference family with two children, aged 4 and 7, both of whom require child-

TABLE 2 Sample Family Characteristics and Assumptions

Family Characteristics	Living Wage Assumptions
Parents	
Number	2
Age	Between 31 and 50
Number of parents in paid employment	2
Weekly hours of paid work per parent	35 hours each
Hourly wage	Equal for both
Children	
Number	2
Ages	7 and 4

care. Mackenzie and Stanford (2008: 12, hereafter called the Toronto Report) change the ages of the children, assuming them to be 4 and 12.

Once a representative family is chosen, the second step is to construct the basket of goods and services needed to sustain the family's needs with a modicum of dignity and security. The actual calculation of the annual family expenses is complex. Each jurisdiction-specific report generates estimates, but the most detailed account is that offered by the Vancouver Report's *Calculation Guide* (Ivanova 2012). Drawing on the Canadian reports, here is a broad overview of the basket of goods and services.

1. Food

Municipal or provincial boards of health typically generate a nutritious food guide, replete with a list of the food items and their cost estimate based on the age and gender of each family member.

- Examples include the National Nutritious Food Basket from the Canada Food Guide.

2. Clothing and Footwear

Statistics Canada provides estimates for this amount. Another source of data is to be found in Human Resources and Skills Development Canada's (HRSDC) Market Basket Measure (MBM).

3. Shelter

Shelter typically encompasses rent, utilities, telecommunications and content insurance on possessions.

- Canada Mortgage and Housing Corporation (CMHC) and MBM are potential resources.

4. Transportation

Includes the cost to operate a passenger vehicle. The total transportation bill is made up of the cost of owning and maintaining a vehicle and public transportation fare.

- The annual costs for the vehicle includes depreciation, fuel, quarterly oil changes, the minimum mandated insurance coverage, an allowance for repairs, a parking fund, a set of winter tires and the vehicle registration fee.
- The MBM contains information on the cost of passenger vehicles. Municipal public transportation fares are available from municipal transit agencies.

5. Child Care

The rates vary based on the age of the child and the type of care required. Using assumptions from the Vancouver Report, the child aged 4 would require full-day care and the child aged 7 would require before and after school care and six weeks of summer care (factoring in a family vacation).

- Regional child care referral centres may be a source for rates.

6. Non-OHIP Health Care Expenses

Expenses for supplementary medical, dental and vision can be quoted from Blue Cross based on family size and composition. An amount to cover deductibles and pharmaceuticals can be appended.

- In the Vancouver Report, Medical Service Plan (MSP) Premiums are included as a separate category over and above non-MSP health care expenses.

7. Adult Education

In their focus groups, the authors of the Vancouver Report found that adult education was viewed as one avenue out of poverty. Accordingly, this ex-

pense may cover the cost of one full college level course per year, including tuition fees, student fees and textbooks.

- Costs can be acquired by consulting the website of the local community college.

8. Contingency Fund

In the Vancouver Report, the authors add an amount equal to two weeks of pay for each parent to cushion the family in the event of something unexpected like the lost income resulting from one parent's time away from work on account of illness, transition between jobs, etc. Other items could be included in this fund such as savings to cover the acquisition of furniture, repairs to the family vehicle, etc.

9. Other

Modest resources to cover household supplies, school supplies, personal care, recreation and entertainment are required, as the authors of the Toronto Report note, to fully participate in the social, political and cultural life of the community.

- The HRSDCs Market Basket Measure includes the category “other,” and is based on the pattern of expenditure that characterizes families at the poverty threshold.

The authors of the Vancouver Report note that many goods and services thought of as “ordinary” or “expected” by many Canadians do not make it into the basket, including: credit card, loan or other debt repayments; savings for retirement; costs associated with home ownership; saving for children's future education; anything beyond minimal recreation, entertainment or holiday costs (the Toronto Report breaks with this latter assumption); costs of caring for disabled, seriously ill or elderly family members; and an emergency fund.

The third step is to add government transfers. The Canada Child Tax Benefit and the Universal Child Care Benefit are additions to market income, as are other tax credits or family subsidies. The fourth is to subtract government taxes and deductions. This includes federal and provincial income taxes and CPP and EI contributions. The presentation here is brief. For a more detailed discussion of the mechanics of stages three and four, consult Ivanova (2012: 17–21).

TABLE 3 Summary of the Living Wage Reports in Canadian Jurisdictions

Category/Assumption	Vancouver	Manitoba	Kingston	Toronto
Family Characteristics				
Parents	Two parents	Two parents	Two parents	Two parents
Weeks of work	52/year	52/year	52/year	52/year
Hours of work	35/week each	35/week each	37.5/week	37.5/week
Children	2: Ages 4 and 7	2: Ages 4 and 7	2: Ages 4 and 7	2: Ages 4 and 12
Differences in the Respective Expense Schedules				
Private Health Insurance	Medical services plan premiums are mandated in BC	Includes private health insurance plan	Manulife premiums included	Includes Blue Cross premiums, deductibles and pharma
Family Vacation	Not included	Not included	Included (\$2,000)	Included (\$2,000)
Living Wage Hourly rate, 2012 dollars⁴	\$19.14	\$14.12	\$16.51	\$17.87

On the basis of the family characteristics, the associated expenses and the tax and transfer system, we arrive at an annual family income. From here, authors move backwards into the calculation of a living wage. *Table 3* summarizes some of the similarities and differences in the methodologies employed in addition to the estimated living wage for four Canadian jurisdictions.

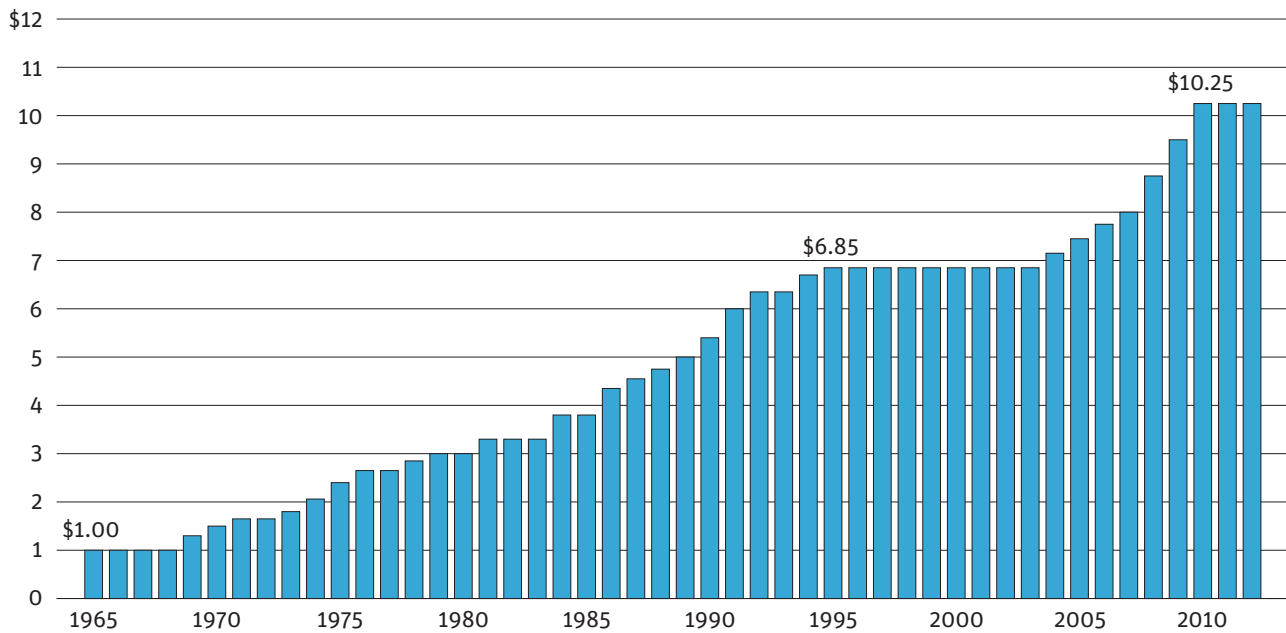
Part 2: A Historical Review

THE LIVING WAGE movement is a recent addition to new social movements in Canada. The focus of anti-poverty organizations and egalitarian political activists more traditionally has been on lobbying for a higher minimum wage. In the United States, by contrast, the LWM has a deeper history; thus, our historical review will concentrate on the experience south of the border. Before we review the history of the LWM we will review some of the history of the minimum wage in Ontario.

Some History of the Minimum Wage in Ontario

Now that we have laid the conceptual and technical foundations of a living wage and distinguished it from a minimum wage, the question arises: how do the estimates for a living wage stack up against the minimum wage in Ontario? *Figure 1* outlines the history of the statutory minimum wage in Ontario from 1965 through 2012 (not adjusted for inflation). What we see is a more-or-less steady progression of the minimum wage from 1965 through 1995, a plateau from 1995 to 2004, then a continuation of the progression to 2010. The minimum wage went from \$1.00 in 1965 to \$6.85 in 1995 before settling at \$10.25 in 2010.⁵

FIGURE 1 The Statutory Minimum Wage in Ontario, 1965–2012

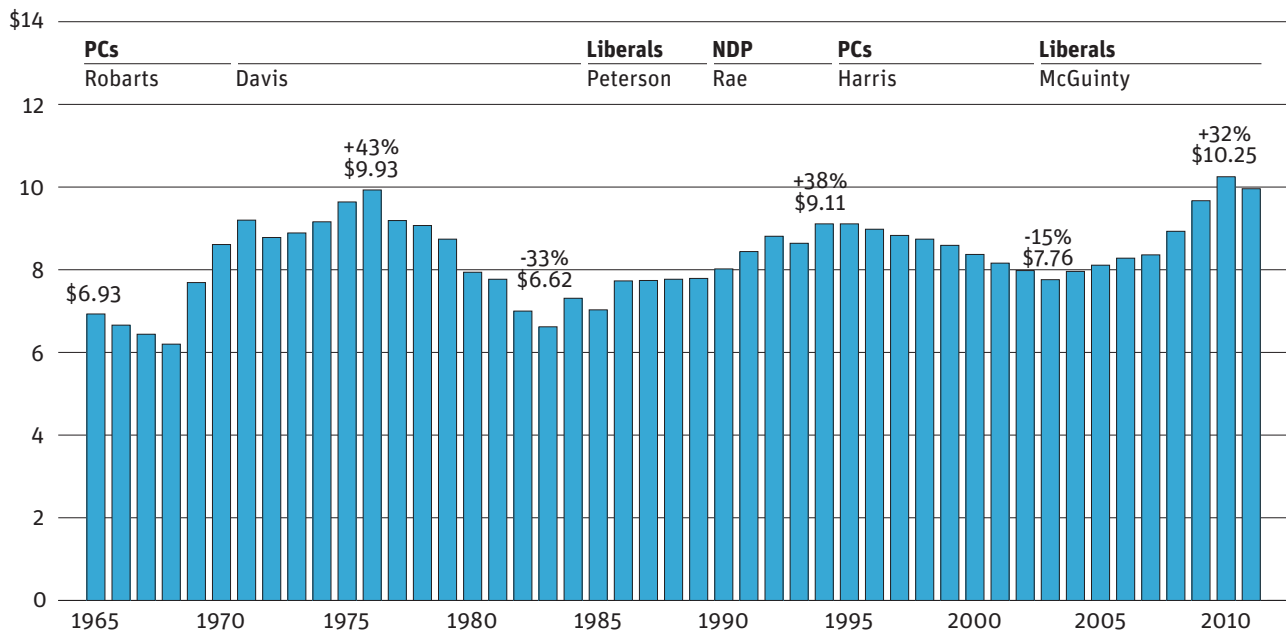


Source Human Resources and Skills Development Canada, Ministry of Labour, Government of Canada. Online at: <http://srv116.services.gc.ca/dimt-wid/sm-mw/rpt2.aspx?lang=eng&dec=1>

But this only tells part of the story. Leaving the minimum wage inflation-unadjusted obscures the more important picture. Building the price level into the minimum wage gives us *Figure 2*. When we control for consumer prices, there are three things to note. First, the minimum wage is wave-like across the last five decades. Second, the raising of the minimum wage in 2010 to \$10.25 brought it to its highest point on record in both absolute and inflation-adjusted terms (2010 constant dollars). And third, there is a relationship between the political party in power and inflation-adjusted changes to the minimum wage. If the minimum wage increases, the Liberal or New Democratic Party tends to be in power. If the minimum wage declines, the Progressive Conservative Party tends to be in power.

The great exception to this tendency is the period from 1968 to 1976, when John Roberts and Bill Davis presided over the largest set of increases to the minimum wage on record. In inflation-adjusted terms, the minimum wage rose 60 percent between 1968 and 1976. What *Figure 2* also demonstrates is that distribution is undeniably a political matter. The reality of low income is strongly correlated with the governing party in Ontario. It's not "free markets" that determine poverty, but the broad contours of politics.

FIGURE 2 The Inflation-Adjusted Minimum Wage in Ontario, 1965–2011 (2010 Constant Dollars)



Source Minimum wage from the HRSDC; Consumer Price Index (Canada, all items) from CANSIM Table 3260021.

Table 4 summarizes some of the history of the minimum wage in Ontario, linking it with the history of the governing party. The inflation-adjusted minimum wage never substantially declined when the Liberal or New Democratic Party was in power.

Despite the McGuinty Governments' latest round of increases, there remains a substantial deficit between the minimum and living wages. As of July 2012, the inflation-adjusted minimum wage in Ontario declined from \$10.25 to \$9.82 (in 2010 constant dollars). This means that the inflation-adjusted minimum wage for Kingstonians is only 59 percent of the value of a living wage and for Torontonians, 55 percent (in 2012 dollars). Even though the minimum wage recently reached a historic high, it is still well below the requirements of a living wage.

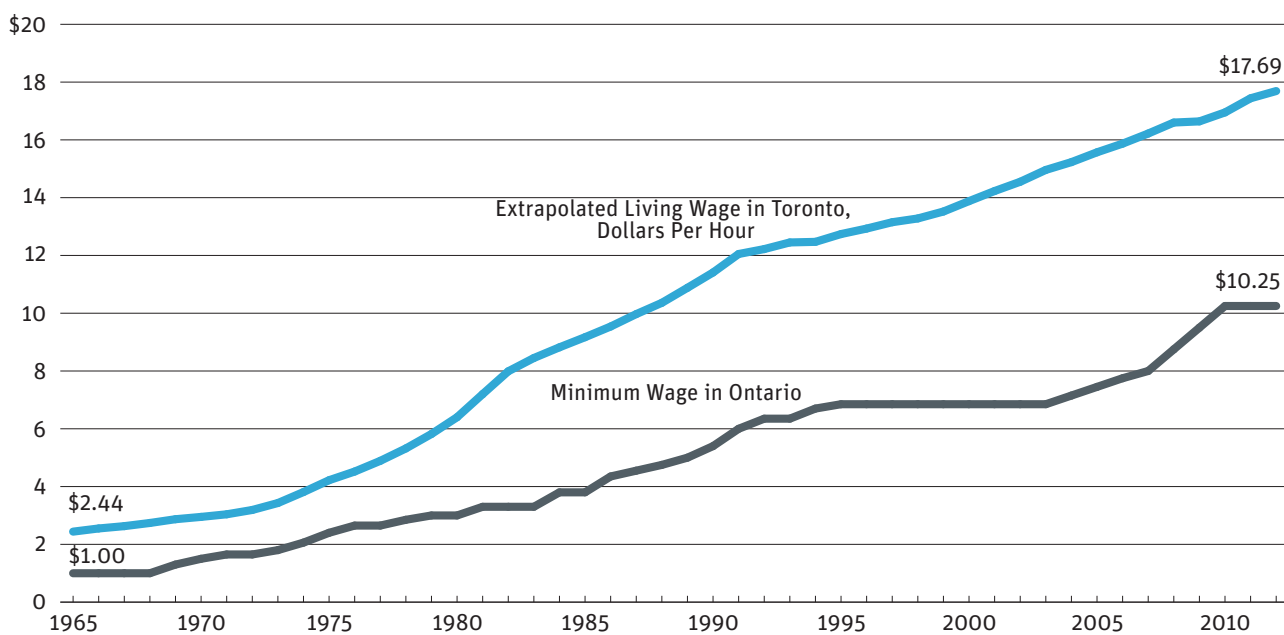
This phenomenon is presented in Figures 3 and 4. In Figure 3, the statutory minimum wage in Ontario (the dark blue line) is stacked up against the extrapolated living wage in Toronto (the light blue line).⁶ Comparing the evolution of the statutory minimum wage in Ontario with Mackenzie and Stanford's estimate of a living wage for Toronto is conceptually difficult, of course. The concept of a living wage is relative to time and place. A living

TABLE 4 Legislated Raises to the Minimum Wage in Ontario

Premier	Term	Party	Number of Raises	Total Value of Raises	Percentage Increase	Inflation-Adjusted Percentage Change
John Robarts	1961–71	Progressive Conservative	3	\$0.65	65%	33%
Bill Davis	1971–85	Progressive Conservative	11	\$2.15	130%	-24%
Frank Miller	1985	Progressive Conservative	n/a	n/a	n/a	n/a
David Peterson	1985–90	Liberal	4	\$1.20	32%	11%
Bob Rae	1990–95	NDP	5	\$1.85	37%	17%
Mike Harris	1995–2002	Progressive Conservative	0	\$0	0%	-12%
Ernie Eves	2002–2003	Progressive Conservative	0	\$0	0%	-3%
Dalton McGuinty	2003–	Liberal	7	\$3.40	50%	32%
Overall	1965–2011		30	\$9.25	925%	44%

Source Author's calculations based on data contained in Human Resources and Skills Development Canada, Ministry of Labour, Government of Canada. Online at: <http://srv116.services.gc.ca/dimt-wid/sm-mw/rpt2.aspx?lang=eng&dec=1>

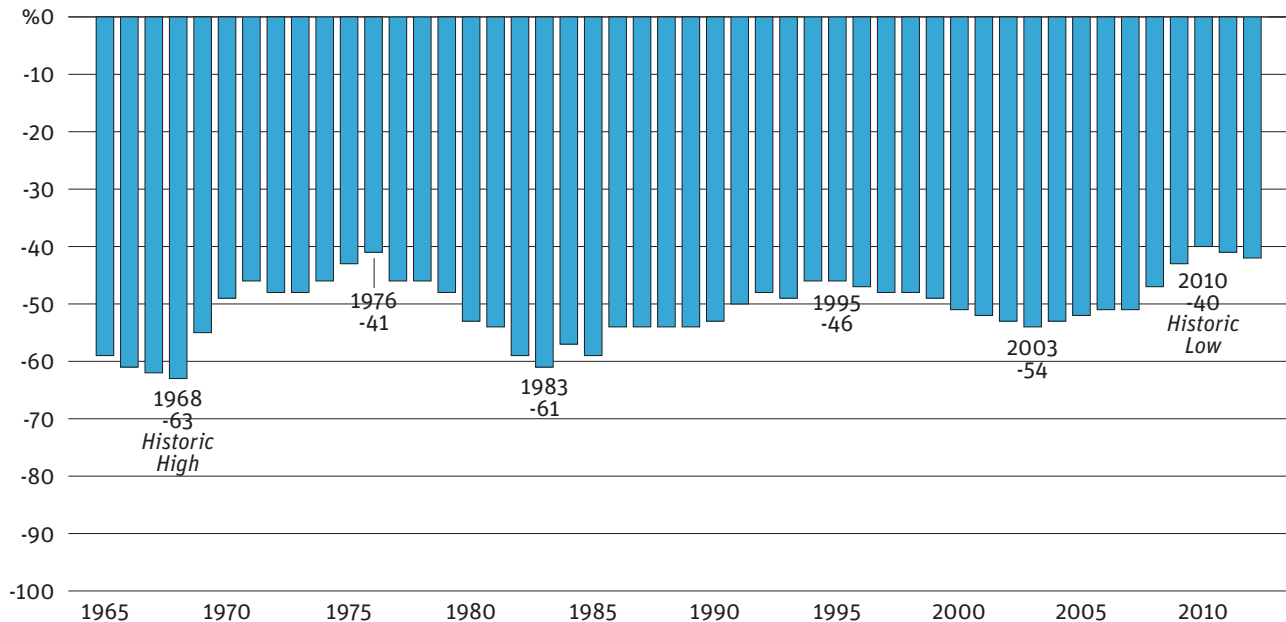
FIGURE 3 The Statutory Minimum Wage in Ontario vs. The Extrapolated Living Wage in Toronto, 1965–2012



Note Living Wage for Toronto deflated using the Consumer Price Index for Canada.

Source Minimum wage from HRSDC; Living Wage in Toronto from Mackenzie and Stanford (2008); Consumer Price Index (Canada, all items) from CANSIM Table 3260021.

FIGURE 4 The Prosperity Gap: Difference Between the Minimum Wage (Ontario) and Living Wage (Toronto), 1965–2012



Note Step one is to divide the statutory minimum wage (Ontario) by the extrapolated living wage (Toronto). Step two is to multiply the product by 100. Step three is to subtract 100 from the product. This provides the percentage deficit between the minimum and living wages.

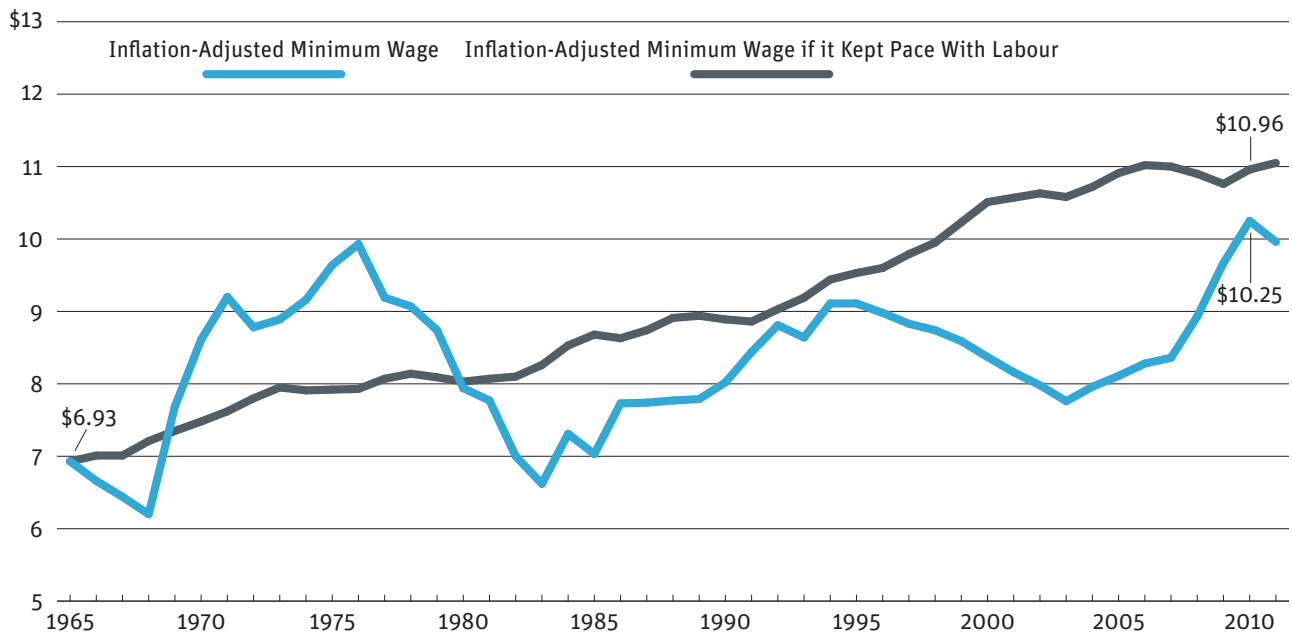
Source Minimum wage from HRSDC; Living Wage in Toronto from Mackenzie and Stanford (2008); Consumer Price Index (Canada, all items) from CANSIM Table 3260021.

wage is sensitive to the tax and transfer system, publically funded services, employer benefits and the basket of commodities required to function in a given community. The hypothetical comparison presented in *Figure 3* freezes, as of 2008, the representative basket of goods and services as well as the tax and transfer system and then projects both backwards in time.

However, if we assume that the relationship between annual family expenses for Torontonians in 2008 is relatively similar to that of Torontonians in 1965, and if we assume that the rest of the living wage calculations don't differ dramatically, we could use a price index to deflate the estimate of a living wage for Toronto, thus comparing it over time with the statutory minimum wage in Ontario. This approach is obviously approximate, but still insightful.

To see what the difference between these two wages is, we turn to *Figure 4*, which looks at the difference between the minimum and extrapolated living wages. The bars capture the percentage difference between the actual minimum and extrapolated living wages. Taller bars indicate a lar-

FIGURE 5 The Minimum Wage: Inflation vs. Labour Productivity, 1965–2011



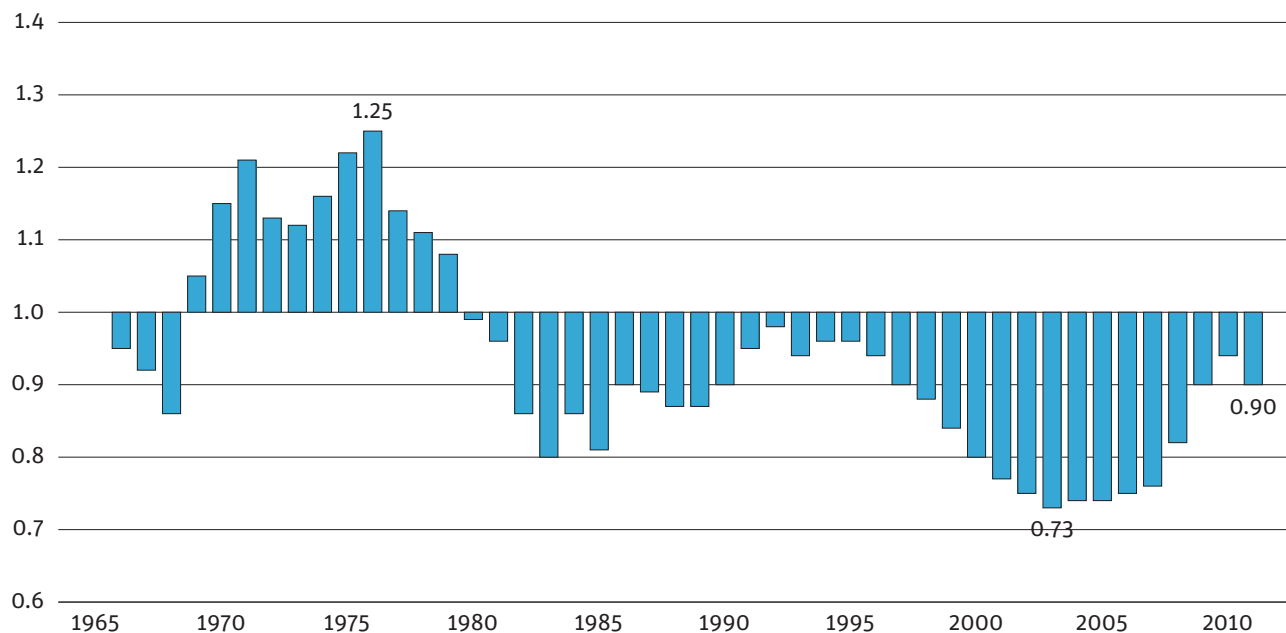
Source Minimum wage from the HRSDC; Consumer Price Index (Canada, all items) from CANSIM Table 3260021; Labour productivity index (rebased, 1965 = 1.00) from OECD through Global Insight.

ger deficit; shorter bars indicate a smaller deficit. Were the minimum and living wages to be equal, the bar would not be visible. In the event that a minimum wage ever rose above the living wage, the bars would shoot upward, not downward.

Let's call this relationship the "prosperity gap," for it captures the gap between the actual minimum and extrapolated living wage across time, or the difference between what is required of a family to comfortably exist in Toronto and the actual legislated minimum. The prosperity gap is cyclical, reaching peaks in 1968, 1983 and 2003 (under Davis, Roberts and Eves — all Progressive Conservative Governments). It reaches historic lows in 1976, 1995 and 2010 (under Davis, Rae and McGuinty—Progressive Conservative, New Democrat and Liberal Governments respectively).

We might also factor in labour productivity and speculate about what would happen to the minimum wage if it kept pace with increases in labour productivity. Economists theorize that a portion of economic growth should normally go to workers because of increases in labour productivity. Whether or not this theory is accurate is not the question here. *Figure 5* contrasts the inflation-adjusted minimum wage with what the minimum wage would be,

FIGURE 6 Ratio of Inflation-Adjusted Minimum Wage to Inflation- and Productivity-Adjusted Minimum Wage, 1965–2011



Note Ratio computed by dividing the inflation-adjusted minimum wage by the labour productivity-adjusted minimum wage.

Source Minimum wage from the HRSDC; Consumer Price Index (Canada, all items) from CANSIM Table 3260021; Labour productivity index from OECD through Global Insight.

adjusted for inflation and indexed to labour productivity.⁷ If we assumed that improvements in labour productivity translated automatically into changes in the minimum wage, then apart from any legislative raises to the minimum wage, it should have steadily increased between 1965 and 2011. Indeed, the legislated raising of the minimum wage to \$10.25 in 2010 would still trail the hypothetical, productivity-adjusted minimum wage by \$0.71, or 7 percent.

The other interesting feature to note about *Figure 5* is the pattern of the differential between the inflation-adjusted minimum wage and the hypothetical productivity-adjusted minimum wage. In the Keynesian era (1945–80) there are moments when the actual minimum wage rises above the productivity-adjusted minimum wage. In the neoliberal era (1980–present) this relationship disappears; the actual minimum wage always trails the productivity-adjusted minimum wage.

This relationship is presented in a different form in *Figure 6*. This figure contrasts the actual minimum wage with the productivity-adjusted minimum wage. A value of 1 (representing 100 percent) means the minimum wage is where it “should be,” given labour productivity. The bars shooting

downward represent the percentage deficit between the actual minimum wage and the productivity-adjusted wage. The bars shooting upward represent the percentage surplus. In this view of things, the Davis PC's represent a differential high in 1976, with the actual minimum wage being 25 percent above the productivity-adjusted minimum wage. The Harris PC's represent a differential low, with the actual minimum wage making up only 73 percent of the value of the productivity-adjusted wage.⁸

This short history of the minimum wage in Ontario tells us three things. First, and most importantly, the minimum wage always falls far short of the living wage. Second, despite the minimum wage reaching a historic high in 2010, the inflation-adjusted wage is only marginally better in 2010 than it was in 1975 (the previous historic peak). There has not been any historic progression to speak of. And finally, we cannot rely on the “magic of the market” or “productivity” to help the working poor. It is politics and power, not “market forces,” which shapes distribution. We now turn to some recent history of the LWM.

Some Recent History of the Living Wage Movement

The idea of a living wage is not new. We find traces of the concept in the late nineteenth century amongst trade unionists, social reformers and progressive political economists. Macrosty (1898), for example, recounts how the movement for a living wage in England fit into the broader struggle over labour and industrial standards. The initial struggle of the working class was to abolish the practice of treating labour power as just another commodity to be regulated by the forces of demand and supply. Once that and similar industrial struggles around workplace safety and sanitation, for example, had made gains, attention turned to campaigning for a living wage. Macrosty's conclusion is that, despite the protestations of capital, it is entirely up to working people and the broader community to determine the rate of remuneration of labour (1898: 441).

The idea appears again in the early twentieth century with the movement for a “family wage.” Trade unionists and feminists claimed that wage rates shouldn't be determined in the market, nor should they be set to some arbitrary level. Instead, the family (read: living) wage should cover the reproduction of the worker and his/her family. This would entail setting wage rates at a level that would cover the costs of running a household, paying for health care and raising children (Ciscel 2000: 528).

The contemporary LWM began in Baltimore, Maryland in 1994. Interestingly, it wasn't initiated by political activists, social policy analysts or trade unionists; it was church-based groups and religious workers volunteering in soup kitchens and homeless shelters. They noted a peculiar phenomenon: an increasing number of families coming into their shelters and soup kitchens had a family member in the labour force, many of whom held down a full-time job. Their realization that the minimum wage was not a living wage, or even close to it, but a sub-poverty wage was the catalyst for the contemporary LWM (Pollin 2001: 7). Baltimore, like other cities, had the habit of bestowing handsome service contracts on private sector firms and then watching as these same firms remunerated their employees at a level that induced them to rely on food stamps, publicly financed health and social assistance (Luce 2002: 84).

These activists pressed their city government to find a policy tool to help address this deepening phenomenon. The city passed a LWO, requiring any firm holding a service contract with the city to pay their workers a living wage (Luce 2012: 12). From this humble beginning, the LWM has scored victories in dozens of jurisdictions around the United States. As of 2007, more than 140 cities, counties and universities had some version of a living wage law, set somewhere between nine and eleven dollars per hour (Pollin 2007: 103).

Where did the motivational energy used to fuel the contemporary LWM come from? Opinions on this differ. Some point to stagnant wages, the municipal outsourcing of work (once performed by relatively well-paid civil servants and now performed by lower-paying private sector employees) and the rise of comparatively low-paying service sector jobs (Ciscel 2000: 527). Others identify the erosion of the federal minimum wage by inflation, the rise of poverty-line wages and increasing income inequality (Levin-Waldman 2004: 56–57).

The poverty threshold in the United States was created in the 1960s and centres on the caloric needs of different family types. Critics pinpoint the inadequacy of the methodology informing the poverty line, which does not reflect the actual costs of providing for non-physiological needs like housing, health care and childcare. Nor is it sensitive to regional differences in cost of living (Luce 2012; Pollin 2007). Finally, the poverty threshold in the United States is an absolute level (constant in inflation-adjusted terms), that does not take into account the problem of relative deprivation, whereby low-income households experience harm as a result of falling behind the rest of society, even if their inflation-adjusted incomes are stable.

The LWM quickly caught the attention of trade unionists, and by 1997 the AFL-CIO Executive Council embraced the idea of a living wage and called on its affiliates and labour councils to push for local ordinances that would raise the minimum wage of selected workers (Luce 2002: 81). Soon, anti-poverty organizations like ACORN, academic groups including the researchers affiliated with the Political Economy Research Institute at the University of Massachusetts Amherst and the Economic Policy Institute in Washington joined the LWM. A broad coalition of groups including churches, civil rights advocates, women's organizations and other local civic organizations began to coordinate their efforts in the service of living wage laws (Hightower 2002).

Efforts weren't confined to municipalities, but were broadened to include restaurants and hotels (the hospitality sector), which typically pay low wages, and other major employers, including universities. Harvard, for instance, is the largest employer in Cambridge and Brown is the third largest in Rhode Island. Many university employees are fairly compensated. However, those working service jobs such as landscaping, security, house-keeping and building maintenance are at the bottom of the university wage structure. What's more, some universities have worked very hard to undermine union drives. As such, a number of prestigious universities became the target of a living wage campaign (Walsh 2000).

The relationship between the LWM and the broader labour movement has been mainly positive, but there have been signs of strain. The campaign in Pittsburgh furnishes us with an example of a mutually re-enforcing relationship. It took four years for the living wage coalition, which included local labour groups, to secure a LWO. During that time the coalition reached out to the community and engaged in a mass education campaign, arguing for the broad-based benefits of a living wage. Nabisco was set to close a plant in 1998, but the Western Pennsylvania Living Wage Campaign struggled to find a new buyer, thereby saving 350 unionized jobs. It also put pressure on Marriot to accept a card check/neutrality agreement for a new hotel in Pittsburgh, which ended up adding 150 members to the Hotel Employees and Restaurant Employees union (Luce 2002: 85).

But all is not well between the LWM and organized labour. In some instances, unions have worked against living wage campaigns out of fear that LWOs would act as a disincentive to unionize, or from fear that the ordinances would lead to higher municipal contracting prices, thereby leaving less public funds available to remunerate the wage-earners working under city contract (Luce 2002: 89).

In the United States, the living wage has tended to manifest itself most clearly at the municipal level. Private sector firms holding service contracts with the city are normally induced to pay living wages, but LWOs have also been passed for county, university and school board employees, as well as firms receiving economic development subsidies from the municipality, firms operating concessions on city-owned land (retail and food service in airports are examples), subcontractors of covered firms and firms leasing land from the city (Luce 2002: 83). The coverage might sound broad, but when we consider that most workers of the kind described are already earning above a living wage minimum — here we may think of law firms, construction firms, engineering and architecture firms — we realize that taking the municipal route might not affect that many workers (Pollin 2001: 9).

There is little consensus on what a living wage should be in the United States, though all agree the statutory minimum is too low. Some would push for a wage that brings a three- or four-person family with two children up to the poverty line, while others say 120 percent of the poverty line is a more appropriate target (Luce 2002: 82). One advantage of aiming at the poverty line is the living wage will be indexed to inflation. What is curious about the idea that a living wage should aim for the poverty line is that it would make a living wage and a minimum wage, conceptually speaking, indistinguishable.

What have some of the measurable consequences of LWOs in the United States been? There is a fairly voluminous literature on the subject and, unsurprisingly, there is a lack of consensus on the net benefits of the ordinances. In what follows we will review some of the experience of cities that passed LWOs, focusing on the changing employment situation, poverty reduction, public health and the impact on income inequality. We will begin by reviewing the experience of the Santa Fe LWO, which is one of the most ambitious on record.

The Santa Fe LWO

In February of 2002, the city of Santa Fe, New Mexico passed a LWO that would see the minimum wage rise from \$5.15 per hour to \$8.50 per hour by July of 2002 (65 percent increase), then to \$9.50 per hour in July of 2005 (12 percent increase) and finally to \$10.50 in July of 2007 (11 percent increase since 2005, 104 percent increase since 2002). The law would apply to most city employees and city contractors. Approximately 20 percent of businesses in Santa Fe would feel the impact of this law, but these businesses em-

ployed nearly 80 percent of the city's employees (Macpherson 2003). So what were the impacts of the Santa Fe LWO?

Research done in the mid-stream of the LWO by Pollin *et. al.* (2008) estimates that the total cost effect relative to sales for the first stage of the increase (to \$8.50 in 2002, a 65 percent increase) would amount to 1.1 percent. So, a median firm in Santa Fe would see a cost increase resulting from the LWO in the order of 1.1 percent of their annual operating revenue. In the restaurant industry, where low wage workers are over-represented, the costs would be slightly higher, in the range of 3–4 percent (Pollin *et. al.* 2008: 78–82).

How would (did) employers respond to the LWO? Did the doctrine of unintended consequences entail the collapse of business? Researchers argue that it didn't. Businesses had many options besides reducing employment or shifting their operations out of Santa Fe. One such option was to pass the cost increase along to customers in the form of higher prices. Another was to offset the cost increase through productivity gains, including lower absenteeism, reduced turnover and higher worker satisfaction. A third was to accept that workers receive a greater share of the firm's total income (Pollin *et. al.* 2008: 85).

They concluded that covered businesses in Santa Fe would meet cost increases through modest improvements in productivity (associated with lower turnover) and modest increases in sales price. Firms operating in Santa Fe would not need to reduce employment, nor would they relocate in response to the LWO. By March of 2012, Santa Fe's minimum wage rose to \$10.29 per hour, making it the highest local wage rate in the United States. David Cross, the city's mayor, said that the LWO "has made a big difference for low-income people and for the value of work in Santa Fe," and while business groups were worried about an increase to the minimum wage, Cross noted that Santa Fe has the lowest unemployment rate in the state at 5 percent (Pollon 2012).

Employment

Some "sky is falling" critics feared that the introduction of LWOs would induce severe economic decline (Malanga 2003; Baird 2002; Galles 2002). Other, less extreme critics concede that LWOs can boost the earnings of low-wage workers, but at the cost of making other, typically low-skilled workers less well off (Neumark 2001; Neumark and Adams 2003). An empirical study surveying the pre- and post-LWO consequences on employment (Buss and Romeo 2006) found that a few cities did, in fact, experience negative

labour market consequences after the introduction of a LWO, but that these cities were a small minority and represented the exception rather than the rule. Using 31 cities in their sample, Buss and Romeo found that only two cities experienced “unfavourable” employment outcomes. There is little evidence, they contend, that the passage of LWOs leads to significant employment problems (2006: 365). The ominous claims about impending economic doom made by the opponents of the LWM are simply not supported by the broad sweep of facts.

Poverty

Neumark and Adams are two of the more thoughtful critics of the idea of a living wage. Despite their criticism, their own research points to the positive effects of LWOs on the earnings of low-wage workers. What’s more, their research uncovers a relationship between LWOs and modest reductions in the probability that urban families will live in poverty (2003: 519).

Health Impacts

Cole *et. al.* (2005) tried to estimate the impact that the city of Los Angeles LWO would have on the health of workers. Approved by the Los Angeles City Council in 1997, the LWO applied to city contractors and firms with municipal economic development grants. It entailed these firms having to pay their employees \$7.99 per hour and contribute at least \$1.25 per hour worked towards health insurance premiums (or increase direct pay by the same amount). The wage was indexed to the cost of living and included 12 annual paid days off.

Cole *et. al.* estimated that 10,000 workers would be covered by the LWO. The increase in the wage, including \$1.25 in lieu of health insurance, was projected to lead to 1.4 fewer deaths per year among the 10,000 covered workers. Beyond the reduction in mortality, the additional income would improve physical and mental morbidity, hospitalization, sick days and general quality of life. Because many of the affected workers (approximately 60 percent) lacked health insurance, putting the \$1.25 towards health insurance would generate a reduction in mortality on a scale of 8 per 10,000 workers. A similar study conducted by researchers in the San Francisco Department of Public Health found that the passage of a LWO led to a substantial health improvement (Bhatia and Katz 2001).

Inequality

A study covering eighty municipalities with LWOs over a period of nine years found that income inequality tended to be higher in those cities that passed LWOs, prior to their passage (perhaps because larger income gaps motivated local anti-poverty activists to campaign for a LWO). Family income inequality rose by 2.1 percent between 1993 and 2002 in jurisdictions that did not pass LWOs (and at the same rate across the entire United States), but only rose by 1.4 percent in jurisdictions that did pass LWOs (Levin-Waldman 2004: 58). Though the author is hesitant to claim that the passage of LWOs slows the growth of income inequality, he notes that it is consistent with the idea that greater income growth by those in the bottom income brackets tends to mitigate inequality.

The negative consequences on employment flowing from the passage of LWOs are minor to non-existent. Even the critics of LWOs note that they tend to increase the earnings of low-income workers and help reduce the number of families living in poverty. What's more, health outcomes are improved in jurisdictions that pass LWOs and the evidence suggests that the acceleration of income inequality is slowed.

Canada's experience with the LWM is comparatively recent, but the movement is beginning to blossom in British Columbia. It has long been recognized that labour force participation, even with full-time hours, is not necessarily sufficient to keep families out of poverty. Union-busting policies on the part of provincial governments, stagnating wages, intolerably high child poverty levels and increasing food bank usage — even by those in the labour force — in tandem with a swelling demographic of Canadian families stuck in low-paying jobs, all provide the motivational energy for the LWM in Canada (Pearson 2007).

In 2010, New Westminster, BC became the first city to pass a LWO, followed shortly thereafter by Esquimalt, BC. Some businesses have endorsed the initiative as well, with the Vancity Credit Union, SAP Labs Canada and Briteweb being just three recent examples of employers who have committed to implementing living wage compensation practices.⁹ Living wage campaigns have also made it onto university campuses, including Simon Fraser University and the University of Victoria.¹⁰ It is still in a gestational stage, but the LWM is growing in Canada.

In sum, the research seems to point towards an all-round net positive impact of LWOs. If the facts point in this direction, then what arguments should be built, apart from the research surveyed here, to advance the liv-

ing wage idea in Ontario and how should advocacy be structured? We will address these questions in the context of a review of the positive and normative visions of distribution that have shaped popular understanding of what constitutes a “living wage.”

Part 3: The Ethics of a Living Wage

Positive and Normative Visions of Distribution

Having a conversation about a living wage and building a movement to institute it entails reconceiving distribution. In this context, it is worthwhile to briefly review some theories that seek to explain the actual distribution of income in modern societies. By positioning the call for a living wage in the context of these positive and normative debates over distribution, we can better position and develop strategies for bridging the gap between the actual distribution of income (the “intolerable present”) and what it might be (some “ideal future”).

Let’s begin with positive visions of distribution. Historically speaking, it has been left to political economists to sort out how distribution works under capitalism. Across the last two centuries there have been a number of theories offered. We will briefly review three of the most important theories: the subsistence theory of wages associated with the classical political economists; the marginal productivity theory of distribution associated with the neoclassical school; and a range of heterodox political economists who build social struggle and social (or bargaining) power into their explanation of distribution.

The Subsistence Theory of Wages

Classical political economists like Adam Smith (1723–90), David Ricardo (1772–1823) and Karl Marx (1818–83) conceived of the annual output of a nation (GDP) as being divided between three categories of income and three attendant social classes: the wages of labour go to the owners of labour power, namely the workers; the “profits of stock” go to the owners of capital, namely the “undertakers” (Smith’s term) or “capitalists” (Ricardo’s term); and the rent of the land accrues to the landlords, who, in Smith’s terms, “love to reap where they never sowed” (1776: 56). Ricardo neatly summarizes this position:

The produce of the earth...is divided among three classes of the community... To determine the laws which regulate this distribution is the principal problem of Political Economy (1817: 3).

The classical political economists emphasized conflict between these classes. Smith will ultimately claim that the conflict between the classes over national income is more apparent than real. For him, behind the appearance of class conflict lies the reality of an “invisible hand,” which steers humanity towards social harmony so long as a policy of *laissez-faire* prevails. Ricardo, by contrast, is slightly more ambiguous. At times he suggests that a “system of perfectly free commerce” will lead to the “universal good of the whole” (1817: 81), while at other moments recognizing that an improvement for the lot of workers in the form of higher wages comes at the expense of the capitalists, whose profits fall when wages rise (1817: 67). Marx is unambiguous: class struggle is the driving force behind socio-economic development, ultimately culminating in revolution. Thus, “revolutions are the locomotives of history” (Marx 1850: 120).

Smith’s theory of distribution is complex, but in the course of discussing the relationship between wages and profits he posits a subsistence theory of wages. There is a rate below which it becomes very difficult to reduce wages without shrinking the number of people available to work. An individual has to be kept alive by the fruits of her labour, and her wages must be sufficient to maintain her. What’s more, if future generations of workers are to be born and grow to maturity, the wages that workers fetch must be above bare subsistence, such that children can be sustained and the next generation of workers created. In Smith’s words:

A man must always live by his work, and his wages must be sufficient to maintain him. They must even upon most occasions be somewhat more;

otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation (1776: 77).

Marx's theory of wage formation bears some resemblance to that of Smith. In order for workers to sell their capacity to work (their "labour power"), their bodies must be available for work. But in order for their bones and muscles to grow and develop, and in order for them to show up at work each day and perform their tasks, they require material resources. The wage rate in society will tend towards the minimum level needed to reproduce the worker. In his words:

The value of labour-power is determined...by the labour-time necessary for the production, and consequently also the reproduction, of this specific article... Labour-power exists only as a capacity of the living individual. Its production consequently presupposes his existence. Given the existence of the individual, the production of labour-power consists in his reproduction of himself or his maintenance. For his maintenance he requires a certain quantity of the means of subsistence. Therefore the labour-time necessary for the production of labour-power is the same as that necessary for the production of those means of subsistence...a definite quantity of human muscle, nerve, brain, etc. is expended, and these things have to be replaced (Marx 1867: 274–275).

He goes on:

[The workers'] means of subsistence must therefore be sufficient to maintain him in his normal state as a working individual. His natural needs, such as food, clothing, fuel and housing vary according to the climatic and other physical peculiarities of his country. On the other hand, the number and extent of his so-called necessary requirements, as also the manner in which they are satisfied, are themselves products of history, and depend therefore to a great extent on the level of civilization attained by a country...the means of subsistence necessary for the workers is a known *datum* (Marx 1867: 275).

In order for an individual to be available for work, and in order for the class of workers to be able to sell their labour power to business owners, they require basic necessities. These necessities are relative, meaning they fluctuate with the cultural and historical circumstances. Marx recognized that "subsistence" is not an absolute concept, even if it has physiological undertones; instead, it is socially and politically mediated. Social standards determine what "subsistence" entails. That said, because Marx thought wages

would tend towards a subsistence level, the amount of resources needed to reproduce a given worker or the working class as a whole could be objectively determined, that is, it is a “known datum.”

Stanford neatly summarizes the situation: “85 percent of households depend upon wage labour, [thus] when households reproduce themselves, they reproduce *workers*” (2008: 112). The relationship between households and businesses, then, is something like this: “labour is ‘produced’ by households, which are economic *consumers*. Yet labour is ‘consumed’ by private companies...which are economic *producers*” (Stanford 2008: 100).

Such is the subsistence theory of wages. If we are prepared to accept the claims of Smith and Marx, then the LWMs’ energies should, in part, be directed towards redefining what “subsistence” means. Subsistence is always defined relative to something, and as we’ve seen so far, what that something should be is a “minimally decent” standard of living.

The subsistence theory of wages fell out of fashion in the late nineteenth century with the rise of neoclassical economics. It is the latter’s theory of income formation and distribution to which we now turn.

The Marginal Productivity Theory of Distribution

For the neoclassical school, competitive capitalism would not entail class struggle, but social harmony. On the subject of distribution, its finest exponent was probably John Bates Clark. An American economist, who was trying to debunk the Marxian notion that the source of profits was the exploitation of workers by capitalists, Clark generated a theory that explained how distribution worked under certain circumstances and simultaneously a moral justification for it. For Clark, under conditions of perfect competition, or *laissez-faire*, each “factor of production” (i.e., land, labour and capital) and each agent of each factor (any given landlord, workman or capitalist) receives that portion of the total social product that it/she produces. In other words, when we free market forces, everyone gets their due. The market rewards different groups and any individual within any group according to their (marginal) contribution. From the Preface of his, *The Distribution of Wealth*, Clark contends:

...the distribution of the income of society is controlled by a natural law, and that...if it worked without friction, [it] would give to every agent of production the amount of wealth which that agent creates...the rates of pay that result from such transactions tend...to equal that part of the product of in-

dustry which is traceable to the labor itself; and however [profit] may be adjusted by similarly free bargaining, it naturally tends to equal the fractional product that is separately traceable to capital. At the point in the economic system where titles to property originate...it assigns to everyone what he has specifically produced (Clark 1899).

At this point it is instructive to remind ourselves that there are two broad ways of evaluating (socially scientific) ideas: the first is to inquire into their truth-content or scientific status; the second is to explore their social function, i.e., their ideological value, or the role the ideas play in justifying or concealing systems of power and domination. Putting aside the scientific status of Clark's key claim, we can't help but notice the enormous ideological appeal of this theory. *Laissez-faire* capitalism at once delivers more freedom, more prosperity *and* distributive justice to any society which embraces its ideals and institutions. The three income categories — land, labour and capital — are rewarded using the same principle, namely marginal contribution, thus eliminating the Marxian notion of exploitation, cleansing the political economy of any conception of social class and social power and treating everyone as equals. There is a force or “natural law” at work in the social universe, and if it is left unfettered it will deliver (distributive) justice to the community.

The temptation might be to wave this theory off as an antiquated attempt at concealing the social conflict inherent in capitalism. This cannot be done. The most important economic textbook of the last sixty years was that published by Paul Samuelson (first in 1948 and now in its nineteenth impression). Samuelson uses the broad contours of Clark's arguments (Samuelson and Nordhaus 2010: chapter 12) when explaining distribution. This is the dominant theory of the twentieth century and, its scientific status aside, it continues to hold great ideological appeal in the twenty-first.¹¹ Rival schools of thought emerged which recognized that power had a role to play in shaping distribution. It is to this heterodox claim that we now turn.

Distribution and Social Power

Many political economists have claimed that distribution has a good deal to do with social or bargaining power. Ironically enough, Smith himself was one such thinker. Laced on top of his subsistence theory is discussion of distribution in terms of social struggle and, implicitly at least, social power. Wages, Smith recognized, are determined through a contract between “masters”

and “workmen,” whose interests are divergent. The workers want to push wages up, the masters to push them down. Both are inclined to “combine” in order to raise or lower wages, but the struggle is not equal. In his words:

[The masters] have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorises, or at least does not prohibit their combinations, while it prohibits those of the workmen. We have no acts of parliament against combining to lower the price of work; but many against combining to raise it (1776: 75–76).

The masters have the numeric advantage when it comes to cooperation and tacit collusion. And besides, the masters have a systemic advantage, for they have the state on their side. Smith understood perfectly the relationship between private ownership and state power:

Till there be property there can be no government, the very end of which is to secure wealth, and to defend the rich from the poor (1766: 40).

He goes on:

Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate... We seldom, indeed, hear of this combination, because it is the usual...the natural state of things... Masters too sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people... But whether [the combination of workmen] be offensive or defensive, they are always abundantly heard of (1776: 76–77).

The masters are always cooperating, albeit in clandestine fashion, to keep wages from rising. This is the “normal” state of affairs. But sometimes the masters collude to not just to keep wages from rising, but to actively push them down. Society never hears about this, because it is the norm. In contrast, should workers ever “combine” to push wages up, a social fuss is created and their activities are broadcast far and wide. The proof of this? There is legislation, Smith says, to hold wages down, but none to bring them up.

Things have obviously changed a good deal since Smith’s time. Unions are legal, the right to bargain collectively is enshrined in the Canadian Charter of Rights and Freedoms (albeit after two and a half decades of judi-

cial contortion on the part of the Supreme Court of Canada) and we have a legislated minimum wage.¹² Thus, workers are protected from the worst aspects of exploitation and political selfishness. It is worth noting that Smith believed his system of “perfect liberty” would produce distributional outcomes that were either perfectly equal or continuously trending towards equality. In his words:

The whole of the advantages and disadvantages of the different employments of labour and stock must...be either perfectly equal or continually tending to equality (1776: 114).

One reason why inequality might rise, in his view, is a restriction of the forces of competition. Competition keeps the wages of labour and the profits of stock fluctuating around their “natural” level, that is to say, low. The restraint of competition leads to an increase in price, undermining the tendency towards equality. The public is the loser in this, for they are left with higher prices. As Smith saw it:

It is to prevent this reduction of price, and consequently of wages and profit, by restraining that free competition which would most certainly occasion it, that all corporations, and the greater part of corporation laws, have been established (1776: 142).

In Smith’s day, it was already apparent that corporations worked incessantly to restrain price competition. A reduction in competition spells higher sales prices and thicker profit margins. Smith concludes:

The pretence that corporations are necessary for the better government of the trade, is without any foundation (1776: 149).

Smith was hardly alone in identifying social struggle and social power as playing a determining role in distributing income. Thorstein Veblen and Michal Kalecki are two political economists from the early part of the twentieth century who viewed distribution as a matter of social power. One of Veblen’s main theoretical contributions was to approach capital not as material equipment, but as immaterial finance. Mainstream economics views capital as a double-sided entity: the “real” productivity of tools, machines and factories – collectively known as “capital goods” – gives reality to the equity and debt that make up “capital value” or financial wealth. Veblen argued that, contrary to centuries of received economic wisdom, capital isn’t a physical stock of productive goods; rather, it is a financial magnitude. As he saw it:

...the substantial core of all capital is immaterial wealth...if such a view were accepted...the 'natural' distribution of incomes between capital and labour would 'go up in the air'... The returns actually accruing to [the capitalist]... would be a measure of the *differential advantage* held by him by virtue of his having become legally seized of the material contrivances by which the technological achievements of the community are put into effect (Veblen 1908: 200, emphasis added).

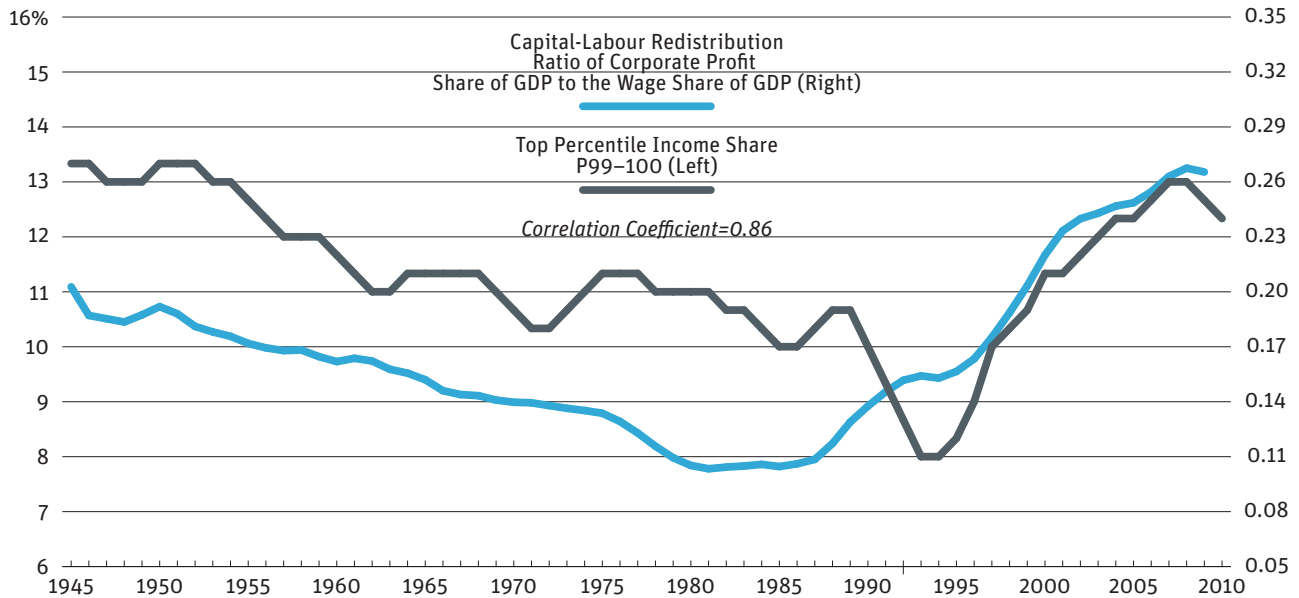
If the relationship between the physical equipment owned by capitalists/investors is disconnected from earnings, in other words, if there is no way to establish what portion of earnings are attributable to physical equipment and what are attributable to human labour, it follows that there is no "natural" distribution of income between capitalists and workers (as Clark and the marginal productivity theory of distribution supposed). The actual distribution of income, then, will hinge on the "differential advantage" held by the capitalist. Translation: distribution reflects social power.

Michal Kalecki (1971), the great Polish political economist, tried to theorize economic power. As he saw it, the emergence of big business in the early part of the twentieth century entailed heightened concentration and the formation of giant corporations. Very large firms do not operate in perfectly competitive markets and are not price-takers. Rather, they can impact overall market prices through practices like tacit agreement or other cartel-like behaviour (where a leading firm fixes prices which other firms follow suit). These large firms effectively exist, then, in a separate political economy from the majority of small- and medium-sized firms who are price-takers and are relatively powerless. Large firms are price-shapers and price-makers. They have a visible hand in shaping not only the industrial process, but the distribution of income.

Kalecki conceived of the "degree of monopoly" as a quantitative proxy for economic power, the effect of which is disclosed in the markup. The markup is measured as the percent of profit in the sales price, or total net profit divided by total revenue. A major counteracting force to the degree of monopoly, Kalecki thought, was the strength of unions, whose relative bargaining position is improved when the ratio of profit margins to wages increases. Changes in the degree of monopoly have decisive importance for the distribution of income between workers and capitalists and so across society generally.

Contemporary scholars, including Stanford (2008), claim that a mixture of factors, including structural, institutional and political factors, notably

FIGURE 7 Capital-Labour Redistribution and the Income Share of the Richest 1%, 1945–2010



Note Corporate profit is pre-tax. Both series smoothed as 5-year moving averages.

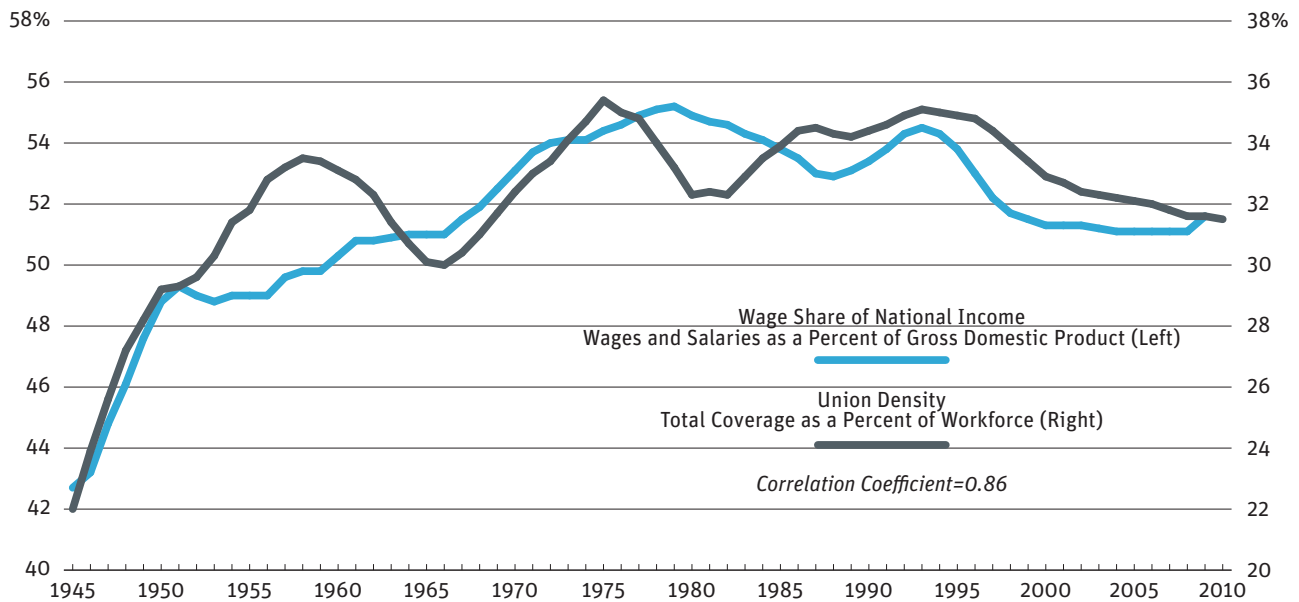
Source GDP, wages and salaries and corporate profit from CANSIM (Table 3800016) and Historical Statistics of Canada (F1-13); Veall (2010) for top income share.

the strength of trade unions, condition relative wage levels. The most basic structural fact conditioning distributional outcomes is the requirement of profitability: subsistence sets a floor below which wages cannot fall and the need for positive business profitability sets the ceiling on wages rising. The actual distribution of national income between the wage bill and corporate profit is determined by social struggle and social power.

It's easy to make a series of claims about the power underpinnings of distribution, but do the historical facts support such claims? Let's operationalize these ideas. If there is a basic distributional tension between capital and labour – business owners and their employees – over profits and wages, how does this struggle manifest itself and what consequences follow from this struggle?

To answer this question let's go to the national accounts and extract three measures: corporate profit, wages and salaries and gross domestic product. Step one is to divide the first two measures by the third to arrive at the share of national income going to capital in the form of corporate profit and the share of national income going to labour in the form of wages. Step two is to divide the first measure by the second to arrive at a picture of the

FIGURE 8 Organized Labour Strength and the National Wage Bill, 1945–2010



Note Coverage is for non-agricultural paid workers. Both series smoothed as 5-year moving averages.

Source Union density from Historical Statistics of Canada (E175-177) and CANSIM Tables (2790026 and 2820078); wage share and GDP from Historical Statistics of Canada (F1-13) and CANSIM (Table 3800016); hourly wages from IMF through Global Insight.

distributional struggle between capital and labour over corporate profits and wages. When this ratio rises, corporations are redistributing income away from workers, and when it falls workers are redistributing income away from corporations. This ratio is plotted in *Figure 7* against the top income share.

From 1945 through 1990 workers made distributional gains while corporate Canada experienced distributional losses. The consequences of this distributional struggle become even more significant when we consider the income share of the richest one percent: its movement synchronizes very closely with the distributional struggle between capital and labour over profits and wages.

If the majority of workers made distributional gains throughout the golden age at the expense of corporations and the richest one percent, how can we account for this? *Figure 8* plots the relationship between the national wage bill and union density. The national wage bill is the share of national income going to wages and salaries. Union density is the percentage of the workforce covered by a union, private or public sector.

This figure shows us three things of consequence. First, the relationship is tightly and positively correlated over the entire post-war era. Increased

union density *corresponds* with a higher national wage bill. Second, the two measures take an inverse U-shape, rising together from the 1940s, cresting in the late-1970s before falling together from the 1990s onward. And third, average annual inflation-adjusted hourly wages grew when unions became denser and pushed up the national wage bill. They stagnated or fell when the national wage bill fell (decade averages are embedded in the figure).

Figure 8 reflects the successes and failures of one of the largest social movements in Canadian history: the labour movement. The process of unionization required large-scale community activism and social mobilization. It was initially a movement of ordinary people rising against the established elite who fought to repress it. There are legal and juridical dimensions to unionization, of course, and it touches upon the highest level of state policy and power.

Throughout the golden age (1945–80) we saw increasing union density and a corresponding demographic bulge in the ranks of the middle class. Since 1980 this process has shifted into reverse. Unionization was a main lever to redistribute income in Canada during the golden age. De-unionization, then, effectively means redistribution from workers to owners.

The facts in Figures 7 and 8 paint a picture of distribution that reinforces notions of social struggle. The mediating link is social power. If owners can reduce the strength of organized labour, that will effectively lead to a smaller national wage bill, leaving more income for corporations in the form of profit. Greater profits translate into higher executive salaries and capital income, which leads to a higher top income share. If we are prepared to accept the claim that there is no “natural” distribution of income, but instead, as Stanford claims, that the broad contours of distribution are shaped by social structures, institutions and policies, then the LWM should link its advocacy with visions of distributive justice. What theories of distributive justice are on offer to support this advocacy?

Visions of Distributive Justice

Now that we have surveyed some of the leading theories of distribution, concentrating on the theory which takes into account institutional arrangements and social power, we might briefly consult some of the core visions of distributive justice. It is one thing to say that the distribution of resources is unequal and that the disparity is in some sense shaped by social power. But it is a logical leap to go from that to the claim that the distribution of income is not fair, and that this lack of fairness should be rectified through

some redistributive mechanism. How do we bridge the gap between the actual distribution of income and a value-based vision of distributive justice? What would a “more fair” distribution of income mean?

Arguably, the most important treatise of political philosophy produced during the twentieth century was John Rawls’, *A Theory of Justice* (1971; 1999). Rawls conceived of social justice as applying at the level of social structures, institutions and laws. For him, justice isn’t a definite set of social outcomes; instead, it pertains to the fairness of the basic structure of society. The question of social justice is this: what is the basic structure of society and how are the advantages of social life and social cooperation to be distributed?

To answer this question, Rawls asks us to engage in a thought experiment. We are to imagine ourselves in an “original position of equality,” from which we choose the principles of justice. These principles will ultimately craft the major social institutions and legal rules. The original position implies that we are behind a “veil of ignorance” (1999: 11). Behind this veil we have no knowledge of how our society is to be structured or where we will be located within it. In other words, we lack any knowledge of our subject-position. We are ignorant of what generation we will be born to, our gender, cultural background, class position, social status and even natural features such as height, intelligence, aversion to risk and other psychological propensities. In that original position, the social agreement we reach on the principles of justice and the basic structure of society will be fair, for everyone would be similarly situated and none would be able to craft principles to favour any given position.

Rawls recognizes that a “competitive price system gives no consideration to needs and therefore it cannot be the sole device of distribution” (Rawls 1999: 244). Given this, “social and economic inequalities are to be arranged so that they are...to the greatest benefit of the least advantaged...” (1999: 266). That “maximin” principle, as he termed it, was to maximize the minimum by making the prospects of the least well off as good as possible.

At this point we may as well just note that nobody in their right mind could really be against the idea of a living wage. Indeed, even its avowed opponents (some of whom were surveyed above) are not *really* opposed to a living wage. They are staunchly in favour the concept...for themselves, for their children, their friends and their associates. It’s only when it comes to *other* people and *other* people’s children that they oppose a living wage. Rawls’ thought experiment is meant to transcend narrow-mindedness of this type. Behind the veil of ignorance, in the original position of equality, we would all choose a living wage, because we might end up born to a sta-

tion in life which entails the social minimum. We would want that minimum to be as high as it could be, consistent with other values (liberty and efficiency being just two). The idea of a living wage, therefore, is a thoroughly Rawlsian notion.

If twentieth century political philosophy belonged to Rawls, the nineteenth belonged to Marx. While Marx was undeniably an enormously influential political thinker, he was *not* a moral philosopher. Indeed, his writings indicate that he had little time for moral speculation and ethical reasoning: Marx referred to the concept of “fair distribution” as “ideological nonsense about [morality]” and “obsolete verbal rubbish” (1875: 531). Marx considered himself a scientist, not a moralist.

For Marx, the distribution of income and notions of right are a part of the “superstructure,” which means they emerge from the “forces of production” and “relations of production,” the combination of which Marx referred to as the “economic structure of society” (1859: 211), popularly referred to as the “base.” Thus, a “fair” distribution of income is inextricably tied to the “mode of production” and has no definite meaning apart from it. In his words:

Any distribution whatever of the means of consumption is only a consequence of the distribution of the conditions of production themselves. The latter distribution, however, is a feature of the mode of production itself... distribution of the means of consumption results automatically... (1875: 531).

He goes on: “Right can never be higher than the economic structure of society and its cultural development conditioned thereby” (1875: 531). Notions of right and wrong, good and evil, just and unjust, are the product of cultural development. Cultural development, in turn, is shaped by the class struggle, which is ultimately reducible to the economic base. In Marx’s vision, distribution reflects social struggle and social power. The contemporary living wage movement is but one manifestation of that struggle.

As Marx would have seen it, thinkers like Rawls can go on all they like about the veil of ignorance and the maximin principle. It won’t change the fact that, under a capitalist regime, owners of the means of production have legal title to a portion of the total social product. It does not matter that workers produce “value” and capitalists “appropriate surplus value” through their ownership status. Notions of right flow from the legal regime and the legal regime is determined by the forces and relations of production. In a fully developed communist society, where “bourgeois right” has

been transcended, the operative distributional principle would be: “From each according to his ability, to each according to his needs” (1875: 531).

Before we dismiss Marx’s claim as utopian, we might just consider how this distributive principle is operationalized. Does not our tax-and-transfer system, our education system and, of course, our health care system, at least partially, embody this principle? An individual pays more or less income tax in accordance with their income — *from each according to his ability* — and do we not draw on social services, whether they be road usage, hospital usage, the education system, etc., *according to our needs*? Is this principle so alien to our society? Marx’s idea, if taken to an extreme, could easily become pathological, but if voluntarily embraced it could be an expression of solidarity and freedom.

If we go back to the century before Marx, we can’t help but confront, yet again, Adam Smith. Smith was a moral philosopher, and a great one at that. For him, political economy was to be understood as a branch of moral philosophy, and we have good reason to suppose that his political-economic prescriptions for how to enlarge the “wealth of nations” were ultimately to be subordinate to his ethics (see Dwyer 2005). When it comes to distribution, Smith had a markedly different vision from that of Rawls or Marx:

...man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour. And shew them that it is for their own advantage to do for him what he requires of them... Give me that which I want, and you shall have this which you want, is the meaning of every such offer... It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regards to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities, but of their advantages (Smith 1776: 15).

In contrast to Marx, this vision is rooted in mutually advantageous self-interest. It is a very realistic appraisal of human life and some might be tempted to dismiss Smith on the grounds this distributive principle ignores human solidarity and compassion.

But before we dismiss Smith, we might consider something else he said that is germane to the idea of a living wage. Smith spoke of people requiring “necessaries,” or things indispensable for the support of life. Necessities, by their nature, are relative to time and place. Those without the means to

obtain necessities would be unable to function in society for fear of public shame and disgrace. In his words:

By necessities I understand...whatever the custom of the country renders it indecent for creditable people, even the lowest order, to be without. A linen shirt [is], strictly speaking, not a necessary of life. The Greeks and Romans lived...very comfortably, though they had no linen. But in present times... a creditable day-labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed denote that disgraceful degree of poverty... (1776: 939).

As we know from Wilkinson and Pickett (2010) and many others, poverty can be thought of in absolute terms, but also in relative terms. Wilkinson and Pickett's research shows that, in rich industrialized societies, relative poverty matters a great deal for social health and social well-being. Importantly, the costs associated with relative poverty are not borne solely by those living in poverty. Entire societies are worse off when there is higher level of relative poverty. This social pathology manifests itself in many ways: increased violence, homicide and incarceration; lower educational performance and educational attainment; higher obesity; greater health and mental health problems, including substance abuse; and lower levels of social trust. Thus, relative poverty is a problem for all, not just the poor.

To sum up, the idea of a living wage could fall under a number of distributive principles, including those of Rawls, Marx or Smith. Exchange should be mutually advantageous and address both parties' self-interest (Smith), but inevitably, we expect that people's needs should, in some sense, figure in distribution (Marx). Thus, we should look to set wage levels that are advantageous both to employers and employees, that take into account the needs of both. Fairness in wages would require maximizing the minimum (Rawls), which is something the LWM could try to operationalize.

Conclusion

A Living Wage, Democratic Citizenship and Human Flourishing

AS ARISTOTLE SAW it, “we call just anything that tends to produce or conserve the happiness...of a political association” (2004: 114). Justice is the supreme social virtue, for it centres on the securing of *someone else’s* good. Questions around distributive justice arise, as he saw it, in situations where there is something divisible amongst the members of the political community, honour and wealth being two prime examples. But what principle should underpin distribution? Aristotle tells us: “everyone agrees that justice in distribution must be in accordance with merit,” but the difficulty comes in deciding what constitutes merit. The “democratic view is that the criterion is free birth; the oligarchic that it is wealth or good family; the aristocratic that it is excellence” (2004: 119). As it was 2,400 years ago, so it is today. In any political community, a consensus on the ultimate principle of distributive justice will not be reached. For democrats, the ultimate principle is rooted in freedom (free birth or citizenship), for oligarchs it is possessions (the land one owns or the capital under one’s control) and for aristocrats, excellence. The LWM is a thoroughly democratic movement, for it seeks the good of others (social justice) under the banner of democratic freedom.

The time has never been more right for this movement. Three decades of neoliberal globalization has failed to deliver a shared prosperity. Unshakable faith in the virtue of the free market is beginning to tremble, and with

the LWM compiling victories in the United States and British Columbia, activists in Ontario should capitalize on the momentum. Although rooted in high ideals, the ammunition for this movement comes from deeply pragmatic sources: the rise of precariousness in the labour force, stagnant wages, child poverty, financial insecurity and a host of other social ills. The experience in the United States teaches us that LWOs generate broad-based benefits on multiple fronts: inequality and poverty, food insecurity and homelessness, public health and social welfare being just a few key areas. What's more, a living wage could appeal to those concerned with fiscal discipline and family cohesion. In short, this single policy could move us, on many fronts, towards the highest of all social ideals, namely human flourishing, and it could speak to the aspirations and values of a broad cross-section of our political community.

Bibliography

- Aristotle. 2004. *Nicomachean Ethics*. Translated by J.A.K. Thomson. Revised with Notes by Hugh Tredennick. Introduction by Jonathan Barnes. Toronto: Penguin.
- Baird, Charles W. 2002. "The Living Wage Folly: How Living Wage Ordinances Harm Workers and Taxpayers," *The Freeman: Ideas and Liberty*, 52 (6). Available at: www.thefreemanonline.org/features/the-living-wage-foolly/
- Bhatia, Rajiv, and Katz, Mitchell. 2001. "Estimation of Health Benefits of a Local Living Wage Ordinance," *American Journal of Public Health*, 91 (9), 1398–1402.
- Buss, James A., and Romeo, Arthur. 2006. "The Changing Employment Situation in Some Cities with Living Wage Ordinances," *Review of Social Economy*, 64 (3), 349–67.
- Castoriadis, Cornelius. 1984. "Value, Equality, Justice, Politics: From Marx to Aristotle and from Aristotle to Ourselves," in *Crossroads in the Labyrinth*. Cambridge: MIT Press.
- Ciscel, David H. 2000. "The Living Wage Movement: Building a Political Link from Market Wages to Social Institutions," *Journal of Economic Issues*, 34 (2), 527–35.
- Clark, John Bates. 1899. [1965]. *The Distribution of Wealth: A Theory of Wages, Interest and Profits*. New York: A.M. Kelley.
- Cole, Brian L., Shimkhada, Rita, Morgenstern, Hal, Kominski, Gerald, Fielding, Jonathan E, and Wu, Sheng. 2005. "Projected Health Impact of the Los Angeles City Living Wage Ordinance," *Journal of Epidemiology and Community Health*, 59 (8), 645–50.
- Dwyer, John. 2005. "Ethics and Economics: Bridging the Gap between Adam Smith's *Theory of Moral Sentiments* and *Wealth of Nations*," *Journal of British Studies*, 44 (4), 662–87.
- Galles, Gary M. 2002. "The Living Wage Myth," Ludwig von Mises Institute. Available at: <http://mises.org/daily/921>
- Glickman, Lawrence. 1997. *A Living Wage: American Workers and the Making of a Consumer Society*. Ithaca: Cornell University Press.

- Hajer, Jesse. 2009. *The View From Here: How a Living Wage Can Reduce Poverty in Manitoba*. Ottawa: Canadian Centre for Policy Alternatives.
- Health Services and Support – Facilities Subsector Bargaining Assn. v. British Columbia, [2007] 2 S.C.R. 391, 2007 SCC 27.
- Hightower, Jim. 2002. “Going Down the Road,” *The Nation* (April). Available at: <http://www.thenation.com/article/going-down-road-4>
- Ivanova, Iglia. 2012. *Working for a Living 2012: Calculation Guide*. Vancouver: Canadian Centre for Policy Alternatives.
- Ivanova, Iglia and Klein, Seth. 2012. *Working for a Living: 2012 Update*. Vancouver: Canadian Centre for Policy Alternatives.
- Kalecki, Michal. 1971. *Selected Essays on the Dynamics of the Capitalist Economy, 1933–1970*. Cambridge: Cambridge University Press.
- Keen, Steve. 2004. *Debunking Economics: The Naked Emperor of the Social Sciences*. London and New York: Zed Books.
- Kingston Community Roundtable on Poverty Reduction. 2011. *A Living Wage for Kingston*. Ottawa: Canadian Centre for Policy Alternatives.
- Levin-Waldman, Oren. 2004. “Cities That Pass Living-Wage Ordinances,” *Challenge*, 47 (5), 56–68.
- Luce, Stephanie. 2012. “Living wage policies and campaigns: Lessons from the United States,” *International Journal of Labour Research*, 4 (1), 11–26.
2002. “Life Support: Coalition Building and the Living Wage Movement,” *New Labor Forum*, 10 (Spring-Summer), 81–92.
- Mackenzie, Hugh and Stanford, Jim. 2008. *A Living Wage for Toronto*. Ottawa: Canadian Centre for Policy Alternatives.
- Macpherson, David A. 2003. “The Effects of the Proposed Santa Fe Minimum Wage Increase,” *Employment Policies Institute* (February). Available at: http://epionline.org/study_detail.cfm?sid=38
- Macrosty, Henry W. 1898. “The Recent History of the Living Wage Movement,” *Political Science Quarterly*, 13 (3), 413–41.
- Malanga, Steven. 2003. “How the ‘Living Wage’ Sneaks Socialism into Cities,” *City Journal*. Available at: http://www.city-journal.org/html/13_1_how_the_living_wage.html
- Marx, Karl. 1875. [1978]. *Critique of the Gotha Program* in *The Marx-Engels Reader*, Second Edition. Edited by Robert C. Tucker. New York: W.W. Norton & Co.
1867. [1990]. *Capital: A Critique of Political Economy, Volume I*. Introduced by Ernest Mandel. Translated by Ben Fowkes. Toronto: Penguin.
1859. [1994]. *Preface to A Contribution to the Critique of Political Economy* in *Selected Writings*. Edited with an Introduction by Lawrence H. Simon. Indianapolis: Hackett.
1850. [1964]. *The Class Struggles in France, 1848–1850*. New York: International Publishers.
- Neumark, David. 2001. “Living Wages: Protection for or Protection From Low-Wage Workers?,” *National Bureau of Economic Research*, Working Paper 8393. Available at: <http://www.nber.org/papers/w8393.pdf>
- Neumark, David and Adams, Scott. 2003. “Do Living Wage Ordinances Reduce Urban Poverty?,” *The Journal of Human Resources*, 38 (3), 490–521.

- Pearson, Carole. 2007. "Minimum and Living Wage Campaigns in Canada: A Fair Day's Pay," *Our Times: Canada's Independent Labour Magazine*, 26 (4), August-September. Available online at: http://ourtimes.ca/Features/article_50.php
- Pollin, Robert. 2007. "Economic Prospects: Making the Federal Minimum Wage a Living Wage," *New Labor Forum*, 16 (2), 103–07.
2001. "Time for a Living Wage," *Challenge*, 44 (5), 6–18.
- Pollin, Robert, Brenner, Mark, Wicks-Lim, Jeannette and Luce, Stephanie. 2008. *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States*. Ithaca and London: Cornell University Press.
- Pollon, Zelig. 2012. "Santa Fe, N.M., to have nation's highest minimum wage," *Reuters* (27 January).
- Rawls, John. 1971. [1999]. *A Theory of Justice, Revised Edition*. Cambridge: Harvard University Press.
- Ricardo, David. 1817. [1977]. *The Principles of Political Economy and Taxation*. Introduction by Donald Winch. London: Dent/Dutton.
- Richards, Tim, Cohen, Marcy, Klein, Seth and Littman, Deborah. 2008. *Working for a Living Wage: Making Paid Work Meet Basic Family Needs in Vancouver and Victoria*. Vancouver: Canadian Centre for Policy Alternatives.
- Samuelson, Paul A. and Nordhaus, William D. 2010. *Economics*, Nineteenth Edition. New York: McGraw-Hill.
- Smith, Adam. 1776. [1994]. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Edited by Edwin Cannan. New York: Random House.
1766. [1986]. *Lectures on Jurisprudence in The Essential Adam Smith*. Edited with introductory readings by Robert L. Heilbroner. New York: W.W. Norton & Company.
- Stanford, Jim. 2008. *Economics for Everyone: A Short Guide to the Economics of Capitalism*. Black Point, NS: Fernwood.
- United Nations. 1948. *The Universal Declaration of Human Rights*. Available at: <http://www.un.org/en/documents/udhr/index.shtml>
- Veall, Michael R. 2010. "Top Income Shares in Canada: Updates and Extensions," Working Paper. McMaster University, Department of Economics.
- Veblen, Thorstein. 1908. [1919]. "Professor Clark's Economics," *The Quarterly Journal of Economics*, 22 (February). Reprinted in *The Place of Science in Modern Civilization*.
- Walsh, Jess. 2000. "Living Wage Campaigns Storm the Ivory Tower: Low Wage Workers on Campus," *New Labor Forum*, 6 (Spring-Summer), 80–89.
- Wilkinson, Richard and Pickett, Kate. 2010. *The Spirit Level: Why Equality is Better for Everyone*. London and Toronto: Penguin Books.

Notes

- 1** Quoted in Pollin, Brenner, Wicks-Lim and Luce (2008: 16).
- 2** Ivanova (2012: 3) provides a detailed methodology for calculating a living wage, identifying six, not four, steps.
- 3** This table replicates information found in Ivanova (2012), Table 1, p. 6.
- 4** Drawn from Ivanova and Klein (2012). The other living wages are updated from their published values to July of 2012 using a regional consumer price index.
- 5** A useful website for information on the minimum and living wage in Canada can be found here: <http://www.canadiansocialresearch.net/minwage.htm>
- 6** The extrapolated living wage begins by taking Mackenzie and Stanford's estimate of a living wage for Toronto in 2008 and back-casting it to 1965 and then forecasting it to 2012 using the consumer price index. This method assumes the estimated living wage remains constant in inflation-adjusted terms over time.
- 7** In order to compute this, the labour productivity index is rebased so that the value for 1965 = 1.00. By pegging the minimum wage in 1965 to the rebased labour productivity index, we can project what the level and pattern of the minimum wage would be if it kept pace with labour productivity.
- 8** The absolute level of these "gaps" is arbitrary. They depend on the specific year, in this case 1965, chosen as the benchmark. The trend over time, however, is valid no matter what year is chosen as the benchmark
- 9** A list of living wage employers can be found here: http://www.lwemployers.ca/?page_id=7
- 10** For more information, see A Living Wage for Families Campaign website: http://livingwageforfamilies.ca/?page_id=24
- 11** See Keen (2004) for a critical appraisal.
- 12** See *Health Services and Support-Facilities Subsector Bargaining Association v. British Columbia* (2007).



CCPA

CANADIAN CENTRE
for POLICY ALTERNATIVES
ONTARIO OFFICE