

Paying a living wage is stimulus Ottawa can use

By Jacob Leibovitch and David Macdonald, Citizen Special July 14, 2009

While the economic crisis has put the spotlight on how much foot dragging Stephen Harper is doing when it comes to getting federal stimulus dollars out the door, a clever little way of beating the recession using nickels and dimes is emerging from Ottawa's less-talked-about neighbourhoods.

An unlikely coalition is forming in the city between low-income residents and small business owners. The idea that is uniting them and winning support from surprising quarters at City Hall is the notion of insisting that companies that bid for municipal contracts agree to pay a "living wage."

The policy is meant to ensure the city does not end up paying out once to companies when they issue contracts, and then a second time when employees of these contractors fall back on municipal services for basic necessities because they fall below the poverty line.

But the policy, which came before council this week, also has timely economic benefits.

While the federal stimulus package earmarks only three per cent of funds for those with incomes under \$25,000, and spends more than 34 per cent on broad-based tax cuts, a living wage policy targets people on lower incomes who are more likely to spend rather than save extra income.

Higher earners will often pinch their pennies when times are tight, or pay down debt. By contrast, when folks close to the poverty line get a few extra bucks, they buy stuff, usually staple consumer goods, such as shoes, breakfast cereal, and diapers. With today's exploding unemployment figures, we need people spending money and creating jobs.

If the goal is to stimulate the economy, helping those on lower incomes is a rapid and effective way of doing it. Even if the federal government stays off-track, the City of Ottawa can have a much bigger impact on local businesses with much fewer dollars.

But this means avoiding the temptation to row with the recession by putting quality of life on the block.

The 2009 city budget initially proposed that 70 per cent of program cuts should come from departments representing only 20 per cent of the budget.

Instead of targeting quality of life, a living wage policy would use municipal dollars intelligently to boost the local economy and support hard working Ottawans. This is the kind of stimulus Ottawa could use right now.

Perhaps one of the most unexpected features of the push for a living wage is the leading role being played by the owner of a company that bids for city contracts.

This is a bit less surprising when one considers the downward spiral that is often created when a government auctions off labour-intensive services in sectors with low barriers to entry for new companies, such as janitorial services. Contractors usually end up cutting their employees' wages to compete instead of providing quality service in a more efficient way.

The living wage policy that has been proposed by Acorn -- an association of community organizations -- would mean all Ottawa city contractors would have to pay at least \$13.50 an hour. This would force contractors to compete on service and productivity and not on how much they can cut their employees' wages.

Significantly, the city is likely to exclude summer students and part-time staff, and have the dexterity to make sure the impact on municipal finances is negligible. By applying only to full-time employees, the policy really gets at the heart of the issue: the working poor.

It is just not smart policy for local government to contract out services in a way that creates a class of city residents too poor to participate in society. At a human level, each of us understands that work is essential to our identity. Although the meaning of work differs for different people, it is the fundamental way we reach our basic needs, as well as the needs of our families.

That shared understanding may be why the idea of a living wage has captured the imagination of so many and created a moment for the City of Ottawa to show leadership to the rest of the country. Instead of just waiting for the billions to trickle down from the feds, the city has the power to start fighting the recession on its doorstep.

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