

CANCEA's analysis of Bill 148 lacks credibility

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On behalf of Ontario's business lobby, the Canadian Centre for Economic Analysis (an independent consulting firm) produced a study of the likely consequences arising from the government's attempt to modernize Ontario's labour laws. CANCEA's key finding is that the Ontario Government's proposals around the minimum wage, equal pay, vacation pay, paid emergency leave and union security will cost Ontario businesses \$23 billion in the first two years of implementation and put 185,000 jobs 'at risk'.

The analysis has been largely discredited by Canadian economists, who have questioned the modelling assumptions and the math behind the study. Importantly, these economists have called on the media to stop referring to the paper's credibility, which is lacking. There are four main reasons for disbelieving CANCEA's findings.

First, the question of transparency. Because CANCEA has not published its modelling assumptions, its calculations or its data sources, it is impossible to assess, let alone verify, the truth of its conclusions. In academic research it is customary to publish the data, including sources and calculations, so that other researchers can scrutinize and verify the findings. The refusal to do this casts a blanket of suspicion over the paper's conclusions.

Second, despite claiming that its modelling assumptions are based on 'reasonable interpretations' of the 'leading economic literature', CANCEA's modelling is based on the most pessimistic estimates. Of the dozens of studies conducted on the minimum wage in recent decades, the majority conclude that the dis-employment effects range from 'insignificant to non-existent'. The CANCEA findings are wildly out of whack with existing scholarly research. The bulk of the economic literature does find, however, that increasing the minimum wage succeeds in boosting the income of low-wage workers.

Third, CANCEA performed a cost-benefit analysis without examining any of the benefits. And—surprise, surprise—focusing exclusively on the costs of an economic proposal makes it appear, well, costly. But there are many economic benefits associated with a higher minimum wage, even for low-wage employers. These include lower absenteeism, reduced turnover and associated training costs, higher employee satisfaction and improved labour productivity.

What's more, the study completely overlooked the stimulative impact that an elevated minimum wage would have on low-income households. After all, lower-income groups tend to

spend all their money in the local economy, instead of hoarding it as cash on their balance sheet or parking it in offshore bank accounts.

Fourth and finally, the analysis uses disingenuous and alarmist language. While claiming that '185,000 jobs will be put at risk' makes for a splashy headline, it will likely mislead many Ontarians. The 185,000 jobs 'at risk' does not mean 185,000 jobs will be eliminated. The beauty of using counterfactual reasoning is that it is next to impossible to refute. So for example, even if Ontario adds one million net new jobs over the next two years, CANCEA can still claim that its prediction of 185,000 jobs 'at risk' remains valid because, had Bill 148 not been implemented, Ontario would have added 1,185,000 new jobs (instead of just one million). And how could they be proven wrong?

For these and other reasons, this study should be treated with a good deal of skepticism. From a public policy perspective, what matters is the consensus view in a given research area. And the minimum wage research is clear: an increase in the statutory minimum wage succeeds in raising the income of low-wage workers and does not have significantly negative employment effects. For this reason the Government of Ontario should confidently proceed with Bill 148, which will help rebalance Ontario's labour market and improve the quality of life for Ontario's workers and their families.

Prepared by Unifor's Research Department.

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