

November 9, 2018

**Dear clients and colleagues,**

In the past few weeks, we have witnessed movements to increase the minimum wage in Canada and the US. We often hear the rate of \$15 per hour, but what is the reality today?

In the US, the federal minimum wage remains at \$7.25. That translates into \$14,500 per year for somebody working 8 hours a day and taking only two weeks off—slightly above the official poverty level.

More and more states have opted to implement their own higher rates. In 2018, 18 States increased the minimum wage. Maine gave the largest increase, \$1 per hour to \$10.

At the moment, Alabama, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, New Hampshire, North Dakota, Oklahoma, Pennsylvania, Texas, Utah, Virginia, Wisconsin and Wyoming are paying the minimum mandated by the Federal government, or \$7.25. The highest minimum wage is in Washington State at \$11.50.

In Canada, the minimum wage ranges from \$11.15 in Newfoundland and Labrador to \$14 per hour in Ontario.

Still far from the \$15 that is widely talked about. However, in an effort to attract or retain employees in a tight labour market, many companies have announced increases above the minimum wage, with Amazon the most publicized at \$15 per hour, although it comes at the expense of other benefits.

The Gini coefficient is a number between 0 and 1. The lower is normally better, as 1 would mean that one person has all the income and everyone else has zero income.

The Nordic Countries tend to have the lowest numbers. Norway for example is 26.8, and the Netherlands, 25.1. Even a very rich Country like Switzerland is at 28.7. Canada is at 32.9. The US — 47.0, higher than most G20 countries and behind only South Africa, Brazil and Mexico. As a comparison, Norway's minimum wage is \$21 per hour.

Looking at poverty rates, the official poverty rate in the US is 12.3%, that is family of four living with less than \$24,250 per year. In Canada, a family of four is considered poor below \$37,542 per year, 8.8% of the population is poor using that cut off. In Norway, it is at 7.5%.

We could go on and on, but what these statistics demonstrate is that high personal tax rates or a high minimum wage are inversely correlated with poverty and income inequality. And that raising the minimum wage is not only the right thing to do, it is the good thing to do. Surprising, no?

This brings us to our other subject this week, how are trade unions faring in America?

A trade union or labour union is an organization of workers who have come together to achieve many common goals such as protecting the integrity of its trade, improving safety standards, attaining better wages and benefits and working conditions. Unions originated in Great Britain during the industrial revolution.

The latest data available shows again that the Nordic Countries have a very high rate of unionization, Norway is at 52.5% and Sweden at 67%. Again, surprisingly this has not produced negative consequences, quite the contrary. Canada is at 28.4%, and the US at 10.3%. That is down from more than 30% from the 1950s. However, 2017 saw an increase in the overall number of unionized people, driven by people under the age of 35 of which 25% chose unionized position.

We do not know yet if the Supreme Court, in its 2018 Janus decision, will have a further negative effect on union membership. But we do know that six in 10 millennials expressed interest in or had a positive perception of unions. As they are currently the largest population cohort in the US, and will replace the retiring baby boomers in the next 10 years, it will be interesting to see the trends. Will we even see a return of Defined Benefit Plans?



Economist.com

Have a great weekend.

The Global Alpha team