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Building six million good jobs in Canada

Research shows that companies can actually profit more by paying service workers better wages.



"The only way to close Canada's yawning economic divide and rebuild the middle class is to upgrade the wages and working conditions of Canada's service workers," writes Richard Florida. (CHANG W. LEE / NYT)

By **RICHARD FLORIDA**

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Today, more than six million Canadians — 40 per cent of Canada's workers — toil in low-paying routine service jobs, preparing and serving our food, waiting on us in stores and retail shops, doing office work, and providing a wide range of personal and health care service, from cutting our hair and giving us massages, to taking care of our kids and aging parents.

These service workers take home a median wage of just \$17 an hour, roughly 30 per cent less than the national median wage of nearly \$24 an hour and just about half of the \$32.36 an hour median wage pulled in by professional, knowledge and creative workers. Worse yet, more than two million Canadian workers — around 12 per cent of the workforce — who work in service support, sales support and specialized service support, such as kitchen helpers, cashiers or cleaners, make less than \$15 an hour.

With the decline of once family supporting manufacturing jobs, the growing gap between this low paid class of service workers and the more than six million well-paid knowledge and professional workers stand at the heart of Canada's rising inequality and the decline of its once sturdy middle class.

As the median price of a home surging to more than \$1 million in expensive metros like Toronto and Vancouver, service workers cannot even come close to affording a home and a leading middle-class lifestyle.

Most of the talk and the effort for overcoming inequality and rebuilding the middle class ignores Canada's large and growing class of service workers. It turns instead on either bolstering manufacturing work or educating Canadians for professional jobs. Both of these are admirable goals. But, even if we do all of this, millions of Canada's workers would remain trapped in low-wage service jobs.

The only way to close Canada's yawning economic divide and rebuild the middle class is to upgrade the wages and working conditions of Canada's service workers.

Increasing the minimum wage, as Ontario is doing, is an important first step. And, it is important to link the minimum wage to the steep variation in the cost of living across cities: \$15 an hour buys a lot less in expensive cities like Toronto and Vancouver than it does in many smaller places. Indeed, nearly half of Canada's low-paid service workers are concentrated in the nation's five largest metros — Toronto, Vancouver, Montreal, Calgary and Edmonton. But it is only a first step.

The real key is to upgrade the millions of low-wage service jobs that workers across Canada toil in. We fail as a society if 40 per cent of Canada's workforce is condemned to toil in such low-wage precarious jobs.

Research shows that companies can actually profit more by paying service workers better wages. Many of the best and most successful service companies — Four Seasons, Zara, Whole Foods, Costco and more — derive higher profits by combining higher pay for service workers with better management strategy and operational excellence. This allows them to tap into the full capabilities and intelligence of their workers as a source of new innovation, improved productivity, better customer service and ultimately higher profits.

It has been done before. During the 1930s, 1940s and 1950s, Canada and other advanced nations turned low wage manufacturing work into middle-class family supporting work. Henry Ford famously initiated his \$5 a day pay policy to enable blue collar workers to purchase the cars they were making on the assembly line.

The government created new labour laws that enabled workers to form unions and bargain collectively enabling blue-collar wages to rise higher. Manufacturing companies developed strategies to involve more high-paid blue-collar workers in efforts to improve quality, productivity and ultimately profits, creating a win-win cycle. The same can be done for low-wage service work, the analog of blue-collar factory work today.

We owe it to our millions of service workers to afford them the kinds of jobs and wages that will enable them to buy a home, live a middle-class life, and achieve the Canadian Dream. The time is now for a broad collective effort to improve and upgrade the service class work in which millions of Canadians toil.

Richard Florida is professor and director of cities at the Martin Prosperity Institute at the University of Toronto's Rotman School of Management. His most recent book is *The New Urban Crisis*.



