

In the end, customers pay the price of higher wages



DAVID KARP
david@davidkarp.ca

You pay more when unions force wages up.

When businesses fight to keep workers' wages down, it's tempting to side with workers and accuse corporations of hurting society by being evil and greedy. But this ignores the hidden costs of wage increases.

In the labour dispute between the University of Victoria Students' Society and its workers, however, these unseen costs are coming to the forefront.

Workers employed in UVic's Student Union Building have been striking since Sept. 4, demanding a wage increase of \$3 per hour over two years for its lowest-paid workers, who currently make \$9.95 per hour. The employer, meanwhile, is insisting the two-year deal proposed by the union would cost the society an extra \$290,000. Its most recent offer is a \$1-per-hour

increase for the lowest paid workers, spread over three years instead of two.

What makes the situation especially interesting is that the students' society is endorsing the B.C. Federation of Labour's campaign to raise the province's minimum wage to \$10 an hour, with an increase to \$11 per hour a year later. The United Steel Workers are having a field day pointing out that the student society's latest offer wouldn't even meet the \$11 per hour benchmark the society is fighting for.

But what the students' society realizes is that the student body will lose out if workers are given a wage increase. As they say, money doesn't grow on trees. The \$3 per hour wage increase the union is demanding would have to come from somewhere, and wherever it does, the workers will be benefiting at the expense of others.

The wage increase could be funded by redirecting money from other parts of the student society's operating budget. For example, the Student Union Building could close earlier, booting out students who use the building to study. Or the society could cut its donations budget, which would mean fewer students having access to travel funds for conferences, and

community groups losing out on a funding source. Students may have to give up social events that build school spirit, such as UVic Idol or back-to-school parties, to pay for the wage increase.

Another way to pay for the increased wages is through raising prices. That could mean more expensive lunches for cash-strapped students or film lovers paying more for Cinecenta tickets.

Alternatively, the students' society could cut costs. That could mean lower-quality lunches for nutritionally deprived students. Or it could employ fewer workers, making it harder for students to find on-campus jobs.

Since students are the biggest users of the Student Union Building, they're the biggest losers if the workers get their way. But this concept extends to the customers of any business involved in a labour disputes — it's usually just harder to see.

When minimum wages go up, you pay higher prices, workers lose jobs or companies lose profits. And cutting profits hurt shareholders, who are ordinary people. Anyone who owns stocks or mutual funds, or has a stake in a pension fund, has a stake in the health of these companies.

This isn't a new idea — it's what 19th-century French economist Frédéric Bastiat identified in his essay *That Which is Seen, and That Which is Not Seen*. Bastiat reminds us that it is often easy to observe the good that comes from certain policies — in this case higher wages for workers. But we often overlook that which is unseen — what must be sacrificed to pay for new initiatives.

It's easy to sympathize with workers in a labour dispute. When we see hard-working employees serving us, we appreciate the work they do and hope they receive a fair wage. But the fact is that employment is a two-way street. Workers don't get exploited — if our wages aren't high enough, we quit our jobs.

Some workers may very well deserve a wage increase but when we make this statement, we need to realize that consumers will pay for it. When we look past what is visible to view the hidden consequences, we can start to understand what the true costs of imposing higher wages are.

David Karp is an economics student and former editor-in-chief of the Martlet, the student newspaper at the University of Victoria.