



Not THE Solution.....THE PROBLEM!

"Success is getting what you want, happiness is wanting what you got"
American Inventor Charles Kettering (holder of 186 patents)

Leveraging a growing mentality that things are "owed" rather than "earned" in America, there is an expanding thought that a push for a \$15 an hour minimum wage (more than double the current rate in most states) is the solution to the nation's unemployment woes. Protestors are framing the issues that business and big corporations are part of a public domain and should by extension share in their good fortunes.

Now, the minimum wage debate has gone from irresponsible to obscene as last week there was chatter out of California that they are considering hiking their minimum wage to as much as \$25 an hour. While it continues to be framed as a "fairness" issue, to those working for minimum wage, you never hear it being framed in the context of those who made good choices, worked hard, made sacrifices, and avoided self-inflicted mistakes to climb the ladder to higher wages. When really debated, it could actually be most unfair to those who could one day earn that \$25 an hour; despite the fact their skill set calls for a much lower income.

Facts to consider:

- People go into/start a business to make money
- Business already pays a lot of taxes and have no obligation to pay salaries above free market levels
- Large fast food chains are struggling in the USA – virtually all, and any growth they have comes from outside of the USA

- States with minimum wages already above the federal level for the most part have higher unemployment than the national average

State	Minimum Wage	Unemployment Rate
California	\$8.00	8.7%
Connecticut	\$8.25	8.1%
Washington, DC	\$8.25	8.6%
Illinois	\$8.25	9.2%
Oregon	\$8.95	8.0%

- The province of Ontario raised the minimum wage to \$10.25 in 2010 and to \$11 this June, and yet unemployment, especially with youth, keeps rising (and the NDP are proposing a rise to \$12 in their election platform).
- 49% of minimum wage workers are teenagers
- Only 17% live in households where cumulative income is less than the poverty line
- 51% of minimum wage workers are 25 years old or older, of which 21% is a spouse/head of household

(Source: Wall Street Strategies May 8, 2014)

Flash back to two years ago when McDonald's put on a one day job fair in 2011. They were going to hire 50,000 people across the USA, and received an avalanche of applications as many who'd been unemployed for years, waited in line for hours for an interview just to have a chance.

1,000,000 Applicants
938,000 Rejected
 62,000 Hired

No one in those lines complained about a higher minimum wage or insisted their salary be adjusted for their situation.

Now, fast forward three years later, and last week it was reported in the national media that those hired that day are being exploited and mistreated, and that they deserve a 106% pay increase. So the bureaucrats whose daily job is to sell the business of dependency and dashed dreams, are now portraying these people as victims of greedy capitalism?

On Friday, an agitation organization called the Fast Food Forward was staging a global protest demanding significantly higher wages for fast food workers. They organized protests in 150 cities across 32 countries.

What this group should realize is that free markets dictate wages based on skill-set and demand. I've heard stories on why many Tim Horton's in the Fort McMurray oil sands area can't get employees at \$20+ an hour (because there is so much work available at much higher wages). What the FFF also needs to realize is corporations adapt. If they pursue their demands, it could be the reason in 2009 McDonald's unveiled 7,000 touch screen cashiers in Europe. Didn't all those toll booths on the US highways used to have people in them?

The higher minimum wage argument is a red herring and designed to cover for a weak economy, anchored by poor policies, high taxes, and too many minimum wage workers instead of newly created higher end jobs. In the USA, there have been 22 hikes in the minimum wage since its inception in 1938, and the spread of poverty seems to keep growing, so perhaps it's NOT the solution to solve the problems of the poor.

The higher minimum wage is not a fix for any nation, but just a carnival barter distraction. The answer is a smarter, better trained, better educated workforce that can compete in today's global economy.

Last week, in the US, when discussing the difference between the long term unemployed and those who find a job after a short unemployment stint, Jason Furman, the Chairman of the Council of Economic Advisors said, "it is all luck." This has become the standard reply out of the White House, which insists anyone who has ever lost their home or a job, that it was "through no fault of their own," so anyone with either (or both) is simply lucky and that rich folks are fortunate to be born into the right circumstances.

But in my own entire work experience since graduating from university, what I've witnessed is that when it comes time for businesses to let people go, they do not begin with their best employees. Of course, that's not always the case, as cuts can often climb up the ladder quickly. But statistics say that there are certain factors in getting and keeping a job that has a lot of being a great employee, and ultimately.....an asset to a business:

- 1/5 of those unemployed have less than a high school education
- 1/5 of those unemployed are 26 years old or younger

In 1999-2000, when the tech boom was running, many with no interest or skills in that area went into building and construction, rather than “waste” time in college. When the 2008-09 crisis hit, the steady and hefty cheques from construction jobs simply vanished. But to blame the decision on skipping school for a quick buck is something that cannot be blamed on society, capitalism or rich people when the economy rolls over.

I cannot count the number of friends I knew who in the mid/late 1970’s quit high school to go work at General Motors in St. Catherines (often referred to as “Generous Motors”). They made a lot of money and I remember the “motorcycle envy” I experienced as they bought their toys with their new found wealth. I knew if I even contemplated quitting school I would meet my maker in a hurry, as education was the key to a better future as the offspring of a WWII immigrant.

But that “Generous Motors” story came to an awful ending as we all know, and that plant which once employed nearly 9000 at its peak in the early 1970’s, is all but gone, and all those who quit high school to go there, never even got a decade of work out of it.

According to the US think tank Brookings Institute, education does pay off:

Employment & Education	Unemployment Rate	Participation Rate	Long Term Unemployed (2013)
< High School	8.9%	14.6%	5.1%
High School	6.3%	58.0%	3.6%
Some College	5.7%	67.3%	2.7%
Degree	3.3%	75.1%	1.7%

In February, 2,475,000 people quit the workforce while 107,000 jobs were created. In March, the new jobs increase was only by 1,000. Still, in this period of the redistribution of wealth and redistribution of accountability, the minimum wage battleground is perfect as it evokes victimization, the ills of capitalism, and in some cases, racism.

No nation is going to compete in this world with so much focus on artificial wages, and limiting profits and wealth of businesses and individuals.

A minimum wage job should be a stepping stone, a place to learn skills and develop street smarts. What do Jay Leno, Actress Sharon Stone,

Olympian Carl Lewis and Amazon Founder Jeff Bezos have in common? Their first job was for minimum wage at McDonald's.

I remember my first job on Clifton Hill in Niagara Falls in the early 1970's when it took hours to go down that one mile distance because of all the traffic. It was \$1.10 an hour and like most kids in Niagara back then, it was in a restaurant, and not as one of those high end snotty bus boys, no sirree, it was as a dishwasher and after two weeks at 60 hours per week, I thought I was rich when I got my first paycheck. I did that for about two years before graduating to a short order cook, and eventually shift supervisor of the kitchen. But even as I moved on to harder but better paying factory jobs, I always worked two jobs and stayed at the restaurant into my early 20's. I think about those days fondly (it was fun and I learned more than any school could teach me about business, work ethic and, most importantly, people).

I considered the job a stepping stone, a place to earn and save money and stay off the streets. I was always grateful and worked incredibly hard. Those skills I learned back then have served me well and still do today. Every single kid should have the experience of a minimum wage job, and the lessons learned that go along with it.

Stay patient and stay tuned,

Vito Finucci
Vice President and Director
Investment Advisor

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