

A Consultation Paper On Ontario's Minimum Wage

Ministry of Labour
July 2013

INTRODUCTION

On May 2, 2013, the Ontario government announced that it was establishing an Advisory Panel to provide advice on how to adjust Ontario's minimum wage. The Panel is composed of an independent chair and representatives from business, worker and youth groups.

Following consultations with interested parties and advice from the Panel members, the Chair will provide recommendations to the government on how Ontario should determine future changes to the minimum wage.

The Minimum Wage Advisory Panel officially began its work on July 17, 2013. The Panel is looking for feedback on an approach for determining Ontario's minimum wage in the future.

The Terms of Reference for the Panel can be found on the Ministry of Labour's website at ontario.ca/minimumwagereview

PURPOSE OF CONSULTATION

The purpose of this consultation is to seek your views about Ontario's minimum wage. Specifically, the Chair of the Advisory Panel is seeking your views on approaches for determining future adjustments to the minimum wage.

The responses received during this consultation will inform the Panel's research and the formulation of the Chair's recommendations.

THE MINIMUM WAGE IN ONTARIO

We are seeking your comments, suggestions and input on issues related to mechanisms for determining Ontario's minimum wage.

Ontario's employment standards legislation provides the basic rules that govern employment relationships in Ontario. The minimum wage is a core standard under the Employment Standards Act, 2000 (ESA). The general intent of the minimum wage is to create a wage floor for the labour market and to help ensure a minimum standard of living for employees.

Minimum Wage Rates

The ESA requires employers to pay at least the prescribed minimum wage rate. The rates and other rules relating to the minimum wage are set out under [Ontario Regulation 285/01](#). The current general minimum wage is \$10.25 per hour.

The minimum wage provisions apply to most employees in Ontario. They apply regardless of the employee's employment status (e.g., full-time, part-time, casual, permanent, temporary) or the basis on which they are paid (e.g., hourly rate, commission, piece rate, flat rate or salary).

In addition to the general minimum wage (\$10.25 per hour), there are separate minimum wage rates for certain categories of employees, including students under 18 (\$9.60 per hour) and liquor servers (\$8.90 per hour).

Determining Minimum Wage Rates

There are a number of factors that the government considers when it analyzes the minimum wage, including:

- Economic conditions in the province, including job growth, unemployment rates, average wages, and family incomes;
- The cost of living, including taxes and average household expenditures;
- The characteristics of minimum wage earners, including their age, sex, family status, industry and employer size;
- The overall impact of previous minimum wage increases on low wage earners, including employment levels and hours of work;
- The overall impact of previous minimum wage increases on business, including business productivity by sector and industry;
- Trends and developments related to minimum wage in other jurisdictions, including the analysis of approaches and mechanisms used in those jurisdictions; and
- Results from consultations with stakeholders, the public, and other departments in government.

1. In addition to these factors, are there other factors the Ontario government should consider in reviewing the minimum wage?

Establishing a Review Process

Since 1970, increases to Ontario's minimum wage have typically occurred annually (occasionally bi-annually). These increases have generally occurred on a discretionary basis, rather than through the establishment of a formal mechanism to review the minimum wage.

After being frozen from 1995 to 2003, Ontario's minimum wage increased every year between 2004 and 2010:

- In 2003, a schedule of increases was announced for 2004, 2005, 2006 and 2007.
- In 2007, a schedule of increases was announced for 2008, 2009 and 2010.

The minimum wage was last increased in March 2010.

Other Canadian jurisdictions use a number of different mechanisms to adjust their minimum wage rates, including:

- Ad hoc by government, where the government has discretion to decide when to make adjustments to minimum wage, without a formalized mandatory review process.
- An independent advisory committee (normally composed of stakeholders and academics) that meets periodically and issues recommendations to the government regarding adjustments to the minimum wage rate.
- A mandatory review process, where the government is required to conduct a periodic review of its minimum wage rate (e.g. annually or bi-annually).

2. Should Ontario consider adopting any of the mechanisms currently being used by other Canadian jurisdictions to adjust their minimum wage rates?

3. Are there any other types of review processes Ontario should consider as a mechanism to use in establishing minimum wage rates in future?

Tying Minimum Wage to Economic Indicators

Several Canadian jurisdictions tie their minimum wage rates to different economic indicators:

Consumer Price Index (CPI)

The CPI is widely used as an indicator of the change in the rate of inflation or general level of consumer prices in Canada. It is obtained by comparing, over time, the cost of a fixed basket of goods and services purchased by consumers. Since the basket contains goods and services of unchanging or equivalent quantity and quality, the index reflects only pure price change.

Cost of Living Adjustments (COLA), which are contained in some employment contracts and pension plans, are often based on an index such as CPI.

Four jurisdictions in Canada currently index their minimum wage rates to changes in CPI.

For more information on CPI, visit "Your Guide to the Consumer Price Index", Statistics Canada: <http://www.statcan.gc.ca/pub/62-557-x/62-557-x1996001-eng.pdf>

Low Income Cut-Off (LICO)

LICO is an income threshold below which a family may be considered to be in poverty because it has to spend a greater proportion (20% more) of its income on necessities (food, shelter and clothing) than the average family of similar size.

LICOs are established using data from the Statistics Canada Survey of Household Spending.

Nova Scotia indexes its minimum wage rate to changes in the LICO, adjusted by CPI.

For more information on LICO and how it is calculated, visit the Statistics Canada website:

<http://www.statcan.gc.ca/pub/75f0002m/2010005/lico-sfr-eng.htm>

Average Weekly Earnings (AWE)

Average weekly earnings are determined using data from the Statistics Canada Survey of Employment, Payroll and Hours. According to Statistics Canada, from 2008 to 2012, [Ontario's average weekly earnings](#) increased by an average of 2.0% each year (from \$838.14 in 2008 to \$908.00 in 2012).

Alberta and Saskatchewan currently index their minimum wage rates to changes in average weekly earnings as well as CPI.

For more information on AWE, visit the Statistics Canada website:

<http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labr79-eng.htm>

4. Should Ontario's minimum wage be tied to an economic indicator such as the rate of inflation, average weekly earnings, or any other indicator?

5. Are there any other mechanisms Ontario could consider implementing to determine future adjustments to the minimum wage?

Period for Review of the Minimum Wage

Minimum wage policy in Ontario is regularly reviewed and analyzed by the Ministry of Labour. Increases have generally occurred on a discretionary basis. Currently, there are no formal statutory mechanisms in place to review or determine adjustments to the minimum wage.

Since 1970, increases to Ontario's minimum wage have typically occurred every one to two years. More recently, increases occurred annually from 2004 to 2010.

6. How often should Ontario review the minimum wage?

7. Should there be a mandatory periodic review of Ontario's minimum wage? If so, how often should such a review occur, and what format would the review take?

Notice Period

8. How much notice should Ontario provide to employers and employees prior to the implementation of any change in the minimum wage?

ADDITIONAL COMMENTS

9. Do you have any other comments regarding Ontario's minimum wage?

How to Respond to this Consultation Paper

If you are interested in responding to this paper with your comments, ideas and suggestions, please contact the Ontario Ministry of Labour by:

E-mail: minimumwage@ontario.ca

Mail: Minimum Wage Advisory Panel
400 University Ave., 12th Floor
Toronto, ON
M7A 1T7

Fax: 416-326-7650

Online: Ontario.ca/minimumwagereview

Please provide your response by October 18, 2013.

Your input will help the government to make decisions about the future of Ontario's minimum wage.

Thank you for taking the time to participate.

Notice to Consultation Participants

Submissions and comments provided are part of a public consultation process to solicit views on Ontario's minimum wage. This process may involve the Ministry of Labour publishing or posting to the internet your submissions, comments, or summaries of them. In addition, the Ministry may also disclose your submissions, comments, or summaries of them, to other parties during and after the consultation period.

Therefore, you should not include the names of other parties (such as the names of employers or other employees) or any other information by which other parties could be identified in your submission.

Further, if you, as an individual, do not want your identity to be made public, you should not include your name or any other information by which you could be identified in the main body of the submission. If you do decide to identify yourself in the body of the submission this information may be released with published material or made available to the public. However, your name and contact information provided outside of the body of the submission, such as found in a cover letter, will not be disclosed by the Ministry unless required by law. An individual who provides a submission or comments and indicates an affiliation with an organization will be considered a representative of that organization and his or her identity may be disclosed.

Personal information collected during this consultation is under the authority of subsection 23(1) and paragraph 2 of subsection 141(1) of the Employment Standards Act, 2000 and is in compliance with subsection 38(2) of the Freedom of Information and Protection of Privacy Act.

If you have any questions regarding privacy matters, you may contact the Ministry's Freedom of Information and Privacy Office at 416-326-7786.