

Incremental Minimum Wage Increases in Ontario

Issue:

The appropriate minimum wage level in Ontario should be determined by an independent minimum wage board or commission review and any recommended increase determined for now and in the future should be implemented incrementally to minimize impact on business and jobs.

Background:

On February 1, 2007, General Workers Minimum Wage in Ontario increased from \$7.75/hr to \$8/hr. (Note – there are some jobs where minimum wage is set at a different rate vs. General Workers). Despite the increase, there is substantial pressure on the provincial government to make a more significant increase, including a Private Members Bill proposing that the rate be increased to \$10/hr.

Proponents for minimum wage increases suggest that the rate should be set to meet minimum cost of living expenses (living wage) for workers and families in the province. About 5% of Ontario's workers receive minimum wage, many are part-time employees and students.

The fact that minimum wage in Ontario was frozen for nine years (from 1995 to 2004) has caused minimum wage to fall behind inflation, making a strong case for an increase. However, at \$8/hr, minimum wage in Ontario is the on par with British Columbia as the one of the highest provinces/territories in Canada, and behind Nunavut (\$8.50) and Northwest Territories, Yukon (\$8.25).

Concerns about increases to minimum wage relate to impact on businesses and jobs. The Ontario Ministry of Finance has suggested that up to 66,000 jobs would be lost if Ontario raised its minimum wage to \$10/hr. While incremental increases in minimum wage are deemed to have little or no impact on business, as business would typically adapt well to such changes, there is evidence from business in certain sectors that a more significant increase will have a negative impact on business and reduce employment.

In six provinces/territories in Canada, an independent board or commission is used to set minimum wage. These include Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, and the Yukon. These bodies are comprised of representatives from the business and labour community to determine fair, balanced, and appropriate rates. In Ontario, there has been no independent board or commission to determine minimum wage rates, causing decisions on minimum wage to become very politicized; nor is there any requirement for a mandatory periodic review as currently exists in Newfoundland and Nunavut.

RECOMMENDATIONS:

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Initiate an independent minimum wage review board or commission, comprised of business representatives (representing various sector and sizes) and labour representatives, to determine an appropriate minimum wage level in Ontario. The work of the review board or commission should be public and transparent.
2. Consider mandatory minimum wage reviews by the review board or commission to occur periodically e.g. every year; bi-annually.
3. Should an initial significant increase be recommended by the independent board/commission review (i.e. more than 10% of existing rate), the increase should be phased in incrementally over a period to minimize impact on business and jobs.
4. Ensure that any future increases are implemented incrementally (no more than 10%) to minimize impact on business, but preferred to be set at or near the level of inflation.