

2014
**Minimum Wage
Advisory Panel**

Report and Recommendations
to the Minister of Labour

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16 December 2013

The Honourable Yasir Naqvi, Minister of Labour
Ministry of Labour
400 University Avenue, 14th Floor
Toronto, ON
M7A 1T7

Dear Minister Naqvi:

In June 2013 you appointed me to Chair the Minimum Wage Advisory Panel (the Panel) under Order-in-Council (OIC) number 757/2013. You also appointed five others to the Panel and charged us with the mandate of examining Ontario's minimum wage policy and providing advice on an approach for determining minimum wages in the future.

In order to fulfil this mandate, we have consulted widely with Ontarians from all sectors of the economy and geography. We held public consultations in ten cities across the province where ninety-two organizations and individuals presented their views both orally and through written submissions on revisions to the minimum wage. We also received three hundred and forty submissions through the website, via email, by fax, by mail and through a toll-free telephone line set up for the Panel.

Our in-house research team has reviewed practices prevalent in other Canadian and selected international jurisdictions. The Panel also reviewed the findings of research studies on the effects of revising minimum wages in Canada and elsewhere.

The Panel has now completed its work and I am pleased to submit my final report for your consideration. My central focus in arriving at the recommendations has been to put our province on a path moving forward towards sustainable growth and rising prosperity. Minimum wages by themselves cannot achieve these goals but they do play an important role.

This work would not have been possible without the valuable input of many people. I would like to take this opportunity to acknowledge the contributions of the following in particular:

- my fellow panelists whose collective wisdom and experience helped achieve consensus around the final recommendations;
- the various organizations and individuals who took the time and effort to communicate with their government through the Panel;

- the dedicated and highly professional staff at the Ministry of Labour and the Ministry of Finance who provided the Panel with background information and research;
- my own team of graduate research assistants at the University of Toronto; and
- the many other individuals who provided their input ranging from advice to sending us reports and relevant clippings from various sources.

I hope that the work of this Panel will be useful to you and your government in formulating and implementing the best solutions for Ontario. I am available to you or your staff to discuss my recommendations.

Sincerely,

Anil Verma

Chair, Ontario Minimum Wage Advisory Panel

Cc: Cynthia Morton, Deputy Minister, Ministry of Labour

Executive Summary

The Ontario Minimum Wage Advisory Panel (MWAP or the Panel) was established by the Government of Ontario in June 2013 by an Order-in-Council (OIC), number 757/2013, to conduct an independent review of the process of setting the minimum wage in Ontario.

The Panel was given the following mandate:

“The Minimum Wage Advisory Panel will examine Ontario’s current minimum wage policy and provide advice on an approach for determining the minimum wage in the future. It will examine the effectiveness of other jurisdictions’ minimum wage models.”

Public consultations were invited through multiple complementary channels of communication between the public and the Panel. In-person submissions were invited from the public in ten cities across the province. The Panel also invited the public to make submissions through its dedicated webpage, via email, by fax, by mail and through a toll-free phone number. Before reaching out to the public, a Consultation Paper on Ontario’s Minimum Wage was posted on the Ministry of Labour’s website. Members of the public were encouraged to address the questions in the Consultation Paper in their submissions to the Panel. The Panel heard from over four hundred individuals and organizations: 92 in-person presentations and 340 submissions received through all the channels described above (see Appendix 5a and 5b for details).

The Chair also met, by invitation, with two task groups set up by the Ministry of Labour whose work touches on the work of this Panel: The Vulnerable Workers Task Group and Small Business Task Group.

An in-house research team from the Ministry of Labour and the Ministry of Finance provided information on and analysis of the profile of minimum wage workers and trends in the minimum wage relative to other wages over time.

It should be noted that in the public feedback received by the Panel there was near universal agreement on making the process of revising minimum wages more transparent, predictable, fair and arms-length from government’s own near-term concerns.

There was broad agreement within the Panel that the basis for revisions to the minimum wage should be easy to understand and administer. The Panel also identified strongly with the public input that the revision process should be predictable, fair, transparent and somewhat removed from government’s near-term concerns. With these criteria in mind, our Panel has reached a consensus around four recommendations, listed below, which are offered for the Government’s consideration.

Recommendation #1: *Minimum wages should be revised annually by a percentage equal to the percent change in the Ontario Consumer Price Index.*

Recommendation #2: *Minimum wages should be revised annually, and a minimum of four months' notice of any wage change should be provided. The effective date of minimum wage changes should be April 1 of the following year. This would result in notification by December 1 of the previous year.*

Recommendation #3: *The Government should undertake a full review of the minimum wage rate and the revision process every five years. This review should be conducted by a panel of stakeholders and a neutral chair. The mandate of this Panel would be to review Ontario's past experience with minimum wage revisions within the context of Ontario's social and economic progress and prevailing practices in other jurisdictions to recommend changes that could better serve Ontario's future needs.*

Recommendation #4: *To aid the full review process, and to ensure that Ontario's minimum wage policies are in step with the needs of its citizens, the Government should establish an ongoing research program for data and information gathering and its subsequent analysis to address policy-relevant minimum wage issues.*

As can be expected from such an exercise, the Panel's deliberations went well beyond these basic recommendations on a wide range of issues concerning the minimum wage. This was also true of public input, which extended frequently beyond the limited mandate of this Panel.

Aside from the consensus reported above, there were differences among Panel members about the scope of the Panel's mandate. Several members supported a broad interpretation of the Panel's mandate, in that the Panel should be recommending not only a mechanism for minimum wage revisions but also setting benchmarks that would relate more directly to the level of the minimum wage. Other Panel members took the view that it was outside the Panel's mandate to consider any recommendation that would lead to the determination of a specific level for the minimum wage. As Chair, I have interpreted the mandate, based on clarifications sought from and provided by the Government, as focusing on **how** the minimum wage rate should be set in the future. Accordingly, this report does not include any recommendation, which would effectively set a specific level for Ontario's minimum wage.

From our consultation with the public, it became apparent that various stakeholders expected that the mandate of the Panel would include a determination and/or recommendation of the minimum wage rate being set at a specific level. This was made clear by the amount of time and materials devoted to addressing this issue, in contrast to the attention paid to the set of questions set out in the Consultation Paper. Clearly, this is an issue of great significance and importance to Ontarians, and accordingly, public feedback on this issue is summarized for the Government to consider in determining the level of minimum wages.

One of the issues that surfaced is the question of the baseline for minimum wages in Ontario to which further revisions should be applied. An inflation adjustment to the minimum wage could be applied retroactively to the 2010 level to account for the increase in the cost of living since then. Some Panel members and submissions from the public expressed strong support for this idea. On the other hand, a number of public submissions and some Panel members were opposed to any retroactive adjustment.

Another key issue that emerged from public feedback concerns the inadequacy of the current minimum wage to generate an income that would allow people to escape poverty. Several Panel members expressed the belief that the Panel was established, at least in part, because of the Government's poverty reduction strategy and has recognized that many minimum wage earners are living below the poverty line. A recommendation to tie the minimum wage to a low income measure such as Low Income Cut-Off (LICO) or Low Income Measure (LIM) was made repeatedly.

The Government will need to consider whether it wishes to implement an increase in the minimum wage that would bring full-time, full year minimum wage workers above the poverty line. For the record, these proposals were strongly opposed by business groups and individuals who stressed the importance of two factors in any future revision to the level of Ontario's minimum wage. First, increases can be planned for and absorbed by business if they come in small, incremental steps. Second, Ontario's minimum wage should be in line with other Canadian provinces, the U.S. and other jurisdictions of relevance to the Canadian economy.

01 | The Minimum Wage Advisory Panel

1.1 Establishment and Structure of the Minimum Wage Advisory Panel

The Ontario Minimum Wage Advisory Panel (MWAP or the ‘Panel’) was established by the Government of Ontario (the ‘Government’) by the Order-in-Council (OIC) number 757/2013. In June 2013, I was appointed to conduct an independent review of the process of setting the minimum wage in Ontario, and to advise the Minister of Labour, the Honourable Yasir Naqvi, on an approach for determining the minimum wage in the future. A panel of five members was appointed to represent various stakeholders on the Panel and provide advice and assistance. The Panel’s composition is as follows:

Chair: Anil Verma, Professor, University of Toronto

Panel Members: Laura D’Amico, *Student, Wilfrid Laurier University*
Beth Potter, *Tourism Industry Association of Ontario*
Gary Rygus, *Retail Council of Canada*
Antoni Shelton, *Ontario Federation of Labour*
Adam Vasey, *Pathway to Potential*

Brief biographies of Panel members are attached in Appendix 2.

1.2 The Mandate of the Minimum Wage Advisory Panel

The Panel was given the following mandate:

“The Minimum Wage Advisory Panel will examine Ontario’s current minimum wage policy and provide advice on an approach for determining the minimum wage in the future. It will examine the effectiveness of other jurisdictions’ minimum wage models.”

A copy of the full Terms of Reference is attached in Appendix 1.

Right from the very beginning, Panel members raised the issue of how our mandate should be interpreted. Initially, there was some confusion which later became a fundamental disagreement among Panel members about the scope of the Panel’s mandate. Several members supported a broad interpretation of the Panel’s mandate, in that the Panel should be recommending not

only a mechanism for minimum wage revisions but also setting benchmarks that would relate more directly to level of the minimum wage. It was argued that setting a specific goal for the minimum wage would be in keeping with the Government's stated goal of reducing poverty in the province. Other Panel members took the view that it was outside the Panel's mandate to consider any recommendation that would lead to determination of a specific level for the minimum wage. This discussion took place on many occasions from the beginning right until the end of the Panel's work.

As Chair, I interpreted the mandate as focusing on **how** the minimum wage rate should be set in the future, based on clarifications sought from and provided by the Government. It became clear to me that the mandate did not include providing a recommendation on what the current or future rate should be. This interpretation is reinforced by the mandate's focus on the "approach **for** determining the minimum wage in the future." The mandate did not specifically ask the Panel to recommend a minimum wage rate. Had this been a part of the mandate, the setting of a rate would have been explicitly mentioned. This interpretation has certainly limited the scope of the Panel's recommendations but perhaps this simply reflects the Government's intent to tackle the issue in multiple steps.

From our consultation with the public, it is apparent that various stakeholders expected that the mandate of the Panel would include a determination and/or recommendation of the minimum wage rate being set at a specific level. This was made clear by the amount of time and materials devoted to addressing this issue, as opposed to the set of questions set out in the Minimum Wage Consultation Paper. Clearly, this is an issue of great significance and importance to Ontarians, and the Government would be well advised to pay attention to their feedback on setting the level of minimum wages. These opinions and feedback are summarized elsewhere in this report for onward transmission to the Government. For all the reasons stated above, no recommendations on a specific rate or any benchmark that would lead to the determination of a specific rate for the minimum wage will be made in this report.

I have included a separate section summarizing the views and submissions of the public, which largely address their opinions on the current minimum wage rate and a suggested rate or benchmark. The submissions are extremely informative about the general thoughts and opinions of various individuals and stakeholder groups.

1.3 Outreach, Public Consultations, Briefings and Research

Public consultations were conducted through two complementary channels of communication between the public and the Panel. In-person submissions were invited from the public in ten cities. Ninety-two presentations were made by organizations and individuals at these consultations.

The list of cities was chosen in consultation with the Ministry of Labour and its contacts with stakeholder groups. It is important to note that the number of cities that the Panel could travel to was limited by a number of constraints. The foremost consideration was the need to complete the Panel's work within the time limit imposed by the Order-in-Council. There was also a need expressed to limit costs. The availability of Panel members was a consideration as well.

The Panel also invited the public to make submissions online through its dedicated webpage on the Ministry of Labour's website. The public could also make submissions by sending comments to the Panel's email address, by fax, by mail or by leaving a voicemail at the Panel's toll-free number. Three hundred and forty written submissions were received through these channels.

The Chair also met, by invitation, with two task groups set up by the Ministry of Labour whose work touches on the work of this Panel: The Vulnerable Workers Task Group and Small Business Task Group.

A number of initiatives were undertaken to gather basic information, data and research findings to support the Panel's work. Three sources of information were used in the Panel's work.

- The Ministry of Finance provided a number of tables and charts (see Section 2) to describe the profile of minimum wage workers in Ontario and trends in the minimum wage relative to other wages over time.
- The Ministry of Labour compiled information on minimum wage policies and practices in other Canadian provinces and in selected OECD countries.
- The third source of information was published academic research on the effects of the minimum wage. This research was conducted by graduate research assistants under my guidance (see Section 3).

Since there is no ongoing program of research to inform minimum wage policymaking, substantial effort was expended in gathering relevant information. While I am satisfied that we were able to gather the most important information that was pertinent to our work, there were gaps in our knowledge that limited the scope of our considerations.

1.4 Methodology

The Panel adopted a two-part, multi-level methodology to conduct its work. The two essential inputs consisted of public consultations and in-house research.

A Consultation Paper on Ontario's Minimum Wage was created by the Ministry of Labour in consultation with the Chair. This paper provides a brief background to Ontario's minimum wage and poses eight specific questions for public input. A copy of the Consultation Paper (attached in Appendix 3) was placed on a webpage accessible through the Ministry of Labour's website. The address of this webpage was widely circulated through media releases. The public was encouraged to address these questions in their submissions to the Panel.

1.5 Process of Report Production

As set out in the Terms of Reference, this report is written by the Chair of the Panel. The following summarizes the process and criteria I have used in producing the report.

In arriving at the final recommendations I have considered all inputs but subjected them to a set of criteria outlined here. Public submissions by their very nature are highly diverse on almost all issues relating to revisions in the minimum wage.

However, it should be noted that there was near universal agreement on making the process of revising minimum wages transparent, predictable, fair and less “political”. It is rare to see such consensus emerge among a wide cross-section of Ontarians. My approach in this report is to accurately summarize the diversity of feedback from the public. Capturing this diversity serves a purpose beyond the work of this Panel. There is highly useful feedback in there that can inform policymaking in other related areas of public policy in the future.

Public input frequently went beyond the mandate of this Panel. Again, such feedback can be very useful for policymaking in the future in a number of areas. I have summarized such feedback in Appendix 6.

Our final recommendations are built around the broad consensus within the Panel. For example, there was broad agreement within the Panel that the basis for revisions to the minimum wage should be easy to understand and administer. The Panel also identified strongly with the public input that the revision process should be predictable, fair, transparent and somewhat removed from Government’s near-term concerns.

As can be expected from such an exercise, the Panel’s deliberations went well beyond these basic recommendations on a wide range of issues concerning the minimum wage. This was also true of public input, which extended frequently beyond the limited mandate of this Panel. Even though opinions within the Panel and members of the public did not always converge on many of these issues they are summarized here for the benefit of the Government because they can be very useful in guiding minimum wage policy development in the future. Some of this feedback can be useful in guiding policy in related areas such as poverty reduction or creating skills training opportunities for vulnerable groups.

1.6 Organization of the Report

Section 2 provides a profile of minimum wage workers in Ontario along with trends over time and across other jurisdictions. Section 3 summarizes academic research about the economic impact of minimum wages. Section 4 discusses the various policy options available to the Ontario Government, along with the final recommendations and justification for these recommendations. Section 5 summarizes the recommendations. Finally, Section 6 offers some conclusions about what the Government of Ontario could learn from the experience and observations of the Panel.

Appendix 6 summarizes issues that are not within the mandate of the review but were raised during public consultations. In doing so, I acknowledge the contribution of all the stakeholders in raising these issues, and hope that the Government will find it pertinent to policymaking in the broader context in the future.

Other Appendices to this report contain a number of additional summaries and references to statutory, statistical, academic and other sources of material used in the production of this report.

02 | Minimum Wage in Ontario: Profile and Trends

2.1 Minimum Wage Background

Ontario's minimum wage provisions are set out in Section 23 of the Employment Standards Act, 2000 (ESA). Minimum wage provisions were first introduced in Ontario in 1920 with the Minimum Wage Act. Effective January 1, 1969, this legislation was repealed and its main provisions were absorbed into the Employment Standards Act, 1968. The general intent of the minimum wage regulation is to create a wage floor for the labour market, and to set a base standard of living for employees.ⁱ It should be noted that in Ontario the rate itself is set out in the regulations to the ESA.

The following policy objectives are given consideration when adjusting the minimum wage:

- Fostering economic viability;
- Minimizing potential adverse employment/economic effects of increases;
- Encouraging participation in the labour market – workers should be better off working than being on social assistance;
- Ensuring that workers' earnings are not diminished by rising inflationary costs;
- Increases should be viewed by labour and employer stakeholders as fair.

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).ⁱⁱ

There is currently no formal process established in Ontario for increasing the minimum wage on a regular basis. The minimum wage is not tied to any economic indicator. Throughout its history, the minimum wage has been subject to a series of periods of freezes and ad-hoc increases.

Recently, the minimum wage in Ontario was frozen at \$6.85 an hour from 1995 to 2003. From 2004 to 2010, the minimum wage was increased in two pre-determined series of steps: first from \$6.85 to \$8.00 in four steps and then from \$8.00 to \$10.25 in three steps. The current level of \$10.25 an hour has remained unchanged since March 31st, 2010.

A number of other jurisdictions have begun to add greater structure to the process of revising the minimum wage, through the use of economic indicators for annual, formula based increases, and yearly or multi-year review panels. In recognition of these changes, the Government decided to review its own process through the establishment of a Minimum Wage Advisory Panel (the Panel).

2.2 Statistical Profile of Minimum Wage Work in Ontario

The following section sets out a statistical profile of minimum wage work and workers in Ontario, through a series of charts, figures and summaries.

2.2a Minimum wage workers in Ontario

By industry

Three industries, accommodation/food services, retail trade, and agricultural industries have the largest percentage of their workforce employed at minimum wages: 39%, 24% and 18% respectively (Chart 1).

Minimum wage workers are disproportionately concentrated in two industries: retail trade and accommodation and food services. The retail industry employs only 12% of the total workforce but it accounts for 30.7% of all minimum wage workers in Ontario (Chart 2). Similarly, the accommodation and food services industry employs only 6.7% of the total workforce but it employs 28.4% of all minimum wage workers. Together, the retail industry along with accommodation and food services accounts for nearly two-thirds of all minimum wage workers even though these two industries employ only 18.7% of the Ontario workforce. All other industries that employ 81.3% of all workers account for only 40.9% of the minimum wage workforce.

By age, education

In terms of age, the youth stand out as a group among minimum wage earners. Youth in the 15-19 years age group are only 4.9% of the total workforce but they form a solid 42.1% of the minimum wage workforce (Chart 3). An older young adult group, 20-24 years, is also overrepresented but not to the same extent. They form 10.1% of the workforce but nearly 19.7% of the minimum wage workforce. Conversely, working age adults in the 25-64 age groups are underrepresented. They constitute 82.8% of the workforce but 35.6% of the minimum wage workforce. In absolute terms, adults between the ages of 25-64 make up a large portion of minimum wage workers. Stated another way, one in three adults working at the minimum wage is in what is considered to be the prime of their working careers.

The incidence of minimum wage workers between the ages of 15-19 has increased significantly from 2005, following a slight decline from 1997-2003 and a spike in 2004 (Chart 4). From 2011 to 2012, the incidence of minimum wage workers between the ages of 15-19 has stopped increasing and appears to be leveling off. Incidence of minimum wage workers in the 20-24 age group and 25+ age group was stable until 2007, when a slight increase appears for both groups.

Incidence of minimum wage work among people with some high school education (i.e., not completed high school) increased significantly from 2006 until 2011 (Chart 5). This group was consistently more likely to be employed at the minimum wage than all other groups, for every year during the 1997-2012 period. The likelihood of being employed at the minimum wage drops generally with additional years of education. The only exception is the group with 0-8 years of education which is less likely to be employed at the minimum wage relative to the group with some high school education.

By gender, race, immigrant status

Women are slightly over-represented in the minimum wage group. Women constituted 50.3% of the Ontario workforce in 2012 but their share of the minimum wage group was 58.3% (see Table 10).

The incidence of recent immigrants in the minimum wage workforce, defined as having arrived in Canada within the past ten years, has risen sharply since 1998 when it was 6.9% to 19.1% in 2011 (see Table 9). This nearly three-fold increase in the incidence well exceeds the increase in incidence for all workers which rose from 6.3% to 9.0% over the same period.

The incidence of minimum wage work in Ontario has also risen for a group defined as Disadvantaged (defined as disabled, recent immigrant, member of a female lone parent family, an Off-Reserve Aboriginal Person or an unattached individual 45 to 64 years old) from 7.4% to 11.2% over the same period (Table 9).

By household-type

The majority of minimum wage earners are dependent working age children (a son or daughter living in a family home), whereas a minority of minimum wage earners are couples (Table 1). Of the minimum wage earners that hold a couple status, the majority have a spouse who is employed.

Sons or daughters living in the family home are overrepresented as they constitute only 17.1% of the workforce but form 56.3% of the minimum wage workforce (Chart 6). Couple households are the largest underrepresented group: they are 57.4% of the total workforce but only 23.4% among the minimum wage workforce.

By hours worked

Nearly seventy percent of minimum wage earners work part-time, i.e., less than thirty-five hours per week (Table 2). Only thirty percent of minimum wage earners work full-time hours, i.e., thirty-five hours or more per week. The largest group of minimum wage earners, one in three, works between fifteen and twenty-nine hours per week.

The proportion of all workers that work full-time hours, i.e., thirty-five hours or more per week, is 76.1%, whereas the proportion of minimum wage workers that work full-time hours is 30.9% (Chart 7). The proportion of minimum wage workers that work part-time hours, less than 35 hours per week, is 69.1%, whereas the proportion of all workers that work part-time hours is 23.9%.

By union

Ten percent of minimum wage earners are union members or covered by the collective agreement (Table 3a).

By status

The majority of minimum wage earners, 70%, are permanent status employees but this means that 30% are employed on a temporary status, a figure that exceeds the share of temporary status workers in the workforce as a whole at 12.9% (Table 4). Thus, minimum wage workers are two-and-a-half times more likely to be employed in a temporary job category such as seasonal, contract, casual, etc.

2.2b Trends in the Minimum Wage

Minimum wage trend in Ontario and comparison with median wages

The proportion of minimum wage relative to median wage was flat during 1997-99 at about 46% as both the minimum wage and the median wage remained flat. From 1999 until 2003 the minimum wage remained frozen while the median wage was rising in an improving economy. This caused the ratio of the minimum wage to the median wage to drop to roughly 41%. Thereafter, from 2003 until 2010, this ratio rose steadily to 51% as pre-announced increases in the minimum wage took effect and median wages did not grow as fast. Since 2010, minimum wage has remained frozen while median wages have been rising modestly, causing the ratio to drop to 49%.

Ontario minimum wage relative to other economic indicators such as change in CPI, GDP growth, productivity, etc.

The nominal minimum wage, which is the minimum wage in current dollars unadjusted for inflation, did not grow at all from 1997 until 2003 (Chart 9a). From 2003 until 2007, the nominal minimum wage grew at a rate comparable to other indicators such as median hourly wages, the CPI and the GDP. From 2007 until 2010 it grew at a faster pace than other economic indicators. At its peak in 2010, the real minimum wage had made up all of the ground it had lost since 1997 and was roughly 15% above the 1997 level. Since 2010, the real minimum wage had declined relative to other economic indicators but in 2012 it was still 10% above its 1997 level.

Chart 9b shows the real and nominal minimum wage relative to unemployment and labour productivity. While the nominal minimum wage has risen 50% since 1997 and the real minimum wage 10% over the same period, unemployment is lower (to 90% of its 1997 level) and labour productivity has also risen by almost the same amount, about 10%, above its 1997 level.

Both the nominal and real minimum wages have risen higher than the LIM relative to 1997 levels. In 2012, the LICO measure was 30% higher than its 1997 level (Chart 9c). In comparison, the real minimum wage, adjusted for inflation, rose by only 10% over its 1997 level even though the nominal minimum wage rose by 50% since 1997.

Minimum wage trends in other provinces in Canada

A quick overview of minimum wage levels and mechanisms for revision are shown in Table 8. Ontario at \$10.25 an hour is similar to B.C., but is slightly higher than Quebec at \$10.15 an hour. Among the provinces, Manitoba at \$10.45 and Nova Scotia at \$10.30 an hour are now higher due to increases that went into effect in 2013. The other three provinces (Newfoundland & Labrador, New Brunswick and Prince Edward Island (PEI)) and two Prairie provinces (Alberta and Saskatchewan) are all below Ontario's current minimum wage.

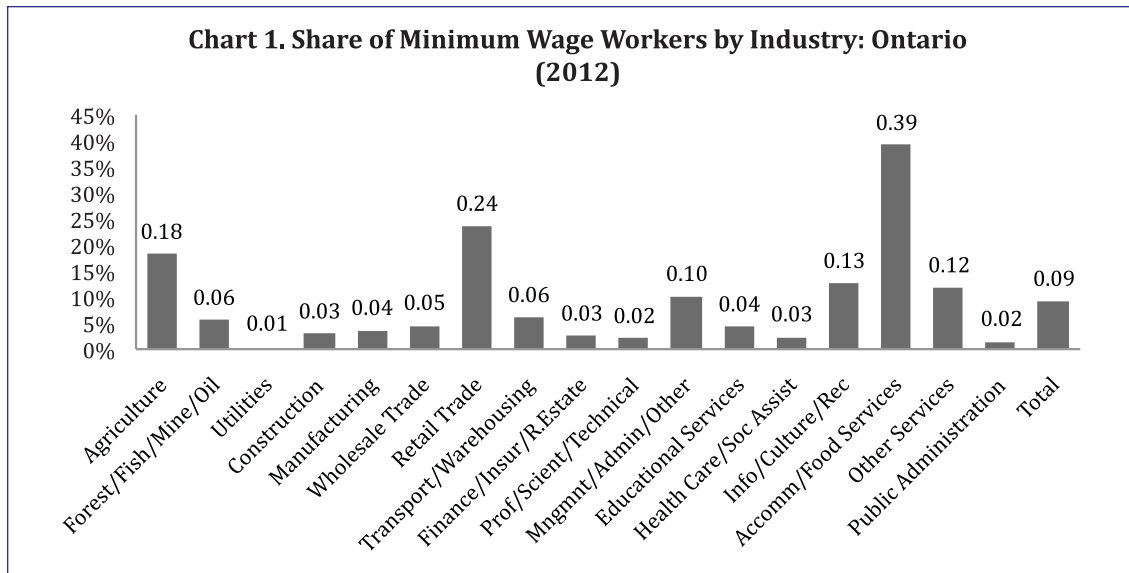
In terms of schedule of increases, the only province not to have revised its minimum wage since 2010 is Newfoundland but its government has now scheduled two increases to take effect in 2014 and 2015 respectively. All other provinces have reviewed the minimum wage in 2012 or 2013. Nunavut and the Northwest Territories (NWT) have not revised their minimum wages since 2011 but the Yukon revised it in 2013 and plans to do another revision in 2014.

The mechanism for introducing a revision in the minimum wage varies across provinces. In Ontario and B.C. it is up to the Government to use its discretion in deciding when to revise and by how much. In five jurisdictions (Manitoba, New Brunswick, Newfoundland, PEI and the NWT) the task is assigned to an independent body that recommends revisions to the government for implementation. In four jurisdictions (the Yukon, Nova Scotia, Saskatchewan and Alberta) an automatic formula is used to calculate increases which are then implemented by a fixed annual calendar. Although Nova Scotia has adopted an automatic formula, it also has retained an independent body to review the minimum wage annually and provide advice to government.

Minimum wage trends in other OECD countries

Ontario's minimum wage at \$10.25 an hour is higher than the federal minimum wage in the United States (US\$7.25 or C\$7.50 an hour) and slightly below UK's (£6.31 or C\$10.36 at current exchange rates) (Table 5). But it is lower than Germany's proposed €8.50 an hour (C\$11.75), Australia's (AU\$16.37 or C\$15.75) and New Zealand's (NZ\$13.75 or C\$11.61) minimum wage.

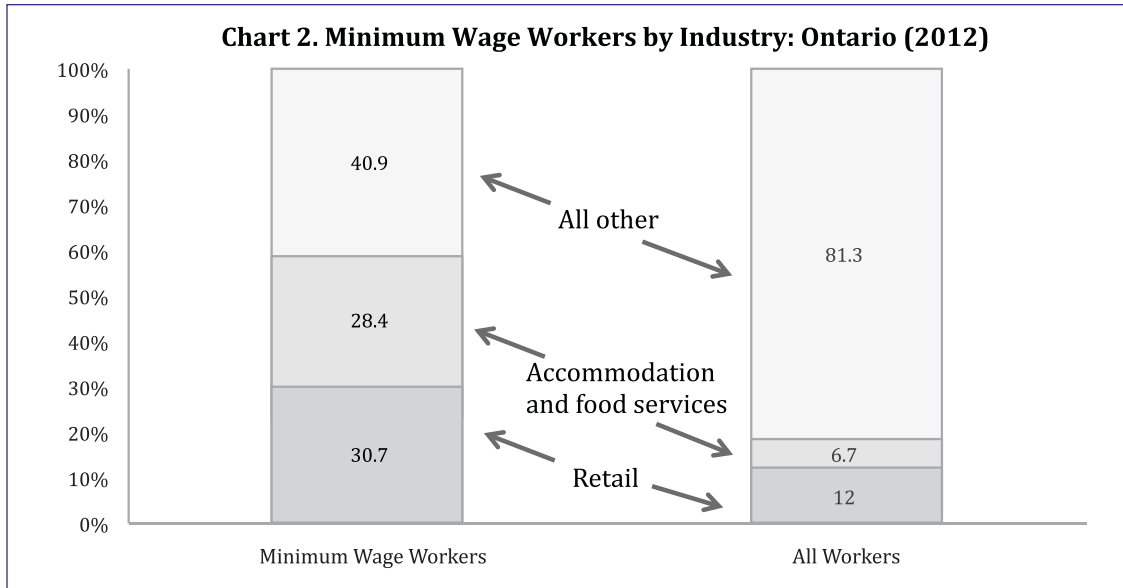
Mechanisms for setting minimum wages vary widely across the OECD countries. But it may be worth noting that in some countries such as the UK and Australia there are wage commissions that operate as an ongoing organization. Australia uses a judicial model by appointing full-time judges, with some part-time members, to the Fair Work Commission. Britain on the other hand appoints members from all stakeholder groups to its Low Pay Commission. These commissions have wider mandates, which justify their full-time operation on an ongoing basis.



Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Data for Chart 1: Percentage of Minimum Wage Workers by Industry: Ontario (2012)

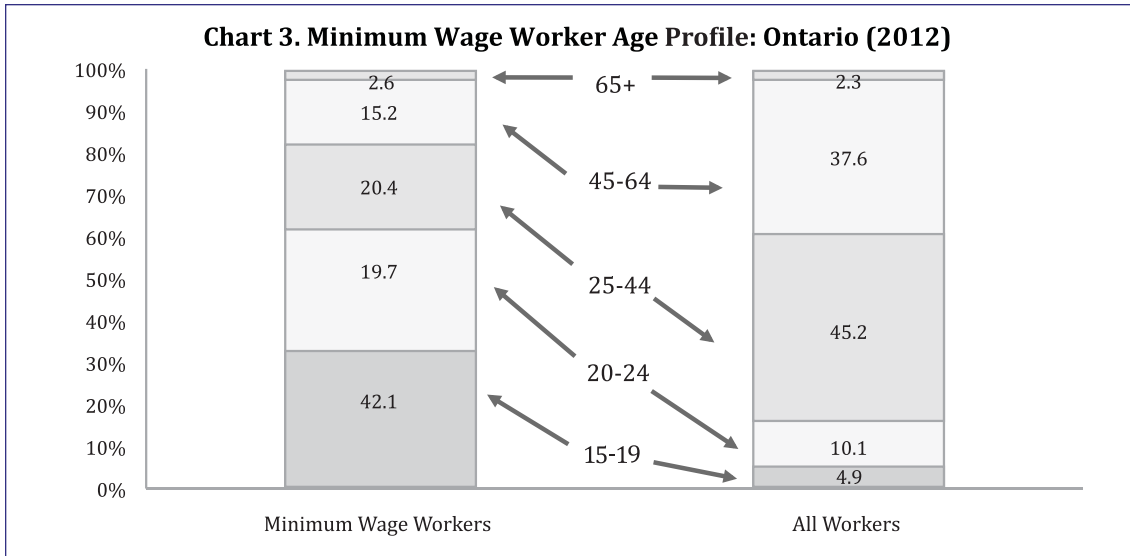
Industries	# Min Wage workers	# Paid workers	Ratio
Agriculture	7,300	39,800	0.18
Forest/Fish/Mine/Oil	2,000	35,200	0.06
Utilities	400	55,500	0.01
Construction	8,900	290,700	0.03
Manufacturing	28,800	771,600	0.04
Wholesale Trade	8,900	189,200	0.05
Retail Trade	164,100	691,500	0.24
Transport/Warehousing	16,000	257,700	0.06
Finance/Insurance/Real Estate	10,900	410,900	0.03
Prof/Scientific/Technical	8,100	372,700	0.02
Management/Admin/Other	23,200	226,100	0.10
Educational Services	21,200	479,800	0.04
Health Care/Social Assist	16,600	663,600	0.03
Info/Culture/Rec	35,300	276,700	0.13
Accommodation/Food Services	152,000	387,300	0.39
Other Services	25,000	209,700	0.12
Public Administration	6,200	382,700	0.02
Total	534,900	5740,400	0.09



Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

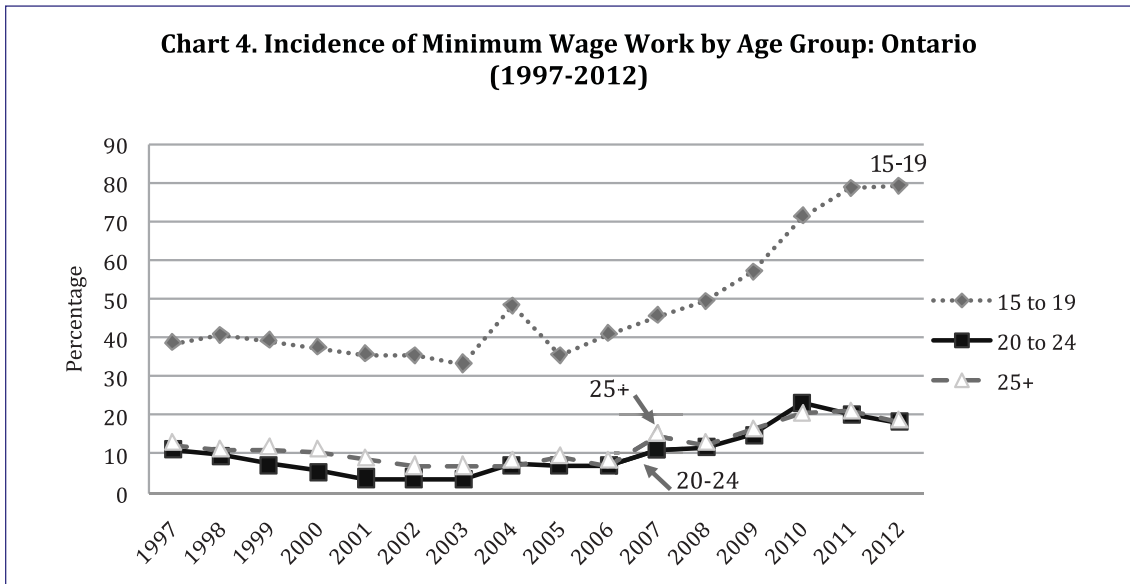
Data for Chart 2: Share of Minimum Wage Workers and Paid Workers by Industry: Ontario (2012)

	Total	Incidence (%)	Share (%)	Total	Share (%)
Total	534,900	9.3	100.0	5,740,400	100.0
Accommodation/ Food Services	152,000	2.6	28.4	387,300	6.7
Retail Trade	164,100	2.9	30.7	691,500	12.0
All other	218,800	3.8	40.9	4,661,600	81.3



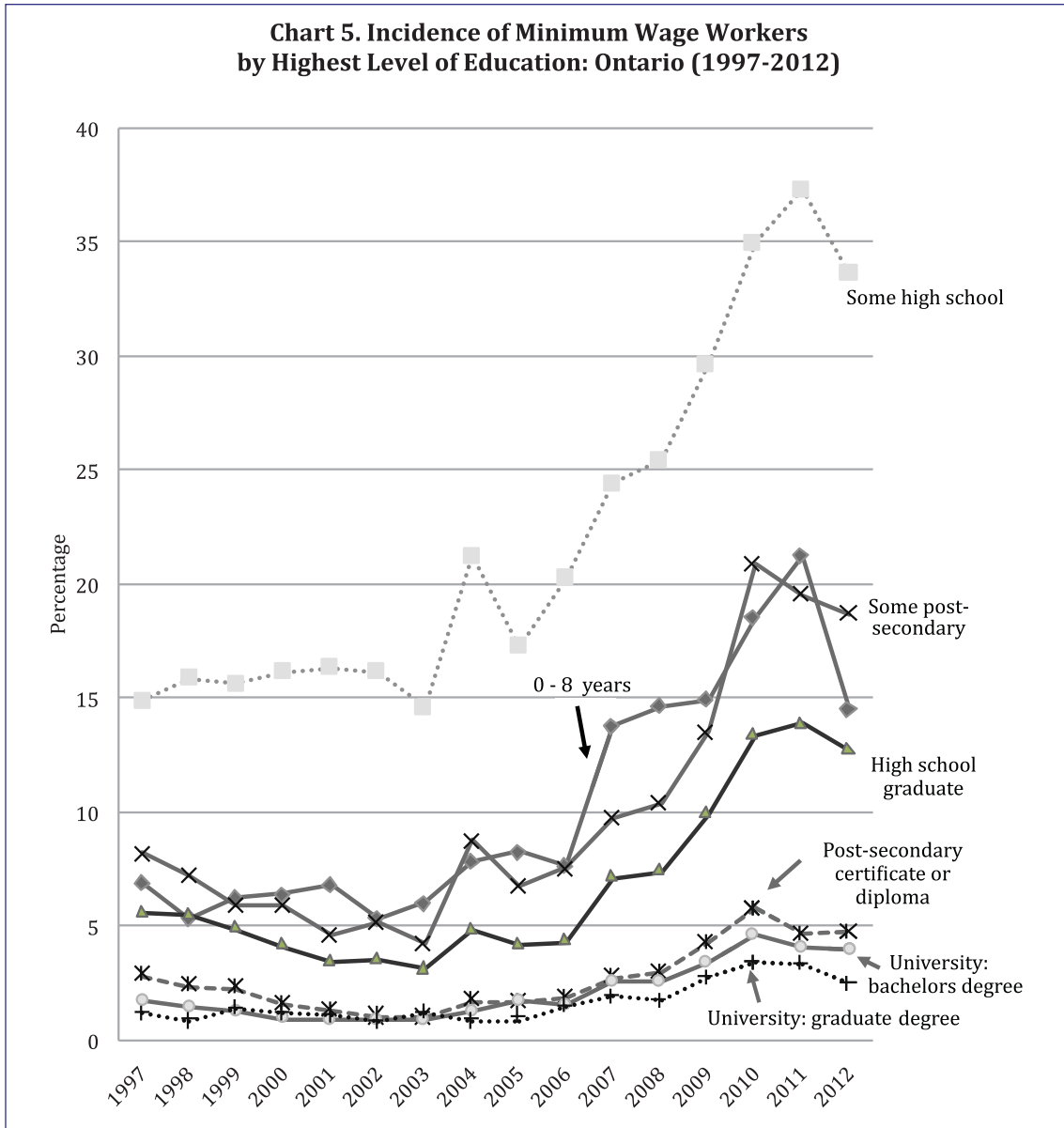
Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Note: Data for this chart can be found in Table 10.



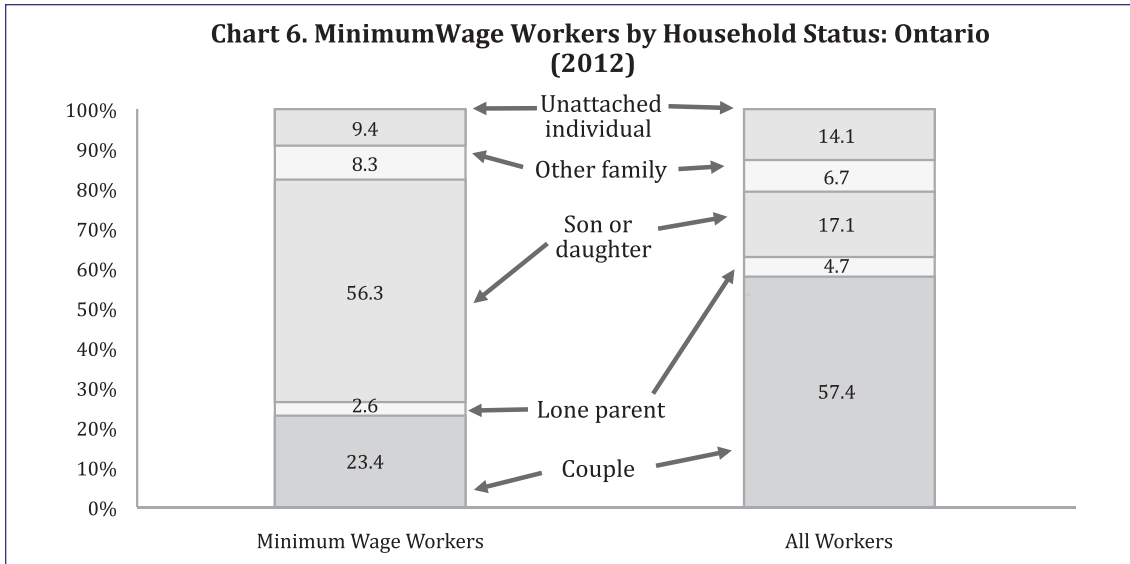
Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Note: Data for this chart can be found in Table 10.



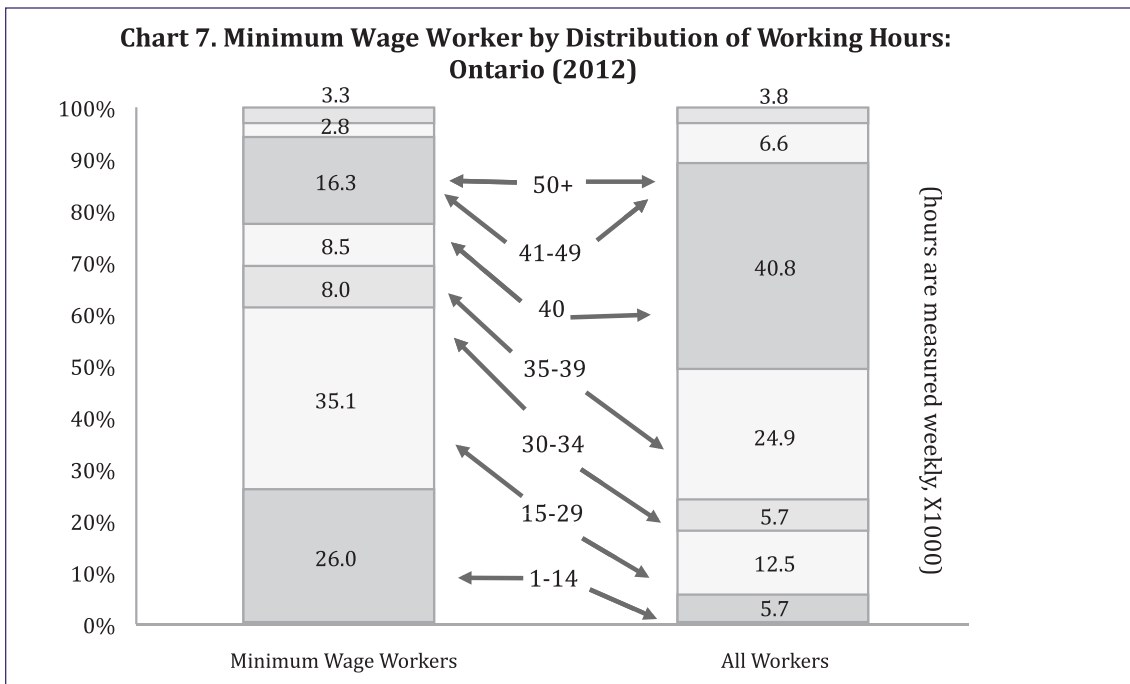
Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Note: Data for this chart can be found in Table 10.



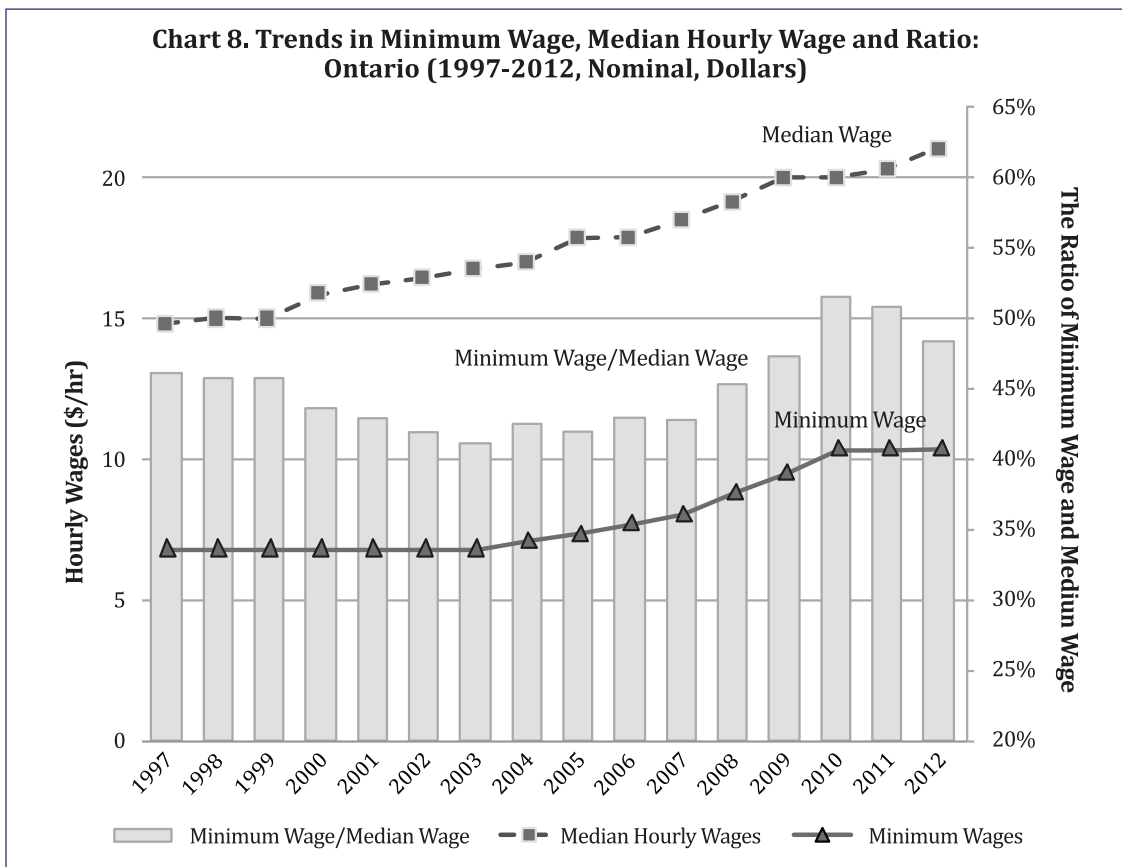
Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Note: Data for this chart can be found in Table 1.



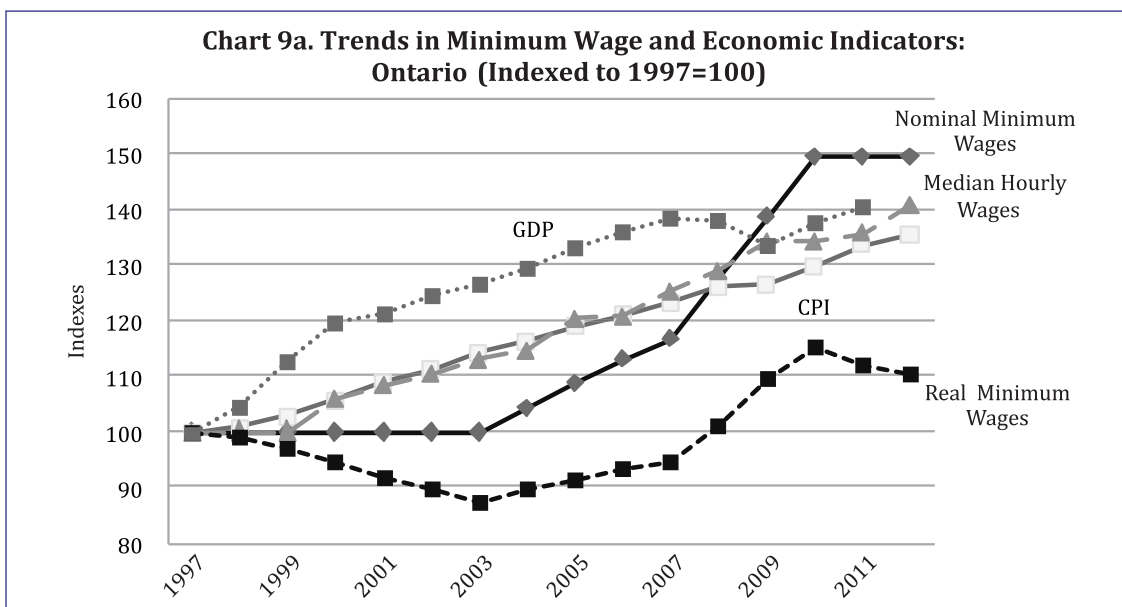
Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Note: Data for this chart can be found in Table 2.



Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

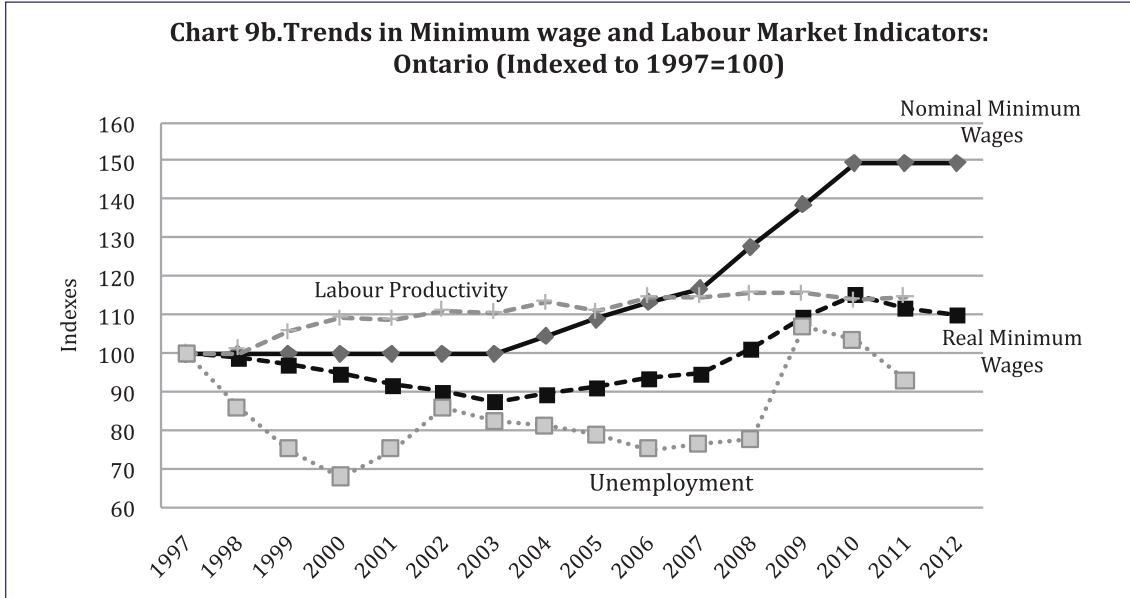
Note: Data for this chart can be found in Table 11.



Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Note: 1997 is used as a reference year as the Labour Force Survey implemented a significant revision in that year.

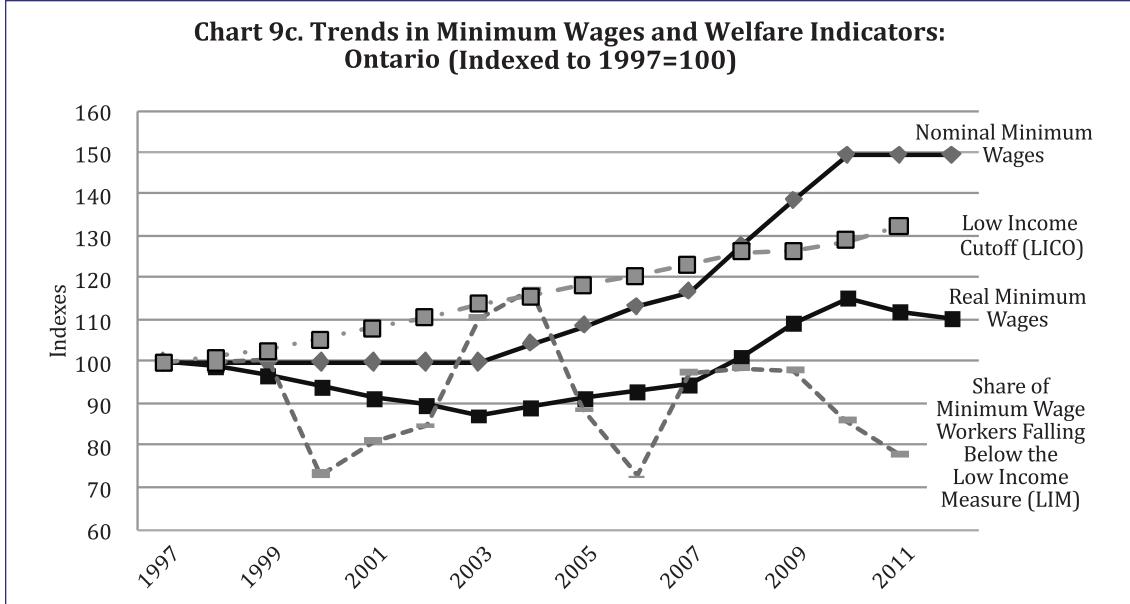
Note: Data for this chart can be found in Table 11.



Source: Computed from Statistics Canada Data by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Note: 1997 is used as a reference year as the Labour Force Survey implemented a significant revision in that year.

Note: Data for this chart can be found in Table 12.



Source: Computed from Statistics Canada's Survey of Labour and Income Dynamics by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Note: 1997 is used as a reference year as the Labour Force Survey implemented a significant revision in that year.

Note: Data for this chart can be found in Table 12.

**Table 1. Minimum Wage Workers and Total Paid Workers by Household Status:
Ontario (2012)**

	Less than or equal to \$10.25 ¹			Total Employees	
	Total (‘000s)	Incidence (%)	Share (%)	Total (‘000s)	Share (%)
Total	534.9	9.3	100	5740.4	100
Family Status					
Couple	125	3.8	23.4	3,294	57.4
Lone parent	14	5.2	2.6	270	4.7
Son or Daughter	301	30.7	56.3	981	17.1
Other family type	44	11.5	8.3	387	6.7
Unattached individual	50	6.2	9.4	809	14.1
Couple					
Spouse not employed	32	5.1	6.0	630	11.0
Spouse unemployed	8	5.7	1.4	134	2.3
Spouse Not in LF	24	4.9	4.5	496	8.6
<55	13	4.4	2.5	298	5.2
55+	11	5.6	2.1	198	3.4
Spouse employed	93	3.5	17.4	2,664	46.4
Lone parent					
No children under 18	3	4.3	0.6	72	1.2
Youngest child under 18	11	5.5	2.0	198	3.5

Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

¹ Statistics Canada computes an hourly wage for those who do not report an hourly wage, by dividing total income by the total number of hours worked. For a variety of reasons, this works out to be less than the minimum wage in Ontario (\$10.25/hr) for some people.

Table 2. Minimum Wage Workers by Distribution of Working Hours: Ontario (2012)

	Less than or equal to \$10.25			Total Employees	
	Total (‘000s)	Incidence (%)	Share (%)	Total (‘000s)	Share (%)
FT/PT Status					
Full-time	208.5	4.4	39.0	4,696	81.8
Part-time	326.4	31.3	61.0	1,044.4	18.2
	Less than or equal to \$10.25			Total Employees	
	Total (‘000s)	Incidence (%)	Share (%)	Total (‘000s)	Share (%)
Total employed, all hours	534.9	9.3	100.0	5,740.4	100.0
1 to 14 hours	138.9	42.4	26.0	327.8	5.7
15 to 29 hours	187.6	26.2	35.1	716.3	12.5
30 to 34 hours	43.0	13.2	8.0	326.9	5.7
35 to 39 hours	45.5	3.2	8.5	1430.4	24.9
40 hours	87.2	3.7	16.3	2343.0	40.8
41 to 49 hours	15.1	4.0	2.8	379.8	6.6
50 hours or more	17.7	8.2	3.3	216.3	3.8
Worked Overtime for Pay	14.1	3.1	2.6	462.2	8.1
	Less than or equal to \$10.25			Total Employees	
Average usual Hours /week	24.5			35.3	
Average Overtime hours/week (for those who worked OT)	7.2			7.8	

Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Table 3a. Minimum Wage Worker by Unionization: Ontario (2012)

	Less than or equal to \$10.25			Total Employees	
	Total ('000s)	Incidence (%)	Share (%)	Total ('000s)	Share (%)
Unionization					
Union member	47.6	3.13	8.90	1520.9	26.49
Covered by collective agreement	6.1	6.18	1.14	99.2	1.73
Not member or covered	481.2	11.68	89.96	4120.4	71.78

Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Table 3b. Union Members (and workers covered by collective agreement) [by Select Industry and Minimum wage status]

	Less than or equal to \$10.25			Total Employees	
	Total ('000s)	Incidence (%)	Share (%)	Total ('000s)	Share (%)
Construction	0.8	0.87	1.49	91.6	5.65
Manufacturing	1.5	0.92	2.79	162.6	10.04
Retail Trade	27.2	27.70	50.65	98.2	6.06
Transport/Warehousing	2.1	2.08	3.91	101.2	6.25
Finance/Insurance/ Real Estate	0.7	3.24	1.30	21.6	1.33
Management/ Administrative /Other	1.9	5.85	3.54	32.5	2.01
Educational Services	7.3	2.13	13.59	342.1	21.12
Health Care/Soc Assist	2.5	0.80	4.66	311.6	19.23
Info/Culture/Rec	2.3	3.92	4.28	58.7	3.62
Accommodation/ Food Services	3.9	14.29	7.26	27.3	1.69
Public Administration	1.9	0.69	3.54	276.9	17.09
Other	1.6	1.67	2.98	95.8	5.91
Total	53.7	3.31		1620.1	100.00

Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Table 4. Minimum Wage Worker by Permanent /Temporary Status: Ontario (2012)

	Less than or equal to \$10.25			Total Employees	
	Total ('000s)	Incidence (%)	Share (%)	Total ('000s)	Share (%)
Permanent	374.3	7.5	70.0	4997.6	87.1
Not Permanent	160.6	21.6	30.0	742.9	12.9
Seasonal	39.5	25.4	7.4	155.6	2.7
Contract	62.2	14.9	11.6	415.9	7.2
Casual/Other	59.0	34.4	11.0	171.4	3.0
Total	534.9	9.3	100.0	5740.4	100.0

Source: Computed from Labour Force Survey (LFS) by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel.

Table 5. Minimum Wage in Select OECD jurisdictions

	Hourly rate (general) in national currency	Hourly rate in CA\$ ²	Date of last revision	% increase since previous increase	Applicable age (years)
USA (Federal)	US\$7.25	7.50	Jul-2009	10.69% ³	20 and above
Britain	£6.31	10.36	Oct-2013	1.94%	21 and over
Germany	€8.50	11.75	2013 ⁴	n/a	n/a ⁵
Australia	AU\$16.37	15.75	Jul-2013	2.57%	21 and over
New Zealand	NZ\$13.75	11.61	Apr-2013	1.85%	16 and over

Note: Compiled by the Ministry of Labour using sources cited in footnotes for the Ontario Minimum Wage Advisory Panel.

² Based on monthly average exchange rates for September 2013; retrieved from Bank of Canada website: <http://www.bankofcanada.ca/rates/exchange/monthly-average-lookup/>

³ US minimum wage was US\$6.55 in 2008.

⁴ Germany currently does not have a national minimum wage; minimum wages are determined by collective bargaining agreements and are industry/sector-specific. A draft law on the introduction of a statutory national minimum wage has been passed and approval by the Federal government. The minimum wage will be introduced in 2015, and will come into full effect in 2017.

⁵ In the draft law proposal for minimum wage, no minimum age of applicable employees is specified. Section 2(1) reads that "every employer is obliged to pay his/her employed worker at the minimum wage under this Act to pay fixed minimum wage." (translated from German, using Google Translate)

Table 6. Mechanisms used for Minimum Wage Rate Review/Adjustment

	Minimum wage fixing procedures	Reduced rates for Youth and Trainees	Frequency of review	Consultations
USA (Federal)	National rate set by government/ review body	Yes	Period not stipulated	No obligation to consult social partners.
Britain	National rate set by government/ review body	Yes	Annually	Open consultation employers, trade unions and government
Germany	Sectorial/ occupational rates set through collective bargaining	n/a	n/a	n/a
Australia	National rate set by government/ review body	Yes	Annually	Open consultation with industry, unions, individuals as well as the state and federal governments
New Zealand	National rate set by government/ review body	Yes	Annually	(In 2013) Consultation with only two social partners (Business New Zealand and New Zealand Council on Trade Unions) and other government agencies/ministries.

Note: Compiled by the Ministry of Labour using sources cited in footnotes for the Ontario Minimum Wage Advisory Panel.

Table 7. Main Criteria used for Minimum Wage Rate Review/Adjustment

	Social Security Benefits/ Policy context	Wages Growth	Inflation and/or cost of living	Labour market activity	Economic growth and/or outlook	Productivity	No set criteria
USA (Federal)			n/a ⁶				✓
Britain	✓			✓	✓		
Germany							✓
Australia		✓	✓	✓	✓	✓	
New Zealand ⁷	✓	✓	✓	✓	✓		✓

Note: Compiled by the Ministry of Labour using sources cited in footnotes for the Ontario Minimum Wage Advisory Panel.

⁶ Ten US States index minimum wage to CPI and/or cost of living.

⁷ New Zealand has no set criteria for every annual review; however, the factors considered in the 2013 review were specified.

Table 8. Minimum Wages Across Canada – Ranked from Highest to Lowest

Jurisdiction	Min. Wage/ Hour	Mechanism Used for Increases	Next Scheduled Increase (if any)
Nunavut	\$11.00	Mandatory review by Minister	Last increase January 1, 2011.
Yukon	\$10.54	Each April 1, minimum wage is adjusted based on changes to the Consumer Price Index (CPI).	Last increase April 1, 2013. Next increase: April 1, 2014 (amount TBD).
Manitoba	\$10.45	Independent body gives advice	Last increase Oct. 1, 2013.
Nova Scotia	\$10.30	The minimum wage is adjusted on or after April 1 each year to reflect changes in the CPI for Canada. Independent body gives advice	Last increase April 1, 2013. Next increase: April 1, 2014 (amount TBD). Note: As of April 1, 2012, the general minimum wage was bench-marked using the Low Income Cut-Off (LICO) for a single person in a community the size of Sydney.
Ontario	\$10.25	Ad hoc by government	Last increase March 31, 2010.
British Columbia	\$10.25	Ad hoc by government	Last increase May 1, 2012.
Quebec	\$10.15	Formal review (not statutory)	Last increase May 1, 2013.
New Brunswick	\$10.00	Independent body gives advice	Last increase April 1, 2012.
Newfoundland and Labrador	\$10.00	Independent body gives advice	Last increase July 1, 2010. Scheduled increases: Oct 1, 2014 (\$10.25); Oct. 1, 2015 (\$10.50).
Prince Edward Island	\$10.00	Independent body gives advice	Last increase April 1, 2012.
Northwest Territories	\$10.00	Independent body gives advice	Last increase April 1, 2011.
Saskatchewan	\$10.00	Adjust minimum wage based on the average change in CPI and the average hourly wages for the previous year. The mechanism for adjustment is not legislated.	Last increase Dec. 1, 2012.
Alberta	\$9.95	Each September 1, minimum wage is adjusted based on changes to the CPI and average weekly earnings.	Last increase Sep. 1, 2013. Next increase: Sept. 1, 2014 (amount TBD).

Source: Compiled by the Ministry of Labour for the Ontario Minimum Wage Advisory Panel.

Table 9. Incidence of Minimum Wage Workers Among Recent Immigrants

	Recent Immigrants*	Member of a Disadvantage Group**	All Workers
1998	6.9	7.4	6.3
1999	8.9	7.7	6.0
2000	7.9	7.8	5.6
2001	3.9	5.7	4.3
2002	3.6	4.2	3.9
2003	2.4	5.4	4.3
2004	5.1	5.6	4.6
2005	4.7	4.6	5.0
2006	7.1	5.5	5.4
2007	9.2	7.6	6.7
2008	14.7	10.2	7.6
2009	13.0	10.4	8.4
2010	19.9	13.5	10.6
2011	19.1	11.2	9.0

* Recent immigrant arrived in the past 10 years of the reference year.

** Worker is either disabled, recent immigrant, member of a female lone parent family, an Aboriginal person or an unattached individual 45 to 64 years old.

Source: Compiled by Ontario Ministry of Finance based on Statistics Canada's Survey of Labour and Income Dynamics.

Table 10. Minimum Wage Workers' Demographic Characteristics Profile: Ontario (2012)

	Less than or equal to \$10.25			Total Employees	
	Total ('000s)	Incidence (%)	Share (%)	Total ('000s)	Share (%)
Total	534.9	9.3	100.0	5,740.4	100.0
Age Group					
15 to 19	225.3	79.4	42.1	283.9	4.9
20 to 24	105.6	18.3	19.7	577.3	10.1
25 to 44	108.9	4.2	20.4	2,594.0	45.2
45 to 64	81.3	3.8	15.2	2,155.7	37.6
65+	13.8	10.7	2.6	129.5	2.3
Sex					
Male	223.4	7.8	41.8	2,854.5	49.7
Female	311.6	10.8	58.3	2,885.9	50.3
Education					
0-8 years	11.7	14.5	2.2	80.6	1.4
Some high school	143.9	33.6	26.9	428.2	7.5
High school graduate	151.1	12.8	28.2	1,184.8	20.6
Some post-secondary	77.2	18.7	14.4	412.9	7.2
Post-secondary certificate or diploma	92.0	4.7	17.2	1,936.3	33.7
University: bachelor's degree	45.2	4.0	8.5	1,130.1	19.7
University: graduate degree	14.0	2.5	2.6	567.5	9.9

Source: Computed from Statistics Canada's Labour Force Survey by Ministry of Finance.

Table 11. Trends in Minimum Wage, Median Wage, CPI and GDP for Ontario: 1997-2012

	Min Wage (Nominal)	Min Wage (Real)	Median Wage (Nominal)	Min/Median Wage	CPI	GDP (Real)
Raw Data	(\$/hr)	(\$/hr)	(\$/hr)	ratio		(million\$)
1997	6.85	6.85	14.90	46.0	100.00	317,538.7
1998	6.85	6.79	15.00	45.7	100.89	332,555.1
1999	6.85	6.66	15.00	45.7	102.90	358,072.1
2000	6.85	6.47	15.80	43.4	105.90	380,005.4
2001	6.85	6.28	16.15	42.4	109.13	385,491.6
2002	6.85	6.15	16.48	41.6	111.36	395,318.3
2003	6.85	5.99	16.85	40.7	114.37	401,735.1
2004	7.15	6.14	17.11	41.8	116.48	411,867.9
2005	7.45	6.26	17.95	41.5	119.04	422,958.1
2006	7.75	6.40	18.00	43.1	121.16	432,151.3
2007	8.00	6.48	18.67	42.8	123.39	439,785.6
2008	8.75	6.94	19.23	45.5	126.17	437,962.0
2009	9.50	7.50	20.00	47.5	126.61	423,756.4
2010	10.25	7.90	20.00	51.3	129.73	437,300.9
2011	10.25	7.66	20.24	50.6	133.74	446,264.6
2012	10.25	7.56	21.00	48.8	135.63	-

Indices used to calculate wages and GDP in real terms						
1997	100.00	100.00	100.00	-	100.00	100.00
1998	100.00	99.12	100.67	-	100.89	104.73
1999	100.00	97.19	100.67	-	102.90	112.76
2000	100.00	94.43	106.04	-	105.90	119.67
2001	100.00	91.63	108.39	-	109.13	121.40
2002	100.00	89.80	110.60	-	111.36	124.49
2003	100.00	87.44	113.09	-	114.37	126.52
2004	104.38	89.61	114.83	-	116.48	129.71
2005	108.76	91.36	120.47	-	119.04	133.20
2006	113.14	93.38	120.81	-	121.16	136.09
2007	116.79	94.65	125.30	-	123.39	138.50
2008	127.74	101.24	129.06	-	126.17	137.92
2009	138.69	109.53	134.23	-	126.61	133.45
2010	149.64	115.34	134.23	-	129.73	137.72
2011	149.64	111.88	135.84	-	133.74	140.54
2012	149.64	110.32	140.94	-	135.63	-

Source: Compiled by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel using Statistics Canada Data.

Table 12. Trends in Indices of Labour Market and Welfare indicators: Ontario (1997-2012)

	Unemployment Rate (15+)	Labour Productivity	Low Income Cutoff	Share of Minimum Wage Workers falling below the LIM
Raw data	(%)	(\$/hr)	(Nominal \$)	%
1997	8.4	32.78	15,034	-
1998	7.2	33.23	15,184	16.0
1999	6.3	34.66	15,450	16.1
2000	5.7	35.83	15,866	11.8
2001	6.3	35.74	16,265	13.0
2002	7.2	36.46	16,631	13.6
2003	6.9	36.28	17,097	17.7
2004	6.8	37.18	17,413	18.8
2005	6.6	36.37	17,795	14.2
2006	6.3	37.63	18,144	11.7
2007	6.4	37.63	18,544	15.6
2008	6.5	37.99	18,976	15.8
2009	9.0	37.90	19,026	15.7
2010	8.7	37.36	19,375	13.8
2011	7.8	37.63	19,941	12.5
2012	7.8	-	-	-
Indices for the above used in Chart 9b and 9c				
1997	100.00	100.00	100.00	-
1998	85.71	101.37	101.00	100.00
1999	75.00	105.75	102.77	100.63
2000	67.86	109.32	105.53	73.75
2001	75.00	109.04	108.19	81.25
2002	85.71	111.23	110.62	85.00
2003	82.14	110.68	113.72	110.63
2004	80.95	113.42	115.82	117.50
2005	78.57	110.96	118.37	88.75
2006	75.00	114.79	120.69	73.13
2007	76.19	114.79	123.35	97.50
2008	77.38	115.89	126.22	98.75
2009	107.14	115.62	126.55	98.13
2010	103.57	113.97	128.87	86.25
2011	92.86	114.79	132.64	78.13
2012	92.86	-	-	-

Source: Compiled by Ministry of Finance: Special tabulation made for the Ontario Minimum Wage Advisory Panel using Statistics Canada Data.

03 | The Economic Impact of Minimum Wages

3.1 What is the Economic Impact of Minimum Wages? Theory and Evidence

Theoretical Concepts

Basic economic theory suggests that setting a minimum wage above the market equilibrium wage would result in a reduction in the demand for low-wage labour on the part of firms. This would occur as they substitute other inputs for the higher priced low-wage workers, and as they reduce their output because of the higher labour cost. Hence, all else being equal, an increase in minimum wages can be expected to have an adverse effect on employment (Benjamin et. al, 2012). Workers at the lower end of the wage distribution would be most affected. Workers at or near the minimum wage may lose their jobs because of employers' reduced demand for labour. In a growing economy, however, this is more likely to occur in the form of reduced new job opportunities rather than outright layoffs. The priced-out jobs clearly distinguish winners and losers under the new higher minimum wage level. Workers who remain employed will benefit from the wage increase, while workers who become unemployed will be the losers under the new wage regime.

Other factors, however, may mitigate this disemployment effect of a minimum wage hike. For example, the adverse employment effect will be more likely to show up in the form of reduced employment opportunities rather than outright layoffs if aggregate labour demand increases at the same time. Also, if there is an economic expansion, fewer workers are likely to be at or below the minimum wage (and hence affected by the minimum wage increase) as employers are more likely to increase wages to meet their growing labour demand. Employee turnover can be lower as a higher minimum wage increases the incentive for employed workers to remain at their organization given their higher wage. Workers may also feel more committed to their organization and increase their effort in response to their higher wage – what economists term an “efficiency wage” effect. The minimum wage increase may also “shock” employers into doing other more efficient managerial and other practices including reducing excess wages to other higher paid workers. They may also be able to attract higher-quality and hence more productive labour because of higher wages for the same jobs. While these various adjustments suggest that minimum wage increases in part may “pay for themselves”, the offset is not likely to be substantial, otherwise employers would have voluntarily increased those wages without the legislative prompt.

Employers may absorb higher wage costs without large reductions in employment by reducing other costs (Hirsh, Kaufman and Zelenska, 2011; Schmitt, 2013). They could reduce non-wage labour costs such as fringe benefits or hours worked or expenditures on on-the-job training and development opportunities for minimum wage workers. While these may be alternatives to reducing employment, they still have negative ramifications for employees. The increasingly popular usage of precarious employment and variable hours can be seen, in part, as evidence of firms compensating for higher wages.

Firms can also pass on the cost increases to their customers by raising the product price. This outcome is more likely in industries where demand for the product or service is relatively insensitive to price increases. Such price insensitivity is less likely to be prominent, however, under competitive market forces induced in part by global competition.

It is also argued that the higher earnings for minimum wage workers would enhance their consumer spending thereby generating additional demand for goods and services. This could create a positive feedback loop for further economic growth that can mitigate any adverse employment effect. This could be offset, however, by any reduction in demand from those who are unemployed because of the minimum wage increase, or from employers whose spending power for new investments is reduced because of the higher cost of minimum wages.

Lastly, in local labour markets employers may be reluctant to raise their wages to attract new recruits if they have to also pay those higher wages to their incumbent workforce for reasons of internal equity. A minimum wage may actually alleviate that constraint because they have to pay that fixed wage to all workers – potential new recruits and the incumbent workforce. In such circumstances – termed monopsony by economists – employers may actually increase their employment in response to minimum wages. This can occur because they are no longer inhibited from expanding their employment by the possibility of having to pay higher wages to attract new recruits

In sum, economic theory generally predicts an adverse impact on employment of an increase in minimum wages. However, other factors could mitigate or nullify this effect: reductions in labour turnover; improvements in organizational efficiency; reductions in wages of higher earners; and small price increases. Schmitt (2013) in his review points to these factors that may in part explain why some studies found no disemployment effects of a hike in the minimum wage.

Evidence from Past Research

In the sections below, evidence from research on minimum wage impacts is summarized. Some areas of research are controversial while there is a general consensus on other aspects.

Impact of minimum wages on employment of low-wage workers

Will an increase in minimum wages reduce employment for these workers? There is no consensus on this question in the existing empirical research. Early studies in the U.S. over the 1950s, 1960s and 1970s (based on approximately 26 studies reviewed in Brown, Gilroy and Kohen 1982; 28 in Brown 1999; and 29 in Card and Krueger (1995, p. 180-82) find that minimum wages reduce employment for teenage workers. The “consensus range” at that time was that a 10% increase in the minimum wage led to a 1% to 3% reduction in the employment of teens.

Based on more recent studies using US data from the 1980s and into the 1990s, the results tend to be conflicting. Some find effects within the former consensus range whereby a minimum wage increase of 10% would lead to an employment reduction of 1-3% (Neumark and Wascher 1992, 1994, 2000, Williams 1993, Williams and Mills 1998). Some find even larger negative effects (Burkhauser, Couch and Wittenburg 2000, Deere, Murphy and Welch 1995, Kim and Taylor 1995). Others find adverse employment effects that are close to zero or statistically insignificant (Card 1992a, 1992b, Card, Katz and Krueger 1994, Card and Krueger 1994, 1995 and 2000, Katz and Krueger 1992, Klerman 1992, Solon 1990, and Wellington 1991). Studies that use panel data to estimate the employment transitions of persons affected by minimum wage increases tend to find adverse employment effects that range from small (Currie and Fallick 1996, Zavodny 2000) to substantial (Abowd, Kramarz, Lemieux and Margolis 2000 and Linneman 1982).

Other studies (e.g., Neumark 2001 based on 1995-98 data) find that the effects are sensitive to the specification of the empirical models and to the group being analysed. No adverse employment effect is consistently found for teens 16-19 years of age and all youths 16-24 years of age although adverse employment effects tend to be found for high-school dropouts.

Meta-analyses, i.e., an analysis of many analytical studies, have reported an insignificant impact of increases in minimum wages on employment (Doucouliagos & Stanley, 2009; Wolfson & Belman, forthcoming). Findings in a spate of recent studies also support Card and Krueger's finding that minimum wages do not have a discernible effect on employment (Dube, Lester & Reich, 2010; Allegretto, Dube & Reich, 2011; Hirsch, Kaufman & Zelenska, 2011; Addison, Blackburn & Cotti, 2012). In contrast, Sabia, Burkhauser, and Hansen (2012) used a research methodology similar to Card and Krueger's but found significant adverse employment effects on less-skilled, less-educated workers.

In the Canadian context, researchers have generally found an adverse employment effect of raising minimum wages especially for young workers. Studies from the 1980s suggest that a 10% increase in minimum wages would result in 1%-3% reduction in employment (Swidinsky, 1980; Schaafsma & Walsh, 1983). More recent studies find larger adverse employment effects (Baker, Benjamin & Stanger, 1999; Yeun, 2003; Baker, 2005; Campolieti, Fang and Gunderson, 2005a.b.; Campolieti, Gunderson & Riddell, 2006; Sen, Rybczynski and Van De Waal, 2011). Typically those studies find that teen employment would drop by 3%-6% if the minimum wage is raised by 10%.

In a recent study, adverse employment effects were found to be declining over time and disemployment effects were substantially larger for workers who have been in minimum wage jobs for a long period of time (i.e., permanent minimum wage workers) compared to temporary minimum wage workers who are only in minimum wage jobs for a short period of time; in fact the adverse employment effects fall almost exclusively on permanent minimum wage workers (Campolieti, Gunderson and Lee, 2012).

Campolieti, Fang and Gunderson (2005a) found that the disemployment impacts in Canada were not sensitive to whether the minimum wage increases were pre-announced and made in a regular fashion or were periodically made in an ad hoc and unanticipated fashion. However, the adverse employment effects were substantially larger when they involved a large minimum wage increase compared to a cumulative series of smaller increases of the same magnitude.

On the positive side, Fang and Gunderson (2009) found that minimum wage increases have positive impacts on the employment of older workers in Canada. It is likely that employers faced with a higher wage would substitute older workers for younger workers since older workers may bring additional qualities to the job such as reliability and work experience.

British econometric evidence suggests no adverse employment effect for the economy as a whole from the small minimum wage increases that occurred in an expanding economy (Stewart 2004) but an adverse employment effect for the low-wage home-care sector where minimum wages are more prevalent (Machin & Wilson 2004).

International evidence for nine OECD countries over the period 1975 to 1996 is similar to the Canadian evidence where a 10% increase in the minimum wage reduces teen employment by approximately 3-6% (OECD, 1998a, p. 45-48).

Overall, the U.S. evidence remains inconclusive while the Canadian and OECD evidence tends to find a negative employment effect of minimum wages increase. New labour market entrants (e.g. teens, recent immigrants) are more likely to experience the disemployment effect of rising minimum wages.

Impact of minimum wages on hours worked

Minimum wages increase the labour cost on an hourly basis. It is possible that employers would reduce the hours worked instead of, or in addition to, cutting employment under higher minimum wages. The limited evidence (Gramlich 1976; Brown, Gilroy and Kohen 1983; and Dube, Lester and Reich 2010 but not Zavodny 2000) indicates that minimum wage increases also lead to a slight reduction in hours of work, suggesting that the focus on employment tends to underestimate the total effect if the reduction in hours were not considered. Hungerford (1997) also found that minimum wage increases lead to higher involuntary part-time employment, suggesting that employers may have reduced hours of work for both part-time and full-time workers even when workers preferred to work longer hours.

Impact of minimum wages on the wage distribution

The increase in minimum wages can affect not only the workers at the minimum wage but also workers who earn higher hourly wages. The limited empirical evidence suggests small spillover effects, raising the wages of those slightly above the minimum wage (Card and Krueger 1995, p. 160-66; Cox and Oaxaca 1981; Gramlich 1976; Grossman 1983; and Katz and Krueger 1992). It is likely that the immediate effect originates from a hike in the minimum wage which then “ripples” through other wages just above the minimum wage. Over a longer run, an increase in the average or median wages can then trigger a call for a subsequent increase in the minimum wage, which could lead to a “ratcheting” up cycle.

Since minimum wages increase wages at the bottom of the wage distribution, and likely those just above the minimum wage through spillover effects, increases in minimum wages are likely to result in lower wage inequality. This is enhanced by the fact that minimum wages may eliminate some low-wage jobs. Empirical evidence for the U.S. suggests that higher minimum wages reduce wage inequality (Card and DiNardo, 2002; Card and Krueger, 1995; DiNardo, Fortin and Lemieux, 1997; Lee, 1999; Lemieux, 2005; Meyer and Wise, 1983a, b; and Tuelings, 2000).

Impact of minimum wages on income distribution

The reduction in wage inequality outlined above should also contribute to a reduction in family income inequality and poverty. However, this can be offset somewhat by the possible adverse effect on employment and hours of work. In terms of the distribution of family earnings, the U.S. evidence suggests that minimum wages can bump up the income level for lower wage families. Card and Krueger (1995) suggest that more than 35 percent of the earnings gains generated by the 1990 and 1991 federal minimum wage hikes were concentrated among families in the bottom 10 percent of the family-earning distribution in U.S.

Impact of minimum wages on poverty

The link between poverty and low wages is weak for a variety of reasons. Many poor families have no employed workers in the household or they work only a few hours, and many others work at wages above the minimum wage. Many minimum wage workers are youth who live in non-poor families, or are persons in multiple earner families where the combined earnings takes them out of poverty. Moreover, minimum wage jobs are often taken as temporary stepping-stones to higher paying jobs.

Empirical findings provide support for these arguments for both the U.S. (Burkhauser and Finnegan, 1989; Card & Krueger, 1995; Burkhauser, Couch & Glenn, 1996; Burkhauser, Couch & Wittenberg, 2000; Vedder and Gallaway, 2001, 2002; Neumark and Wascher, 2002; Neumark Schweitzer and Wascher, 2005; Burkhauser and Sabia, 2007; although not in Mincy, 1990 or Addison and Blackburn, 1999;) and Canada (Shannon & Beach, 1995; Goldberg & Green, 1999; Benjamin, 2001; Campolieti, Gunderson and Lee, 2012). Surprisingly, some studies even find that a higher minimum wage leads to an increase in poverty. Sen, Rybczynski and Van De Wall (2011) found a small but statistically significant increase in poverty due to higher minimum wages: a 10% minimum wage increase was found to be significantly associated with a 4%-6% increase in the percentage of families living under Low Income Cut Offs (LICO) in Canada between 1981 and 2004. The higher minimum wages trigger higher unemployment, which results in more poverty as household incomes drop among low-income families.

Given what we know about the demographic profile of people working at minimum wages, it is not surprising that the overlap between working at the minimum wage and being under the poverty line is small. Only about 12.5% of minimum wage workers lived in poor households in 2011 according to Statistics Canada's Low Income Measure (LIM). The vast majority (i.e., 81.5%) lived in households with incomes above the LIM. (Estimates provided by the Ontario Ministry of Finance based on the Labour Force Survey). Thus, although raising the minimum wage would reduce poverty for some, its overall impact on poverty as a whole would be limited.

Impact of minimum wages on training

Minimum wages can inhibit training by inhibiting the ability to accept low-wages in return for training. If there is an adverse employment effect, they can also reduce the on-the-job training that goes with employment. Training could increase, however, to facilitate enhancing productivity to qualify for or retain the higher wage jobs.

The US evidence tends to suggest that minimum wages do have a negative effect on training but the effect is very small (Grossberg and Sicilican, 1999; Hashimoto, 1982; Leighton and Mincer, 1981; Neumark and Wascher, 2001; and Neumark and Sicilian, 2001). But no effect on training was found in Acemoglu and Pischke (2001) or Converse, Coe, Corcoran, Kallick and Morgan (1981).

Impact of minimum wages on education

Minimum wages may encourage youths to drop out of school to try to obtain the higher paying minimum wage jobs. To the extent that there are adverse employment effects, however, minimum wages may encourage students to remain in school because of the fewer jobs. As well, they may remain in school so as to enhance their productivity to be able to get the higher paying jobs.

The evidence on the effect on schooling is mixed, although generally suggesting that higher minimum wages induce youths to leave school for the higher-paying minimum wage jobs. For the US, this is the case in Neumark and Wascher (1995a, 1995b, 1996) and Cunningham (1981) and for teenagers in low-income families in Ehrenberg and Marcus (1980, 1982). Card (1992a), however, finds no effect on schooling and Mattila (1981) finds that minimum wage increases induce youths to remain in school because of the reduced employment opportunities. For Canada, Campolieti, Fang and Gunderson (2005) find no effect of minimum wages on schooling.

04 | Discussion of Minimum Wage Policy Options for Ontario

4.1 Introduction

The intent of the minimum wage is to create a wage floor for the labour market, and to ensure a minimum standard of living for employees.ⁱⁱⁱ It also serves as a form of protection to the most vulnerable workers, who are typically in an unequal position in the employer-employee bargaining relationship.

The Minimum Wage Advisory Panel was established to examine Ontario's current minimum wage policy and provide advice to the Government on how to adjust Ontario's minimum wage. This included providing advice on an adjustment mechanism, the timing and implementation of such a mechanism, and the review process. In doing so, the Panel has examined the effectiveness of other jurisdictions' minimum wage models.

The following section will review the various policy options for each of these general questions, providing a recommendation for each based on the Panel's review.

It should be noted that the Panel was not asked to recommend an actual wage rate, nor to examine or discuss the differentials and exclusions applied to the minimum wage. These issues are beyond the scope of the Panel's review, and while important, are left to be examined by the Government or by any advisory panel tasked with such issues in the future.

4.2 Factors to be considered in revising the minimum wage

The Consultation Paper posed the following question for public input:

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

4.2.1 General factors to be considered in reviewing the minimum wage

The general factors that are considered when the Government assesses the minimum wage are:

- 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 the Government.

The question posed by the Consultation Paper asks the Panel to discuss additional factors that should be considered. I have concluded that these factors are comprehensive and take into account the various appropriate statistical and policy considerations. Furthermore, in the online and in person submissions solicited by the Panel, very few additional factors were raised that did not fall under one of the categories enumerated above. Rather, most of the factors raised or discussed were clearly captured by one or more of the above categories.

Furthermore, through the public consultations and online submissions, it became clear that there was little disagreement about the factors that should be considered, but rather, considerable disagreement about the weight that the various factors should be accorded. For example, individuals in favour of substantial minimum wage increases tended to emphasize the cost of living as a major consideration in setting the minimum wage. Individuals associated with businesses or business groups placed more emphasis on the overall impact of previous minimum wage and future minimum wage increases on businesses.

4.2.2 Economic Indicators

The Consultation Paper posed the following questions for public input:

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

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

The Panel deliberated the economic factors that could be used in adjusting the minimum wage. The use of economic indicators for adjustments to the minimum wage has several advantages for employees and employers. It would reduce the erosion of minimum wage purchasing power over time. It would make fair, predictable, regular and transparent changes to the minimum wage, and prevent long-term freezes and significant ad-hoc increases as a result of playing ‘catch-up’ from freezes or the use of an ad-hoc process.

Other Canadian and International jurisdictions have begun to use economic indicators to adjust their minimum wages. These indicators include the Consumer Price Index (CPI), average wages, and low-income measures. These indicators will be discussed below, followed by a discussion of the approaches adopted by other jurisdictions.

CPI/Inflation

The Consumer Price Index (the 'CPI') is an indicator reflecting the changes in consumer prices experienced by Canadians, calculated using time-wise comparisons of the cost of a fixed basket of goods and services.^{iv} It is commonly referred to as a measure of inflation.^v The CPI is used widely to adjust a number of different contracted payments, pension programs and social programs, such as wages, rents, Old Age Security, and minimum wage rates in other provinces.

In deciding whether the minimum wage should be tied to the CPI, a number of factors should be considered:

- Which CPI should be used – The Canadian CPI, or the Ontario CPI;
- The CPI can be a negative number;
- The CPI can be driven upward sharply by items that are not likely part of the consumption of a typical minimum wage worker (e.g. house prices in Toronto).

Using the CPI as a means by which to adjust the minimum wage would provide clarity and objectivity to minimum wage adjustments. It would keep the minimum wage from falling behind inflation, prevent lengthy minimum wage freezes, and reduce the need for large catch-up increases. However, should the average wage growth be faster or slower than inflation for long periods of time, using the CPI would not properly reflect these changes in wages. Using the CPI could also lead to automatic increases at times that may not be economically feasible, such as times when both unemployment and inflation are high.

Average Wages

There are two primary sources that can be used to calculate an average wage indicator for the purpose of minimum wage adjustments – the Survey of Employment, Payroll and Hours (SEPH) or the Labour Force Survey (LFS). Using this data, various average wage calculations can be made, using the average or median of all paid workers, or a subset of industries, such as those that employ a significant number of minimum wage workers.

An hourly wage rate is likely more appropriate than average monthly or weekly earnings, given that it is directly comparable to the minimum wage. Growth in weekly earnings depends on hours worked and as such is not directly reflective of pure wage gains.

One benefit of employing an average approach is that it maintains the minimum wage at a certain percentage or level of other wages in society. In addition, it helps to spread economic growth gains to the lowest paid workers. However, it could lead to a long-term inflationary spiral, as increasing the minimum wage will in turn increase the average wage which will in turn increase the minimum wage. It could also adversely impact slower growing sectors of the economy, especially if average wages are overly influenced by a temporary boom in one sector.

Low Income Measures

Low Income Measures can be used as a minimum wage rate economic indicator, such that increases in these measures are linked to increases in the wage rate. The most common low-income lines are the Low Income Cutoffs (LICOs), the Low Income Measure (LIM) and the Market Basket Measure (MBM). As noted by Statistics Canada,

In order to provide a holographic or complete picture of low income, Statistics Canada implements an approach that uses three complementary low income lines: the Low Income Cut-offs (LICOs), the Low Income Measures (LIMs) and the Market Basket Measure (MBM). While the first two lines were developed by Statistics Canada, the MBM is based on concepts developed by Human Resources and Skill Development Canada. Though these measures differ from one another, they give a generally consistent picture of low income status over time. None of these measures is the best. Each contributes its own perspective and its own strengths to the study of low income, so that cumulatively, the three provide a better understanding of the phenomenon of low income as a whole. These measures are not measures of poverty, but strictly measures of low income.

The LICOs are based on the relationship between the incomes and the consumption patterns of Canadian households as observed in 1992. The LICOs have been very widely used in Canada since the 1970s. On the other hand, the LIM is based solely on the distribution of household income across the Canadian population and is intended as a reference for international comparisons. Statistics Canada has been producing the LIMs since 1991 and they are aligned with latest international standard. Finally, the MBM defines low income in relation to the cost of a predefined set of goods and services. The price of this “basket” of goods and services takes regional differences in the cost of living into account.^{vi}

The LICOs identify the level below which a family spends 20% more than the average family on food, clothing and shelter. While LICO is not a ‘poverty line’ per se, it is the most frequently used metric when measuring poverty and low income in Canada.^{vii} LICOs are updated each year according to changes in the CPI. Thus, linking to changes in LICO can be considered equivalent to linking to changes in the CPI. The LIM is updated each year based on changes in the median household income adjusted for household size. The MBMs are updated each year for price changes in the MBM basket of goods. This is similar to CPI, but calculated differently for different communities in Ontario. An Ontario-level MBM does not currently exist.

Productivity

Productivity is another metric that could be tied to minimum wage rates. Statistics Canada’s annual multifactor productivity program produces national and provincial indexes of multifactor productivity and supplementary measures, such as output, capital input, labour input, and intermediate inputs, for the business sector, economic sub-sectors and their subindustries.^{viii} This program attempts to investigate growth in labour productivity, as well as the key determinants of the productivity and related growth. Statistics Canada notes as follows:

Productivity measures the efficiency with which resources are employed in economic activity. Annual productivities series are widely watched by analysts, government policymakers and researchers to quantify the extent to which productivity contributes to economic growth and the standards of living over the long-run.^{ix}

However, more research investigation is needed before productivity increases can be employed as a basis for minimum wage revisions. There are many things we do not fully understand about the relationship between productivity and all other wages. During 2000-2010 productivity in Canada grew at a cumulative average growth rate (CAGR) of 0.4% per annum while the growth rate in the real average wage was 1.6% measured in US dollars. On the other hand there have been periods when wages grew more slowly than did productivity. The relationship between productivity growth and wage growth was more closely aligned in some countries such as in the UK (0.9% and 0.8% respectively), Korea (2.9% and 2.1%) and Singapore (1.8% and 1.3%).^x

Productivity measures currently available also do not meet the test of being a widely-reported and well understood measure. As such, it did not feature prominently in the deliberations of the Panel. But there is merit in the idea of using productivity growth as a benchmark for wage growth in general. It can be investigated further for adoption in the future.

4.2.3 Approaches in Other Jurisdictions

Several Canadian and international jurisdictions have adopted economic measures as adjustment mechanisms.

- Alberta: Minimum wage is adjusted annually and is based on the average of changes to the CPI and average weekly earnings.
- Saskatchewan: Adjustments are not legislated however, the Government intends to adjust minimum wage based on the average change in CPI and the average hourly wages for the previous year.
- Nova Scotia: Minimum wage was benchmarked to the LICO in 2012. Minimum wage is adjusted annually based on changes to CPI for Canada.
- Yukon: Minimum wage is adjusted annually based on changes to the CPI.

Recent wage consultations in British Columbia have also indicated general stakeholder agreement that once minimum wage has been raised to the desired rate, that future increases should be linked to economic indicators such as the Consumer Price Index, to ensure that such increases happen in a relatively incremental, predictable and depoliticized manner.^{xi}

4.2.4 Public Consultation

The majority of groups and individuals who made submissions to the Panel were in favour of using an economic indicator for adjustments of the minimum wage. They indicated that this would be a fair, predictable, and regular means of adjusting the minimum wage. Inflation/CPI was the most commonly suggested indicator, either on its own or in combination with another measure. Employer, labour and community groups found this to be an easily understood metric that addressed concerns about minimum wages falling behind increases in the cost of living.

4.2.5 Recommendations

The proposed mechanisms of adjustments that are outlined in the following sections were generally uncontentious and recommended by all as a means for future, regular, transparent increases to the minimum wage rate.

However, as noted previously, there was disagreement on the Panel as to whether the mandate of the Panel included recommending a change or increase to the minimum wage rate in Ontario. The answer to this question leads to very different approaches to discussing the use of economic indicators that would have the effect of mandating a specific rate.

I recognize that any discussion of a mechanism to change the minimum wage rate is partially incomplete without a consideration of what the baseline rate is, or in other words, what the rate that is being altered is. Those who feel that the baseline rate is inadequate propose additional mechanisms for raising the current rate, in addition to concurring with the proposed mechanisms for future adjustments.

Accordingly, this section will first set out the largely uncontentious mechanisms for continuous, regular adjustments to the minimum wage rate, without addressing mechanisms or arguments that would result in an additional increase to the current minimum wage rates. Arguments regarding the latter will be addressed in a subsequent section, entitled Setting the Minimum Wage Rate Level.

The more limited mandate of the Panel can be misinterpreted as biasing the process towards business interests. In response, I wish to clarify that this report is not taking any stance in favour or against a minimum wage increase. Rather, it addresses recommendations for regular adjustments. Such adjustments can be applied to any baseline minimum wage rate, whatever the level at which the Government chooses to set it.

In comparing the above options, it is clear that changes in many of the various measures are themselves tied to or in part based on the CPI. In addition, the CPI has been used successfully as an adjustment measure in several jurisdictions, including the four Canadian provinces and territories that have tied their minimum wage increases to an economic indicator.

Given that the CPI has the potential to vary by significant amounts from year to year, the Government may wish to consider whether to fully index to the CPI, or to implement a system of partial indexation, with a cap on the level by which the minimum wage can increase.

Recommendation #1: *Minimum wages should be revised annually by a percentage equal to the percent change in the Ontario Consumer Price Index.*

4.3 Frequency of Revisions to the Minimum Wage

The Consultation Paper posed the following questions:

“How often should Ontario review the minimum wage?”

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

In determining the frequency with which the minimum wage should be revised, employee and employer considerations should be balanced. Frequent revisions permit gradual increases in the minimum wage from year to year, and are favoured by minimum wage earners. Less frequent adjustments are simpler administratively, but result in larger jumps in the minimum wage. Employer representatives cited administrative concerns when comparing different frequency options, but at the same time, indicated that larger jumps in minimum wage, which are a likelihood when moving to longer revisions periods, also imposed costs.

The use of an economic indicator means that employers and employees are on general notice of an annual increase to the minimum wage rate, and can keep abreast of changes in the CPI and average wages in order to estimate what the rate change will be in advance of any official announcements. Changes in economic indicators for the previous period will need to be calculated by the appropriate body before they can be officially announced. As the minimum wage will always be lagging behind current inflation levels, the shortest period possible will minimize any discrepancies between actual inflation rates and minimum wage adjustments.

Business groups generally requested that minimum wage revisions should not take effect in the middle of a “season”. For agriculture and a host of other businesses that operate through the summer, a change coming into effect on July 1 places an administrative burden at the busiest time of their annual cycle. Similarly, an effective date of January 1 for minimum wage changes occurs in the middle of the winter season. For these reasons the Panel was of the opinion that an effective date for any changes to the minimum wage could be April 1. This date also coincides with the start of the Government’s fiscal year.

Other Jurisdictions

Jurisdictions that use economic indicators as a means of adjustment (Alberta, Nova Scotia and the Yukon) revise the minimum wage annually. Alberta typically gives a notice period of 3 months. In Nova Scotia, a Minimum Wage Review Committee, established in 2004, conducts an annual review of the minimum wage, and prepares a report with recommendations regarding its continued application.^{xii} Similarly, the Employment Standards Board of Prince Edward Island meets annually to review and recommend changes to the minimum wage. The Board considers a number of factors, such as the provincial economic and social effects of minimum wage rates, increases in the cost of living, wages in other jurisdictions, and economic conditions of the province.^{xiii}

Public Consultation

Employee and employer groups and submissions recommended review periods of one and two years respectively. While employer groups indicated that annual changes would impose additional administrative costs, no information or statistics regarding these additional costs or the differences in costs between a one and two year revision period were presented to the Panel. Recommended notice periods generally ranged from 2-6 months from all groups and presenters.

In balancing employer and employee considerations, an annual revision of the minimum wage is appropriate. This reduces the lagging of minimum wages behind other wages, corresponds with annual change indicators, and minimizes the larger minimum wage increases that would be more likely with a two or three year revision period. Furthermore, annual increases are in step with the other Canadian jurisdictions who have tied their minimum wage increases to economic indicators.

Recommendation #2: *Minimum wages should be revised annually, and a minimum of four months’ notice of any wage change should be provided. The effective date of minimum wage changes should be April 1 of the following year. This would result in notification by December 1 of the previous year.*

4.4 Mechanism for Revisions

The Consultation Paper posed the following questions:

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

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

In the past, the Ontario Government has taken an ad hoc approach to determining minimum wage increases. This has led to an irregular pattern of increases and freezes since its inception.

Implementing annual increases in accordance with the economic indicator formula will eliminate this ad-hoc approach and irregularity. In addition, a formal review should be conducted on a regular basis to review the annual increases formula and process, and to evaluate the current base wage. A formal review can thus address the relative inflexibility of the automatic increases.

Recommendation #3: *The Government should undertake a full review of the minimum wage rate and the revision process every five years. This review should be conducted by a panel of stakeholders and a neutral chair. The mandate of this Panel would be to review Ontario’s past experience with minimum wage revisions within the context of Ontario’s social and economic progress and prevailing practices in other jurisdictions to recommend changes that could better serve Ontario’s future needs.*

In the process of writing this report, the Panel was required to gather substantial information in a very short period. This information seeking process was difficult and in some instances, inadequate. Given that the mandate of the full review panel will be broader in scope, substantial research will be needed to afford the panel the appropriate information and resources needed to make recommendations.

Other jurisdictions have substantial research programs to support their reviews of the minimum wage. In the United Kingdom, the UK Low Pay Commission engages in extensive, ongoing research and consultation. It examines not only minimum wages but low wages in general to have a fully informed picture of the working poor. It commissions research projects, analyses relevant data, conducts surveys with businesses and stakeholders. It actively consults with employers, workers, and their representatives, via fact-finding visits and written and oral submissions. A similar program would be a significant aid to any future review panels.

Recommendation #4: *To aid the full review process, and to ensure that Ontario’s minimum wage policies are in step with the needs of its citizens, the Government should establish an ongoing research program for data and information gathering and its subsequent analysis to address policy-relevant minimum wage issues.*

4.5 Setting the Level of the Minimum Wage

As previously discussed, the Panel was not asked to consider recommending a level for the minimum wage. Rather, it was tasked with giving advice on how the minimum wage rate should be adjusted. Notwithstanding, the Panel heard repeatedly from the public on the topic of a specific **level** of minimum wage. It was also the topic of discussion within the Panel on multiple occasions. Panel members generally diverged in their opinions on the issue of a specific wage level. These disagreements notwithstanding, both the public input as well as the Panel's own deliberations have yielded important insights that are summarized below. Some of these ideas can be useful pointers for the Government as it sets about crafting a minimum wage policy for Ontario while other issues can contribute to a research agenda for the development of minimum wage policy in the future. In this spirit, these issues are summarized here.

Retroactive Adjustment to 2010

One of the issues that the Panel deliberated over is the question of the baseline for minimum wages in Ontario to which further revisions should be applied. The Ontario minimum wage rate has not been revised since 2010 when it was at \$10.25 an hour. Over that period of time, changes in the CPI and inflation have eroded the purchasing power of the minimum wage by approximately 6.7% if we apply the CPI measure for Ontario. Thus, an inflation adjustment to the minimum wage could be applied retroactively to the 2010 level to account for the increase in the cost of living since then. Some Panel members expressed strong support for this idea. Some submissions from the public also supported this notion. Another argument for applying inflation adjustment going back to 2010 would be the movement of other wages that are similar to the minimum wage. To maintain equity, it was argued that minimum wage should be allowed to rise in proportion if other wages close to the minimum wage went up since 2010. According to data supplied by the Ministry of Finance, wages between \$10.26 and \$12.30 an hour (between the minimum wage and up to 20% above the minimum wage) rose only modestly between 2010 and 2013.

Number and Hourly Wages of Workers Earning \$10.26 to \$12.30

Annual Average			
	Number	Average	Median
2010	525,400	11.27	11.00
2011	593,100	11.24	11.00
2012	589,200	11.27	11.00
2013*	597,900	11.29	11.20

* year to date Jan to Oct

Source: MOF calculations using Statistics Canada's Labour Force Survey

On the other hand, a number of public submissions were opposed to any retroactive adjustment. The argument given was that a series of pre-determined increases in the years prior to 2010 had resulted in a relatively high minimum wage and as such it ought to be revised going forward only rather than retroactively. Some Panel members also expressed support for this idea. Employer organizations expressed concern over facing a large step increase in the minimum wage, which could burden businesses with a sudden increase in costs that could harm employment in the near term and new investments and job creation in the longer term.

This report makes no recommendation regarding retroactive adjustment for two reasons. First, any such recommendation would lead to a specific wage level, a task that exceeded the mandate of this Panel. The specific level is to be determined by the Government. Second, there was no consensus within the Panel on this issue.

Cost of Living as a Basis for Minimum Wage Setting

The majority of presentations and submissions to the Panel focused on the inadequacy of the current minimum wage to generate an income that would allow people to escape poverty. Several Panel members expressed the belief that the Panel was established, at least in part, because the current Government has announced a poverty reduction strategy and has clearly and publicly recognized that many minimum wage earners are living below the poverty line. Thus, a number of arguments were made by stakeholders and Panel members in favour of both a mechanism to raise the current level of the minimum wage as well as to adjust the minimum wage on a regular, ongoing basis. Common to these presentations and submissions was the recommendation that the minimum wage rate should be tied to a low income measure or a measure of average or median wages. This anchoring was endorsed for a number of economic, social policy and political reasons by many public submissions and some Panel members. However, these proposals go beyond simply making an argument for an increase. Rather, they link directly to measures that would have the effect of setting a specific level for the minimum wage. For example, the most commonly cited figure was a rate 10% above the pre-tax Low Income Measure (LIM), or approximately \$14 dollars. Similarly, tying the minimum wage rate to a certain percentage of median or average wages would dictate a specific rate. The average hourly wage for those 15 years and over in Ontario is \$24.90.^{xiv} 60% of this figure would be \$14.94.

While setting a specific rate is considered beyond the scope of this Panel's terms of reference, this is an important issue, which could be addressed within the Government's overall anti-poverty strategy. The Government could consider the extent to which it is going to use minimum wages to address the problems of the working poor. Tying the minimum wage to a low-income measure would raise household incomes significantly where the wage earners (sole or multiple within the household) hold a minimum wage job. It would not address poverty issues for households where no members are employed at the minimum wage. The Government will need to consider whether it wishes to implement a rate change that would bring full-time, full year minimum wage workers above the poverty line. Should it choose to do so, a level above the LIM was strongly endorsed by stakeholders, policy groups, and by several members of the Panel. For the record, these proposals were strongly opposed by business groups, individuals and some other Panel members. The main points of the debate for and against the use of low income or average wage measures to set a level for the minimum wage are summarized below.

4.5.1 Arguments for the use of cost of living, low income measures, or average wages as economic indicators for minimum wage setting

There was a strong articulation of the view that working poverty, increased cost of living, increased inequality, and the increasing trend toward precarious work and a low-wage economy should be accorded significant weight in determining a mechanism for revising the minimum wage. Research and figures presented supported an increasing trend towards precarious and low wage work. As noted in Section 2, the percentage of employees earning minimum wage has risen

significantly since 2003, and the number of minimum wage workers who are under 18 and over 35 have also risen significantly. More and more workers are relying upon minimum wage jobs for support, and an increasing number of these workers are women and racialized minorities.^{xv} Half of all workers in the GTA and Hamilton area experience precarity in their employment patterns, resulting in irregular and often inadequate hours of work.^{xvi} The category of working poor, defined as individuals who have after tax earnings below the LIM, earn at least \$3000 per year, are between 18-64, and are non-students living independently is rising, increasing 24% between 2000 and 2005.^{xvii}

Accordingly, the use of low income measures or average wages as economic indicators for minimum wage have been proposed, in order to better link minimum wages to liveable wages and/or wage changes of higher income earners.

The Ontario Government's Poverty Reduction Strategy uses the LIM After Tax as its target indicator for measuring and tracking progress^{xviii}. Thus, using this as a metric supports consistency. Looking at this measure, it is clear that full-time, full year minimum wages are insufficient for supporting a household, leading to a situation of working poverty. Working full-time (35 hours a week) and full-year (50 weeks a year), a worker earns \$17,937.50 before taxes. This falls below Ontario's LIM for 2011, which is \$23,690.^{xix} Catching up to the LIM would set a minimum wage of approximately \$13.50, while setting minimum wage above the LIM would result in a higher level. A wage 10% above the LIM would result in a minimum wage of approximately \$14.90. As the LIM is annexed annually to cost of living measures, this would have the result of automatically indexing the minimum wage.^{xx}

Using the Average Industrial Wage as an economic indicator would result in a similar figure. Historically and in various jurisdictions, the minimum wage has been between 40 and 60% of the average industrial wage. Proponents of average wages as an indicator suggest setting the minimum wage at 60% of the average industrial wage. This is a policy goal in a number of European nations^{xxi}. This would result in a minimum wage of approximately \$14.50.

Avoiding the negatives of a low-wage economy was proposed as a significant factor in tying the minimum wage to one of these indicators. Beyond any positive impacts on the incomes of lower-wage earners and their families, minimum wages were argued to play a significant role in regulating the labour market, income distribution, and equity for all and in particular, certain groups (women, racialized workers, and persons with disabilities). The economic data reviewed in Section 3 supports a reduction in low wage inequality from increasing minimum wages.

The minimum wage has been proposed as one of a group of distinct areas that can have an impact on poverty reduction. Other areas include introducing housing benefits, reforming social assistance, supporting transitions to work, raising the Ontario Child Benefit, addressing employment standards, affordable housing, early learning, and affordable education.^{xxii} From a social policy perspective, while raising minimum wages is not the only tool for addressing low wages, it would help to alleviate the strain on a number of social and community services, such as food banks, health initiatives, and other programs. The social and economic costs of a low wage economy, including significant health costs, were identified as negatives that could be alleviated through an increase. Furthermore, several submissions noted the trend in Government policy as being increasingly geared toward moving people from social assistance into employment. In order for those strategies to be most effective, employment and wages must be of sufficient quality to provide a route out of poverty.

Proponents of using these measures as an economic indicator recommend a phase of adjustment over a period of several years. One such proposal is to increase the minimum wage by 75 cents on January 1, 2014, with increases in 75 cent increments every six months until the minimum wage reaches \$14.00 on January 1, 2016. One final increment of 75 cents would adjust for lost purchasing power, raising the minimum wage to \$14.75 on July 1, 2016, at which point it would be adjusted annually by CPI.

In further support of the use of these economic indicators, it was noted that given the Ontario Government's reliance on customer spending to boost economic growth, increasing the minimum wage would bolster that strategy by increasing the purchasing power of half a million workers. These workers, in turn, are more likely to spend their money in their local communities. Additional benefits would include increased productivity, well-being, lower levels of absenteeism, and lower levels of turnover.

In addressing the concerns raised by business groups, tax relief measures were proposed as a way to ensure that those that could afford minimum wage increases (large corporations) could provide those without negative impact to smaller, local businesses. Proponents also argued for an alternative view to classical economic theory, such as economic theories of wage-led growth. These theories posit that consumer spending has the greatest potential to accelerate economic recovery, with significant positive impacts on leveraging additional spending capacity on top of the extra income resulting from higher wages.^{xxiii} These theories also disputed the negative impacts on employment and business costs purported by business representatives.

4.5.2 Arguments against the use of cost of living/low income measures as economic indicators for minimum wage setting

Those who were not in favour of using the cost of living, low income or average wage measures as economic indicators for the setting of the minimum wage largely focused on the impact of minimum wage on businesses. Costs to businesses and particular industries were the most frequently cited barriers to using a cost of living or low income measure as an minimum wage indicator. Presenters were concerned about Ontario's ability to compete in a global labour market, and the relative positioning of its wages in comparison to other Canadian jurisdictions and the United States.

Concerns were also expressed regarding the impact of the higher minimum wage rate resulting from tying minimum wage to LIM or average wages on job loss. Reference was made to studies showing that an increase in the minimum wage would have an impact on teen employment, such as Morley Gunderson's 2007 paper.^{xxiv} It should be noted that there was little evidence presented of specific figures relating to job loss from the previous increases to the minimum wage, which increased significantly from 2004 to 2010. Rather, many presenters cited the fact that the cost of labour was their most significant production or business cost in support of their arguments of the effects of a minimum wage increase. In line with these arguments, Gunderson (2007) noted that payroll cost from a 25% increase in the minimum wage would have a lesser effect when amortized over all paid workers. However, he also noted that payroll cost increases are significantly higher for small firms, and in the accommodation, food service and retail industries. Presenters predicted that a wage increase would lead to the loss of hours and jobs, with particularly significant impacts on the retail, hospitality and leisure sectors.

While some presenters acknowledged that the current minimum wage rates were below current LIM measures, and recognized the need to reduce poverty and raise the standard of living in Ontario, they were concerned with placing this burden disproportionately on employers, and predominantly, those in specific sectors such as the retail, hospitality and leisure sectors.

Proponents of a rate level freeze also questioned the link between minimum wages and poverty^{xxxv}. They argued that other more direct tools to address the working poor that did not impact business outcomes would be more beneficial and should be used first before turning to the minimum wage as an anti-poverty tool. Such recommendations included the following integrative mechanisms:

- affordable housing
- child care support
- affordable education
- food bank support
- tax reductions or exemptions for low income workers.
- long term care
- re-training programs and other active labour market programs.

4.6 Conclusion

Most experts agree that a multi-pronged and multi-level process is needed to address and combat poverty, a task that cannot be addressed solely by increases to the minimum wage rate alone. It is possible for minimum wages to play a role, but the extent of that role will be dictated by the Government's policy considerations. Research and conclusions on the link between poverty and minimum wages are also highly contentious, with various arguments for and against a link. For this reason, any linkage between the minimum wage and poverty needs to be situated within the context of various other measures to address poverty, including but not limited to changes to taxation, social policy, housing, and job/skills training, etc. The minimum wage can be one of a set of tools used to address poverty, but the Government must assess the degree to which it is used in conjunction with other strategies. Using it as one of a set of tools would alleviate concerns with disproportionate burden on employers or other groups as well as provide a stronger framework for addressing low wages and poverty in Ontario.

For example, the implications of linking the minimum wage to low income measures on the use of minimum wage jobs as ports of entry (youth) and re-entry (older workers) into the workforce must be weighed carefully. It is unreasonable to assume that increasing the minimum wage, especially by a significant step increase, will have no economic or socio-economic impact on other categories of individuals or workers in Ontario. People working at minimum wage and supporting their household as the only wage earner in the family constitute only 11.4% of minimum wage workforce. The majority of minimum wage earners, more than 60%, are youth (see Section 2) and most research studies find that the disemployment effects of rising minimum wages are the greatest for youth (see Section 3). Thus, any minimum wage increases should be combined with youth and re-entry employment strategies to counteract any negative impacts. Similar approaches must be undertaken in respect of small businesses, i.e., combining minimum wage increases with other initiatives to help businesses be more productive and competitive.

05 | Summary of Recommendations

For the readers' convenience, the complete list of recommendations is summarized below.

Recommendation #1: *Minimum wages should be revised annually by a percentage equal to the percent change in the Ontario Consumer Price Index.*

Recommendation #2: *Minimum wages should be revised annually, and a minimum of four months' notice of any wage change should be provided. The effective date of minimum wage changes should be April 1 of the following year. This would result in notification by December 1 of the previous year.*

Recommendation #3: *The Government should undertake a full review of the minimum wage rate and the revision process every five years. This review should be conducted by a panel of stakeholders and a neutral chair. The mandate of this Panel would be to review Ontario's past experience with minimum wage revisions within the context of Ontario's social and economic progress and prevailing practices in other jurisdictions to recommend changes that could better serve Ontario's future needs.*

Recommendation #4: *To aid the full review process, and to ensure that Ontario's minimum wage policies are in step with the needs of its citizens, the Government should establish an ongoing research program for data and information gathering and its subsequent analysis to address policy-relevant minimum wage issues.*

06 | Conclusion and Reflections

In this final section of the report I return not only to the original mandate of the Panel and the manner in which this report has addressed it, but also to the key messages received in the volume of feedback from key stakeholders and the public at-large.

At the time that this Panel was appointed there was no mechanism in place for an orderly and regular consideration of revisions to the minimum wage. In the nineteen years since 1995 when the minimum wage was revised to \$6.85 an hour, Ontario's minimum wage stayed frozen in twelve of those years while it increased in seven. The recommendations of this Panel, if accepted and implemented by the Government of Ontario, would change this pattern in favour of an orderly, transparent, predictable and fair system for all Ontarians.

Setting of the minimum wage at a specific level involves economic policymaking as well as making a political choice. This is the role of an elected government, a role that it must retain in the long-run. The recommendations of this Panel, if implemented, will remove the near-term uncertainty over minimum wage revisions by making the process more transparent and regular. However, the five-year review proposed would allow the Government to introduce course corrections over the long-run. For example, substantial investments in skills and innovations in the long-run would justify pursuing a high minimum wage strategy within a highly productive and competitive Ontario economy.

However, these recommendations are not designed to be the final word on Ontario's minimum wage. Two important considerations require that the dialogue between the Government and its citizens over minimum wage continue in the coming years to keep the reform process alive in the spirit of "continuous improvement". The first consideration is the feedback received from the public which frequently exceeded the limited mandate of this Panel. A second consideration is to build a long-term strategy for the minimum wage that will be fully integrated into Government's overall social and economic strategy for Ontario.

An ongoing dialogue on minimum wage is needed to address the comprehensive set of issues brought to the Panel's attention. These have been summarized in Section 4 and in Appendix 6. The larger advocacy process within the democratic process would continue regardless of Government's action on the recommendations of this Panel. It is this dialogue that could constructively engage the citizens with their Government to shape future directions in minimum wage policy. For this reason, it is important to create a research program focused on data analysis and information gathering that could inform this dialogue.

Aside from poverty considerations, it can be argued that Ontario needs a high wage strategy to maintain and foster its prosperity. This is a broader, longer-term goal which could nonetheless factor into setting of minimum wages in the future. Such a strategy would involve improving the skills of the Ontario workforce so that they can add greater value to goods and services produced in the province. It would mean gradual elimination of simple, unskilled jobs from our economy. In such a scenario, certain types of low-skill jobs would be lost but the ones that remain would provide a decent standard of living to any individual working full-time, full year. This is a goal worth working towards for all kinds of reasons but especially because it may be within our reach.

Appendix 1 | Terms of Reference

Background

Ontario's minimum wage is set out in O. Reg. 285/01 under the Employment Standards Act, 2000 (ESA) and is the lowest rate an employer can pay an employee.

Between 1995 to 2003, the minimum wage in Ontario was frozen at \$6.85 per hour but increased annually between 2004 and 2010. The most recent increase to \$10.25 per hour took effect on March 31, 2010.

Mandate and Scope of Review

The Minimum Wage Advisory Panel (Panel) will examine Ontario's current minimum wage policy and provide advice on an approach for determining the minimum wage in the future. It will examine the effectiveness of other jurisdictions' minimum wage models.

Composition

The Panel will consist of a Chair and five other members, including:

- Two (2) business representatives
- One (1) organized labour representative
- One (1) non-union employee representative
- One (1) youth representative.

Key Roles and Responsibilities

1. Role of Chair

The Chair will lead meetings and consultations with input from Panel members. He/she will also report back to the Minister of Labour within six months of Royal Assent being given to Bill 65, the Prosperous and Fair Ontario Act (Budget Measures), 2013 (if passed by the Legislature), with his/her report and recommendations to the government on an approach for determining the minimum wage in the future.

2. Role of Panel Members

Panel members will assist the Chair in planning meetings and consultations, identifying issues, and providing input on findings and potential options that will ultimately inform the Chair's final recommendations.

Approach

The Panel shall meet with or solicit written input from a broad range of stakeholders.

The Chair will report back to the Minister of Labour within six months of Royal Assent being given to Bill 65, the Prosperous and Fair Ontario Act (Budget Measures), 2013 (if passed by the Legislature), with a written report on Ontario's current minimum wage policy and recommendations to the Minister of Labour on an approach for determining the minimum wage in the future.

If the report is not completed within that initial six-month period, the Minister of Labour may extend the terms of the appointments and the date for completion of the report for a period not to exceed three months.

The Ministry of Labour will provide staff to support the Chair by assisting with the consultation process, conducting research, drafting of recommendations, and other related work.

Governance and Accountability

The Panel will be accountable to the Minister of Labour. The Chair will report to the Minister of Labour on such matters and at such times as the Minister may request.

The Deputy Minister of Labour or his/her designate will approve all expense claims.

Appendix 2 | List of Panel members and biographies

Chair:

Anil Verma is Professor of Human Resource Management at the University of Toronto's Rotman School of Management, and Director of the University of Toronto's Centre for Industrial Relations and Human Resources. He serves as a member of Statistics Canada's Advisory Committee on Labour and Income Statistics, and on the Board of Directors of COSTI Immigration Services.

Panel Members:

Antoni Shelton is Director and a Liaison to the President for the Ontario Federation of Labour. He has worked as a Community Development Officer and Campaign Manager for the United Way and as Executive Director of the Urban Alliance on Race Relations. He has also held positions with both the City of Toronto and the Ontario government in areas dealing with social policy.

Adam Vasey is Director of Pathway to Potential, Windsor Essex County's Poverty Reduction Strategy. He has been an instructor at the University of Windsor, Faculty of Law and School of Social Work. He holds a Master of Social Work degree from the University of Windsor and a Master of Laws degree from Osgoode Hall Law School.

Gary Rygus is Director of Government Relations, Retail Council of Canada (RCC). The RCC is a not-for-profit, industry-funded association representing more than 45,000 business establishments across Canada. He is also a Board Member of the Ontario Electronic Stewardship, and a Review Panel Member of the Electrical Safety Authority.

Beth Potter is President & CEO of the Tourism Industry Association of Ontario (TIAO). TIAO collectively represents 147,000 businesses and 608,000 employees that are dedicated to promoting and operating the Province's tourism infrastructure. She was appointed as a member of the Sector Advisory Committee of the Ontario Tourism Marketing Partnership Corporation (OTMPC). She was also appointed to the Recreational Water Safety task force, led by the Public Health Policy and Programs Branch of the Ministry of Health and Long-Term Care.

Laura D'Amico has served as a Student Trustee for the Ottawa Catholic School Board and graduated this past June from St. Mark High School. She was a member of the Ottawa Youth Commission. She is currently attending Wilfrid Laurier University.

Appendix 3

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 <http://www.labour.gov.on.ca/english/es/advisorypanel.php>.

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.

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 Avenue, 12th floor, Toronto, Ontario, M7A 1T7
Fax:	416-326-7650 Attention: Minimum Wage Advisory Panel
Online:	http://www.labour.gov.on.ca/english/es/advisorypanel.php

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.

Appendix 4 | Minimum Wage Rates

Ontario Minimum Wage Rates, 1965-2010

Effective Date	Minimum Wage	Effective Date	Minimum Wage
31-Mar-10	\$10.25	31-Mar-81	\$3.30
31-Mar-09	\$9.50	01-Jan-79	\$3.00
31-Mar-08	\$8.75	01-Aug-78	\$2.85
01-Feb-07	\$8.00	15-Mar-76	\$2.65
01-Feb-06	\$7.75	01-May-75	\$2.40
01-Feb-05	\$7.45	01-Oct-74	\$2.25
01-Feb-04	\$7.15	01-Jan-74	\$2.00
01-Jan-95	\$6.85	01-Feb-73	\$1.80
01-Jan-94	\$6.70	01-Apr-71	\$1.65
01-Nov-92	\$6.35	01-Oct-70	\$1.50
01-Nov-91	\$6.00	01-Jan-69	\$1.30
01-Oct-90	\$5.40	27-Dec-65	\$1.00
01-Oct-89	\$5.00	30-Mar-65	\$1.00
01-Oct-88	\$4.75	01-Jan-65	\$1.00
01-Oct-87	\$4.55	01-Jan-65	\$0.90
01-Oct-86	\$4.35	01-Jan-65	\$1.00
01-Oct-84	\$4.00	01-Jan-65	\$0.95
01-Mar-84	\$3.85		
01-Oct-81	\$3.50		

Source: (Ministry of Labour, 2013)

Appendix 5a | Number of Consultations

As of December 6, 2013

How submissions were received:

- Public consultations
- Panel's website
- Panel's email
- Panel's toll-free number
- By fax
- By regular mail

Public Consultations: *(92 Presentations; 61 Submissions)*

- **Toronto:** 13 presentations; 11 submissions
- **Mississauga:** 13 presentations; 10 submissions
- **Sudbury:** 3 presentations; 2 submissions
- **Thunder Bay:** 6 presentations; 5 submissions
- **Windsor:** 10 presentations; 5 submissions
- **Guelph:** 19 presentations; 14 submissions
- **Kingston:** 7 presentations; 7 submissions
- **Ottawa:** 13 presentations; 7 submissions
- **Youth Town Hall:** 8 participants
- **Hamilton:** 4 presentations; 0 submissions
- **London:** 4 presentations; 0 submissions

Responses from the Public: *(205 Submissions)*

- **General comments received:** 94
- **Submissions received:** 111

Responses from Stakeholders, Organizations, Others:

(61 Submissions)

- **Employer Groups:** 10
- **Advocacy Groups:** 23
- **Labour Groups:** 4
- **Other Groups / Individuals:** 24

MWAP Toll-Free Number: *(10 Submissions)*

- **Verbal submissions recorded:** 10

Responses From Ministries: *(3 Submissions)*

Overall Total: *92 Presentations; 340 Submissions*

Note: duplicate submissions are counted once only.

Appendix 5b | Minimum Wage Regional Consultations – List of Organizations

Date	City Date	Presenters
September 6, 2013	Toronto	<ul style="list-style-type: none"> • CUPE Local 4400 • ACORN Canada • Anglican Diocese • Workers Action Centre • Migrant Workers Alliance for Change and Support Enhance Access Services Centre • Justicia for Migrant Workers • Ontario Chamber of Commerce • Social Planning Toronto • Parkdale Community Legal Services • Greater Oshawa Chamber of Commerce • Toronto and York Region Labour Council • Unifor Canada (formerly CEP and CAW)
September 19, 2013	Mississauga	<ul style="list-style-type: none"> • Canadian Federation of Independent Business • Brampton-Mississauga and District Labour Council • Peel Poverty Action Group • Ontario Restaurant, Hotel and Motel Association • Ontario Federation of Labour • Canadian Restaurant and Foodservices Association • Human Resources Professionals Association • UNITE HERE Local 75 • Social Reform / Ontario Campaign 2000 • Oakville Chamber of Commerce • ODSP Action Coalition

Date	City Date	Presenters
October 3, 2013	Sudbury	<ul style="list-style-type: none"> • Sudbury Workers Education and Advocacy Centre • Greater Sudbury Chamber of Commerce • Sudbury Mine, Mill and Smelter Workers Union (Unifor Local 589)
October 18, 2013	Thunder Bay	<ul style="list-style-type: none"> • Thunder Bay and District Injured Workers Support Group • Poverty Free Thunder Bay • Thunder Bay Chamber of Commerce and Northwestern Ontario Associated Chambers of Commerce • Kinna-aweya Legal Clinic
October 24, 2013	Windsor	<ul style="list-style-type: none"> • United Steelworkers Local 9329 • Windsor Workers Action Centre • Pathway to Potential • Legal Assistance of Windsor • MMARCO International Service Inc. • Ontario Greenhouse Vegetable Growers • United Way / Centraide Windsor Essex County • Workforce WindsorEssex
November 1, 2013	Guelph	<ul style="list-style-type: none"> • Guelph and District Labour Council • Canadian Centre for Policy Alternatives • Canadian Mental Health Association • CUPE Ontario • Campaign to Raise the Minimum Wage • Guelph Chamber of Commerce • Ontario Convenience Stores Association • Social Planning Council of Cambridge and North Dumfries • Grape Growers of Ontario • Labour Issues Coordinating Committee • Ontario Federation of Agriculture • Ontario Apple Growers • Ontario Greenhouse Vegetable Growers • Christian Farmers Federation of Ontario • Ontario Fruit and Vegetable Growers Association • Flowers Canada Ontario • Mushrooms Canada • Greater Niagara Chamber of Commerce • United Way Guelph Wellington Dufferin
November 6, 2013	Kingston	<ul style="list-style-type: none"> • Ontario Public Service Employees Union • Greater Kingston Chamber of Commerce • United Way of Peterborough and District • Peterborough Workers Action Centre • OSSTF Limestone District 27 • Belleville Workers Help Centre • Retail Council of Canada

Date	City Date	Presenters
November 7, 2013	Ottawa	<ul style="list-style-type: none"> • Biagio's Italian Kitchen and Ontario Restaurant, Hotel and Motel Association • Ottawa Servers Association • United Steelworkers • Southern Cross Grill on Queen • ACORN Canada • Canada Without Poverty • Public Service Alliance of Canada (Ottawa Area Council) • Ottawa and District Labour Council • Graduate Students Association of Carleton University • Ottawa Food Policy Council • Ontario Berry Growers Association • Canadian Mental Health Association (Ottawa)
December 3, 2013	Hamilton	<ul style="list-style-type: none"> • Hamilton Roundtable for Poverty Reduction • Social Planning and Research Council of Hamilton
December 5, 2013	London	<ul style="list-style-type: none"> • Joe Kool's Restaurant • Middlesex London Public Health Unit and Diagnostics and CIO for London Health Sciences Centre • London Chamber of Commerce • London Child and Youth Network

Appendix 6 | Summary of Stakeholder Consultations

6.1 Summary of Responses to Consultation Paper Questions - Public Consultation Presentations

From September 6 to December 5, 2013, the Minimum Wage Advisory Panel held regional consultation meetings in various locations throughout the province. The public also had the opportunity to submit comments and responses to the Consultation Paper on Ontario's Minimum Wage online and by email.

During the consultation sessions held across the province, the Panel heard from a number of community, labour, and business groups as well as from individuals. Presenters were asked to address the questions posed by the Consultation Paper, and also made submissions more generally on the state of minimum wage rates in Ontario. The following section summarizes the submissions of some of the various presenters, and is organized by each question posed in the Consultation Paper.

It should be noted that the majority of presentations did not target or directly address the questions posed by the Consultation Paper. Rather, most presenters focused on arguments for or against raising the minimum wage, some of which indirectly commented on the questions posed to the Panel. These comments are summarized in a later section, Section 6.2.

6.1.2 In addition to the factors already considered by the government, which additional factors should be considered in setting and changing the minimum wage?

As previously discussed, the Consultation Paper set out a number of factors that are currently considered when it analyzes the minimum wage. Presenters were asked to discuss any additional factors that should be considered in setting the minimum wage.

Most presenters reiterated factors that are already captured by the list of factors considered by the government in setting the minimum wage. These discussions were largely made in the context of making arguments for or against the raising of the minimum wage. Presenters either emphasized

the use of various factors, or stated factors that were less important/should not be considered. These factors are discussed further in the sections addressing arguments for and against raising the minimum wage. In general, those in favour of raising the minimum wage cited factors related to the cost of living, the characteristics of minimum wage earners, the positive impact on the economic conditions, trends and developments in other jurisdictions, results from minimum wage earning stakeholders and the minimal overall and long-term impact on businesses. Those in favour of maintaining the current minimum wage rate emphasized economic conditions in the province, the overall impact of previous minimum wage increases on business, and the differential and more severe impact on small businesses and particular industries.

In response to this question, a few factors were specifically identified in the presentations that do not appear to fall under the list of factors considered by the Government in analyzing minimum wage:

- The GDP and economic conditions of Canada.
- Pay gaps amongst different groups.
- Pay settlements between sectors.
- The power relationships between workers and employees.

One group noted that there should be a balance between employer and employee perspectives, an important point that was generally not expressed by the groups who tended to take strong stances favouring either raises or the status quo.

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

Ontario currently uses a discretionary, ad-hoc basis to review minimum wage. The Consultation Paper referenced three procedures used by other Canadian jurisdictions to adjust minimum wage: (a) ad-hoc increases by the Government (b) an independent advisory committee or (c) a mandatory review process, and asked presenters to comment on these systems.

Ad-hoc reviews

Both pro-employer and pro-employee groups that addressed this question were overwhelmingly against the use of an ad-hoc process. The ad-hoc process was described as unpredictable and distressing, leading to preparation and planning problems that affected both employees and employers. Ad-hoc changes were also described as politically motivated or subject to political interference. These arguments were linked by the common thread of a desire for fair, transparent and accountable increases.

Independent Advisory Committee

Pro-employer and pro-employee groups both expressed that an independent advisory committee had the potential to be a fair, open and transparent mechanism. They suggested that any such committee would need to include representatives from different stakeholder groups. The committee could make non-binding suggestions to the Government, who would then decide whether or not to

implement the recommendations. One suggestion was to have a tripartite body with representatives from labour groups, business and government groups, and youth and community members, which would examine indexation and the challenges facing low-income earners.

Mandatory Review Process

Only two groups indicated their desire for a mandatory review process, suggesting that it occur annually. One group recommended the full participation of employers and those working minimum wage jobs in such a mandatory review.

General Comments

Several groups did not choose specific review process but instead, espoused principles that should guide the review process generally. These principles included transparency, regularity, fairness, depoliticization, incremental increases, objectivity, and predictability.

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

Several presenters raised the concept of an independent body or arms-length agency, with presenters both against and in favour of such a body. Those against were concerned with political interference, governance problems and mandate problems. Those in favour suggested a permanent independent advisory committee with employee and employer representatives. Suggestions including empowering this agency with research capacity and the ability to conduct ongoing consultations with low-wage workers; a focus on poverty and low-income earners; and the inclusion of an umbrella group to represent marginalized, minimum wage workers. An arms-length agency was described as depoliticized and able to promote a better social understanding of the need for a minimum wage and the relevant factors to consider.

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

Both those in favour of and against raising minimum wage increases argued for the use of an economic indicator as a means to provide regular, incremental fair and reasonable increases. The use of economic indicators was strongly preferred over the current ad-hoc mechanism of increases to the minimum wage. Those against raising the minimum wage suggested future increases tied to economic indicators. Those in favour of raising the minimum wage generally argued for an immediate increase to the minimum wage followed by increases tied to an economic indicator, indicating that an increase to economic indicators without an immediate increase is insufficient.

The four indicators that were most frequently cited were the Cost-of-Living/Cost-of-Living-Adjustment; Inflation; Consumer Price Index, and the Low-Income Measure. Productivity was mentioned as a possible sole indicator, or an indicator to be used in tandem with other indicators such as inflation or CPI, as were employment levels and overall economic prosperity.

COL/COLA

Several groups, primarily employee or community groups, recommended the use of COL/COLA as the economic indicator to which minimum wage should be tied. Reference was made to other provinces that take into account the price of consumer goods.

The Market Basket Measure was also proposed as an alternative measure reflecting actual cost of living.

CPI

The CPI was the most frequently cited indicator. Reference was made to other provinces that already tie their minimum wage rates to the CPI. It was described as predictable and easily understood by both employers and employees. Consideration as to which CPI measure to use (i.e. all items vs. other CPI indicators) was referenced. Some employer groups stated that the minimum wage rate should not outpace the rate of CPI.

Inflation

Several groups suggested the use of inflation as an indicator on its own or in combination with other measures. Reference was made to other provinces that take inflation into account in setting their minimum wage rates. One employer group indicated that the minimum wage rate should not outpace the rate of inflation.

LIM

Several groups recommended setting the minimum wage rate above the LIM, usually quoting a bar of 10% above this measure. This was also referenced in argument calling for an immediate raise of the minimum wage to 10% above the LIM, as this would lead to a larger minimum wage rate increase to approximately \$14/hour.

Other Indicators

Only a few groups proposed the LICO or Average Weekly Earnings as an economic indicator that should be used in setting minimum wage rates. One group indicated that the Average Weekly Earnings indicator should not be considered, nor should family size. Another group indicated that the AWE and the CPI were quite similar, preferring the use of the CPI.

Combinations

Several different combinations of the above enumerated economic factors were recommended, such as CPI/COL; inflation/CPI; productivity/inflation/CPI. One group suggested raising the minimum wage by the greater of one of two indicators, while other groups suggested either of two indicators as acceptable. In doing so, one presenter indicated that the CPI on its own was inadequate as a measure, and that a combined measure was appropriate.

General comments

Presenters also commented more generally on the tying of the minimum wage to one or more economic indicators. From the perspective of employers, this process was viewed as a providing a fair, predictable indicator that could allow employers to adjust wages reasonably and protect competitiveness. Indicators were described as a means to balance consumer buying power with business competitiveness. From the perspective of employees, the use of economic indicators were seen as necessary to reflect rising consumer prices and costs of living, thus preventing the erosion of wages and reduction of purchasing power over time.

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

The UK Low Wage Committee approach and the approach to calculating the Ontario Child Benefit were suggested as approaches that could be mirrored or reviewed.

6.1.7 How often should Ontario review the minimum wage?

Employee and community groups overwhelmingly recommended annual reviews of the minimum wage rate. One group went so far as to recommend legislation requiring annual increases to the minimum wage based on an independent review, citing a similar process in other Canadian jurisdictions. Employer groups tended to recommend review periods of two years, citing the administrative costs associated with yearly changes. Often, it was suggested that a two-year review should be tied to a cumulative change of the CPI over the previous two years. Two groups suggested a broader review every 5 years or during exceptional circumstances, such as a traumatic CPI change.

6.1.8 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?

Very few groups addressed the question of a mandatory periodic review. Two groups suggested an annual review by way of advisory panel, while another suggested public consultations every five years.

6.1.9 Notice provided before implementing a change

Presenters were asked to comment on the amount of notice that should be provided to employers and employees prior to the implementation of any change in the minimum wage. Of those who responded, a range of notice periods from 3-4 months to a minimum of 6 months to a minimum of a year's notice were suggested.

In general, employer presenters suggested communication and publicizing well in advance to allow for necessary business planning, including budget planning. One group suggested different timing based on the associated increase – a short amount of time for a modest CPI trend, and a longer period for a more substantive change to the CPI, such as a change of 5% or more.

6.2 Other Comments Beyond the Scope of the MWAP Mandate

The majority of “other” comments fell into one of five categories:

- a. Arguments for a minimum wage increase.
- b. Arguments against a minimum wage increase.
- c. Differentials/Exclusions from the minimum wage.
- d. Concerns about Employment Standards Act enforcement.
- e. Concerns about precarious employment/employment agencies

While these are outside the scope of the Panel’s terms of reference, these comments and arguments will be summarized below as they do inform the consideration and relative weighting of various factors when determining how to set minimum wage.

6.2.1 Arguments for a minimum wage increase

Presenters generally fell into two camps: Those who believed that the minimum wage should be increased, and those who felt it should remain the same or that increases should be low. Those in favour of a minimum wage increase raised a number of arguments in support of their position, grouped by theme below.

Characteristics of Wage Earners and Wage Providers

In making their arguments, those in favour of an increase cited a number of statistics regarding the characteristics of minimum wage earners, such as the rising number of minimum wage workers as a proportion of workers in Ontario, the percentage of women, minorities, and newcomers to Canada the rising age of the minimum wage workers and the position of minimum wage earners in society and in reference to the poverty line. They also cited statistics about the companies that employ minimum wage earners, specifically the statistic that large businesses of over 500+ employers account for half of all minimum wage workers in Ontario.

Cost of Living/Living Wage

Some presenters described the original intent of the minimum wage as a way to protect those without bargaining power, with the minimum wage providing a wage floor in order to address power imbalances for those at the bottom of earners. These arguments were tied to arguments that the current minimum wage is not liveable and/or does not take into account the cost of living, which was one of the primary arguments of those in favour of increases. Those in favour of increases almost unanimously cited the inability of those earning the minimum wage to live on their earnings, with several references to the minimum wage being 19%-25% below the poverty line or the LIM. The point was made repeatedly that those working full time, full year round should not be living at or below the poverty line. Several groups proposed a minimum wage that is a living wage as a minimum requirement. It was also noted by several groups that the minimum wage has not kept up with inflation since the previous increase, resulting in a loss of 6.5% of purchasing power by minimum wage earners. Furthermore, as the minimum wage is not a living wage, workers are required to work an above average number of hours, leaving little or no time for retraining or finding new work. Some presenters suggested that it was more lucrative to receive social assistance than to work full-time at a minimum wage income.

Anti-Poverty

Many of these presenters indicated that the minimum wage is or should be part of an anti-poverty strategy. They noted that working full-time should be a pathway out of poverty, and that an appropriately set minimum wage should and could play a vital role in reducing poverty. Some noted that it was a tool to address poverty, but should be part of a multi-faceted strategy. Relatedly, the negative impacts of poverty on youth behaviour, family development, school success and poor health outcomes were referenced. Concerns were also expressed regarding a cycle of poverty, particularly child poverty, that was perpetuated by an inability of minimum wage workers to move to higher paying or more stable jobs.

Equity

The racialization and genderization of the poor was also cited as a relevant consideration. The minimum wage was described as differentially impacting women, children, immigrants, disabled workers and racial minorities, amongst others, and thus, using the minimum wage was cited as a means of achieving racial and gender equity. An increased minimum wage was referred to as both an equality and equity policy. References were also made to the growing income disparity, and the need for strategies, such as an increase to the minimum wage, to address this growing inequality.

Economic and Labour Market Impacts

Several arguments were raised to counter common claims by business or employer groups against minimum wage increases. Several groups suggested that there was little harm caused by previous increases. They suggested that the evidence does not support decreased employment or job loss, instead citing the addition of jobs to the sales and service sector during the last period of increases, and the benefits of raising the minimum wage. Reference was made to studies showing minimal costs to businesses or a lack of consensus on the impact of the raise of minimum wage. Similar arguments were made for the minimal negative employment impact of an increase to minimum wage, with higher wages associated with an improved bottom line, higher sales, better customer service, lower recruitment costs, lower training costs, and higher profits. One group commented that it was a myth that the minimum wage could not be increased because of the fragility of the economy, given the ability of other provinces to increase their rates in recent years.

It was proposed by several groups that a higher minimum wage would stimulate economic growth, and lead to more money circulating in the economy. It was argued that raising the minimum wage would increase the purchasing power of the over half a million Ontarians subsisting on the minimum wage. Several groups argued that these low income workers were more likely to spend most of their increased income locally, thus putting money back into the economy. Job creation was another benefit suggested by proponents of an increase.

Increased productivity was also cited as a boost of minimum wage increase. Higher wages were linked to increased well being, better health outcomes and decreased stress, which in turn lead to lower levels of absenteeism and better focus on the job.

It was also argued that minimum wages were mostly paid by large companies, those that can afford to pay much more than the current minimum wage. It was suggested that in order to alleviate any costs to small businesses, a number of tax reductions for small businesses could be coupled with a minimum wage increase to insulate small businesses from the costs of higher wages.

Sound Social Policy/Link to Other Social Policies

It was noted that an increase in the minimum wage leads to a number of positive social benefits, such as feeling valued, increasing family connections, creating better social relationships amongst citizens, and providing a better future for the most vulnerable in our society, such as children. Minimum wage was also described as having a significant impact on the levels of social assistance rates, serving as a reference point and basic standard. Minimum wage rates were referred to as a human rights issue that should be brought in line with our local and international human rights obligations.

Other jurisdictions

The success of higher minimum wages in other jurisdictions such as Australia, B.C. (Living wage communities), Santa Fe, New Mexico, New Zealand, and Belgium were referenced in favour of raising the minimum wage.

Benchmark for Rate Change:

It was suggested that there are two ways to set a statutory minimum wage rate:

- a. Place an individual above a widely accepted measure of poverty based on working full-time and full year;
- b. Link the lowest paid worker to the average worker, in order to reaffirm the value of all work to Ontario's economy.

The majority of proponents supported the first option, calling for an immediate increase to a rate set 10% above the poverty line or LIM. Various calculations peg this rate at approximately \$14-\$15 dollars. This wage rate was calculated based on working full-time (35 hours per week) and full-year (50 weeks per year). Several groups did not include calculations but indicated that the rate should be based on a 35-hour work week, in alignment with the above calculation.

Some groups recommended a more gradual adjustment of the minimum wage, with increases over periods of 3 or 5 years. It was noted by two groups that the minimum wage should be rounded to the nearest 5 cents. One group proposed a rise of 75 cents every six months, from January 1, 2014 to July 1, 2016, followed by annual cost of living increases.

In accordance with the second option, one group suggested setting the wage rate at 60% of the average industrial wage, which is a current policy goal in a number of European nations. Given a 2012 average industrial wage of \$24.22, this would result in a minimum wage of \$14.50.

The majority of groups indicated that once the minimum wage was increased to the appropriate level, future adjustments would be tied to economic indicators.

6.2.2 Arguments against a minimum wage increase

Those against of a minimum wage increase raised a number of arguments in support of their position, grouped by theme below.

Costs/Job Loss

Several groups cited the costs of an increase for businesses and industries. They noted that the increased costs would be passed on to the consumer, resulting in increased prices, but that these costs could only be passed down to consumers to a certain extent.

In addition to general, unspecified costs, the costs of labour were cited as being particularly expensive and the most significant components of business costs. Groups expressed concern that increased labour costs via a minimum wage increase and any resulting snowball effect on the wages of other workers would lead to the loss of hours and jobs, lead to more part-time work, and impact particular industries such as retail, hospitality and leisure. Representatives from the Hospitality and Retail industries stated that they had been hit hard by past increases, and that rising labour, food and energy costs were difficult to manage given the small profit margins in these industries. One group provided statistics of 10% job loss in their industry over a three-year period, with a reduction in the hiring of students and inexperienced workers.

Other groups indicated that they had been affected/had not recovered from previous increases, but did not provide more details of the impact of the increase. Other groups indicated that businesses would close as a result of additional increases.

Small Business Impact

The differential impact on small businesses and small towns was mentioned several times, with increased costs having a large impact on small business given their smaller scale and profit margins. Some groups expressed concern that costs would be passed along to consumers, and community contributions would be reduced. Some presenters noted the difficulties small businesses have in passing off costs to consumers when competing against large businesses. It was suggested that the Government should find equivalent cost reductions through taxation for small businesses should it raise the minimum wage.

Productivity

It was argued that purported increases in productivity would not be useful to many industries that rely heavily on minimum wage rates.

Competition

The lower costs of labour in other/neighbouring jurisdictions were cited as a consideration, especially for businesses in close proximity to the United States, those that compete with the United States, and in certain industries, such as tourism and retail. This was tied to arguments that a higher minimum wage would reduce the competitiveness of Ontario companies and certain industries, such as farming, retail and hospitality.

Impact on Youth Employment

It was argued that a minimum wage increase would have a particular impact on teen and youth employment. It was argued by several groups that a minimum wage increase of 10% would lead to a 3-6% job loss for youth and students. This was of particular concern given the already high rate of unemployment among this group. It was described as running counter to the Premier's youth jobs strategy.

General Economic Impact

Another line of argument concerned the impact on the economy and other employment. General concerns about the impact on the employers and the economy were expressed, including the potential negative impact on employment rates. It was argued that the wage rate should remain frozen until the economy recovers in all communities.

Anti-Poverty Strategy

Several groups expressed concern with the use of the minimum wage as a tool to fight poverty, referring to it as a “blunt tool” for that purpose. While they acknowledged that poverty reduction is important, they indicated that minimum wage was not the way to do so. Several presenters indicated that the minimum wage was not intended to be a living wage or a poverty reduction program. It was suggested that the link between minimum wage and poverty was not strong and direct or was vague. It was argued that poverty needed to be addressed at a societal level, not addressed solely by employers, and that other social tools, such as affordable housing, tax reductions, daycare, food costs, and retraining programs, should be improved prior to relying on the minimum wage as an anti-poverty tool.

6.2.3 Concerns about Employment Standards Act enforcement

Several concerns were raised regarding the enforceability of the Employment Standards Act, which was criticized for providing little protection to minimum wage workers. The enforcing of Employment Standards was implied as a means of alleviating some of the stress and burden borne by minimum wage workers.

6.2.4 Concerns about precarious employment/employment agencies

Concerns were raised about temporary agencies and the impact on the erosion of wages. Agencies were described as undermining workers and leading to lower levels of take home pay for low wage earners. Concerns were also raised regarding the increasing incidence of precarious work and the impact on Ontarians.

6.2.5 Differentials

Arguments Against Differentials/Exclusions

Several presenters called for a removal of all differentials and exclusions to the minimum wage rate, or for the removal of the differentials/exclusions particular to the group they represented (e.g., students, migrant workers, live-in caregivers). Presenters argued that minimum wage should depend on one’s work, not on their family status or age. Exemptions were seen to lead to a lack of protection and increased hardship.

Servers/Tipping Industries

It was argued that differentials should be maintained for industries where additional incomes were customarily earned through tips, such as hair, beauty, and servers.

Students

It was argued that differential rates for students and youth were discriminatory, as they were doing the same work as adults. The increased costs of post-secondary education were also raised as a concern. One presenter argued that if the wage rate for students/youth was the same as the rate for adults, businesses would be more hesitant to hire youth, leading to increased unemployment rates. Others argued that different rates for apprentices, juniors and trainees were appropriate, and that pay should increase with experience.

Migrant Workers

One group indicated their reliance on the temporary foreign workers program for low skilled workers, and suggested that the minimum wage should not be increased for this group.

Farming

An argument was made that the need to compete in a global as opposed to a local market led to the need for a different wage rate for the farming and agricultural industry. Arguments were also made differentiating farm workers, who are mostly in rural areas, from urban workers.

Geographic Differentiation

Some presenters asked the Panel to consider regional differences, taking into account economic realities, housing costs, and the availability of public transit for urban and rural centers. Others suggested that the costs in smaller communities were beginning to be more similar to urban centers, while other indicated that disparities in communities should be addressed by taxes and infrastructure.

6.3 Summary of Individual Submissions

An online submission form allowed individuals to submit responses to the discussion questions posed by the minimum wage Consultation Paper. Individuals could also submit general comments regarding Ontario's minimum wage. In addition to the online submission through the webpage, the public could also use fax, email, mail or a toll-free phone line to send their input. In total, the Panel received 340 submissions that came via various channels. Appendix 5a shows the distribution of these submissions by channel. The following section summarizes all categories of submissions with respect to the specific questions posed to the panel. As the submissions by individuals were shorter and less detailed, and as answers to questions often answered different questions than the ones posed, submissions and comments have been combined into thematic categories as outlined below.

6.3.1 Factors to be considered in setting and changing the minimum wage.

As previously discussed, the Consultation Paper set out a number of factors that are currently considered by the Government when it considers revisions to the minimum wage. Individuals were asked if additional factors should be considered.

The majority of individuals reiterated factors that are already considered by the Government in determining the minimum wage. A substantial amount of discussion was devoted to the impact of the minimum wage on poverty, on business, and the concept of a living wage. A few factors were identified in the individual submissions and comments that do not appear to fall under the list of factors considered by the government in analyzing minimum wage. These are:

- Employment status of workers.
- The failure for employment and training programs to lead to full-time positions.
- Pay equity.
- Minimum wage as an anti-poverty measure.
- The impact of poverty on social incomes, crime and health.
- The costs of post-secondary education and the increasing indebtedness of students.

6.3.2 Economic Indicators and Other Mechanism

Individuals were asked whether the minimum wage should be tied to an economic indicator such as the rate of inflation, average weekly earnings, or any other indicator.

LICO

Some individuals suggested that the LICO should be used as a mechanism by which to adjust the minimum wage rate.

Inflation

Several individuals suggested that the minimum wage should be tied to the inflation rate. One suggestion was that the minimum wage should be tied to core inflation adjustment (for example, excluding energy costs).

LIM

Several individuals suggested that the minimum wage should be set at 10% above the Low Income Measure. Others suggested more generally that it should be tied to poverty levels/lines in Ontario.

CPI

Several individuals indicated that the CPI should be used as an economic indicator with which to set minimum wage.

COL

Several individuals indicated that the Cost of Living Adjustments (COLA) should be used as a mechanism to adjust minimum wage rates. Some individuals suggested that minimum wage increases should be set by zone in Ontario, introducing regional variation such that the minimum wage would be higher in areas with a higher cost of living.

Unemployment rate

The unemployment rate, including the “true” unemployment rate (discounting governmental programs) was suggested. Others indicated that unemployment and welfare rates should be used to adjust the minimum wage

Other Economic Indicators

Other suggestions included the annual budget, domestic and international economic indicators, employment standards, work hours, regional factors, and the success of small businesses.

Combinations

Other combinations were suggested, such as the Alberta model, which uses a formula that combines the AWE and the CPI. In 2013, the average of the increases in the AWE and CPI were used to set a minimum wage increase. Reference was also made to the province of Saskatchewan, which the Government intends to adjust minimum wage based on the average change in CPI and the average hourly wages for the previous year, although this adjustment mechanism is not legislated. Another suggested combination was LICO & CPI. It was also suggested that Ontario could learn from other provinces, but should take care to formulate a policy that works for Ontario.

General comments

Commenters were in favour of and against increases in the current minimum wage, but regardless of where they fell on that issue, they were generally in favour with subsequent increases being tied to a fair and transparent measure that would account for gradual increases with time.

Commenters seemed generally concerned with ensuring that the minimum wage income did not erode over time, and thus rose with rises in inflation/CPI/COL. Where the disagreement lay was in which measure should be used as the mechanism.

Some individuals expressed concern that tying to these indicators should not be done, or that it would result in poor outcomes if situations changed. Others expressed concern that decreases in these indicators would not be reflected in minimum wage rates.

6.3.3 Review Mechanisms

Responders were asked to comment on mechanisms for the review process, considering mechanisms currently employed by other jurisdictions (ad-hoc, independent advisory committee, mandatory review process). They commented generally on the format of the review process, and put forth a number of suggestions.

Commenters wanted a range of individuals to be a part of the review, and that public concerns should be addressed. For example, they felt there should be opportunities for employees, low-income earners, payroll groups and those who have experienced poverty to contribute. One means to do so was through town-hall meeting, surveys, and one-on-one discussions. An independent review panel comprised of academics, and various stakeholders (business owners, community groups, anti-poverty groups) was recommended by some commenters. Commenters suggested that the review should be broad and focus on the social objectives of the minimum wage.

The suggestions regarding a mandatory periodic review and the format of such a review were varied. An independent, non-partisan process or an independent panel or committee was suggested, as were the use of surveys of or consultations with stakeholders and focus groups. Some individuals felt that the review should be set like an election or raised during election times, and others felt that it should occur when necessary (and not on any specific date/deadline). Transparency was emphasized, as was accountability and the use of sound, objective data. A range of dates, from every month to every five years was suggested, with longer time periods of every 2-5 years most frequent.

6.3.4 Frequency of Revision of Minimum Wage and Notice of Revision

A range of recommendations was provided, from twice a year, to every year, to every two or three years, to longer time periods. Recommendations of a year or every two years were the most frequent response. Suggested notice periods ranged from 1 week to as much as possible. Answers generally centered around 2-6 months.

6.4 Additional comments

Responders were also asked whether they had any other comments regarding Ontario's minimum wage. Of note is that of the individual submissions received, many comments centered on the reasons for or against the raising of the current minimum wage rate by a significant amount, which is not an issue being considered by the Panel.

6.4.1 Setting the Current Minimum Wage Rate

Individuals fell into two camps: Those who believed that the minimum wage should be increased, and those who felt it should remain the same or that increases should be low.

Against Increasing the Minimum Wage

Those arguing in favour of keeping the minimum wage at its current rate cited concerns related to business owners, particularly small business owners, and Ontario's competitiveness on the global market. They expressed concerns about raising the wage rate beyond a level where Ontario would not be able to compete internationally. Others express concerns that small businesses would not be able to afford the wage increase. Some indicated that raising the minimum wage would lead to reductions in labour supply and the reduction of work hour, job loss, or business closures. Impacts on certain industries, such as hospitality were raised, as were the costs to consumers, particularly other low-income earners such as seniors. It was suggested that strong supporting data was needed to raise or lower the wage, and that other mechanisms could address poverty, such as tax breaks to low-income earners. Some indicated that a minimum wage was not a living wage, but rather a "foot in the door" wage. One commenter noted that the structural determinants of unemployment were more important than the minimum wage.

In favour of raising the minimum wage

Those who argued in favour of raising the minimum wage primarily discussed the cost of living and the fact that the current minimum wage rate is not a liveable wage. Several references were made to the fact that working full-time, full year should not result in living below the poverty line.

They referred to the profit margins of large companies, a need to tackle cost of living issues as part of an approach to policy, and the impact of poverty on health and social outcomes as signs that the minimum wage rate needed to be increased. It was often stated that social assistance was more lucrative than full-time minimum wage work, and that an increase in the minimum wage would lead to less dependence on social assistance. It was noted that the minimum wage has societal impacts that go beyond the economy and the success of companies.

Commenters recommended raising the minimum wage rate to between \$12 and \$15 dollars per hour, with more recommendations for raises between \$14 and \$15 dollars per hour.

6.4.2 Other Comments

Employment Standards

Several individuals pointed to problems of Employment Standards Act enforcements as a compounding factor with minimum wage workers.

Geographic Difference

Some individuals suggested that minimum wage increases should be set by zone in Ontario, such that the minimum wage would be higher in areas with a higher cost of living.

Endnotes

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- ⁱⁱ Ontario Ministry of Labour, Minimum Wage. <http://www.labour.gov.on.ca/english/es/pubs/guide/minwage.php>
- ⁱⁱⁱ Carswell. (2012 –Release 2). Employment Standards Act, 2000: Policy and Interpretation Manual, Chapter 13: Minimum Wage.
- ^{iv} Statistics Canada, Consumer Price Index.
http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=2301&Item_Id=1565&lang=en
- ^v Nova Scotia Ministry of Labour and Advanced Education, Annual Report to the Minister of the Minimum Wage Review Committee (January 4, 2013). <http://novascotia.ca/lae/employmentrights/docs/MWRC2013.pdf>
- ^{vi} Statistics Canada, Low Income Lines, 2011-2012.
<http://www.statcan.gc.ca/pub/75f0002m/75f0002m2013002-eng.htm>
- ^{vii} Nova Scotia Ministry of Labour and Advanced Education, Annual Report to the Minister of the Minimum Wage Review Committee (January 4, 2013). <http://novascotia.ca/lae/employmentrights/docs/MWRC2013.pdf>
- ^{viii} Statistics Canada, Productivity Measures and Related Variables-National and Provincial (Annual).
http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=1402&Item_Id=128322&lang=en
- ^{ix} Statistics Canada, Productivity Measures and Related Variables-National and Provincial (Annual).
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- ^x Productivity and Wage Growth in Singapore, 2011.
http://www.mti.gov.sg/MTIInsights/Documents/FA2_AES2011.pdf
- ^{xi} Government of British Columbia (March, 2011), Summary Report on Employment Standards Stakeholder Engagement Process. Ministry of Labour, Citizens' Services and Open Government.
- ^{xii} Nova Scotia Ministry of Labour and Advanced Education, Annual Report to the Minister of the Minimum Wage Review Committee (January 4, 2013). <http://novascotia.ca/lae/employmentrights/docs/MWRC2013.pdf>
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