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Raising the Minimum Wage in Ontario

By Hugh Mackenzie

Pressure for provincial governments to raise their minimum wages is heating up across Canada but it's at full boil in Ontario.

Despite strong economic growth in the past decade, Ontario's minimum wage remained frozen for eight years, and has fallen far behind inflation. The story is similar for most of the rest of Canada. As a result, to be working at minimum wage—even full-time for a full-year—leaves you in poverty. At minimum wage, you define the term "working poor".

Some dismiss the issue of a decent minimum wage because they believe only young students work for the minimum wage. The reality is that many working families are struggling to get by on minimum wage incomes.

Thirteen per cent of full-time wage earners who are in a couple relationship are low-paid and 23.3% of female single parents are low-paid.

Based on data for the year 2000, thirteen per cent of all jobs pay less than $8 an hour—7% of those jobs are held by employees age 25 to 64. Almost one-quarter (24%) of all jobs held by employees aged 17–64 pay less than $10 an hour—15.7% of those jobs are held by employees aged 25–64.

Is low-wage employment limited to young workers? Almost half (45%) of full-time wage earners aged 15–24 are low-paid. But low-wage employment is prevalent among full-time workers in other age groups as well:

- 16.3% in the 25–34 age group
- 13.1% in the 35–44 age group
- 12.0% in the 45–54 age group
- 14.4% in the 55–64 age group

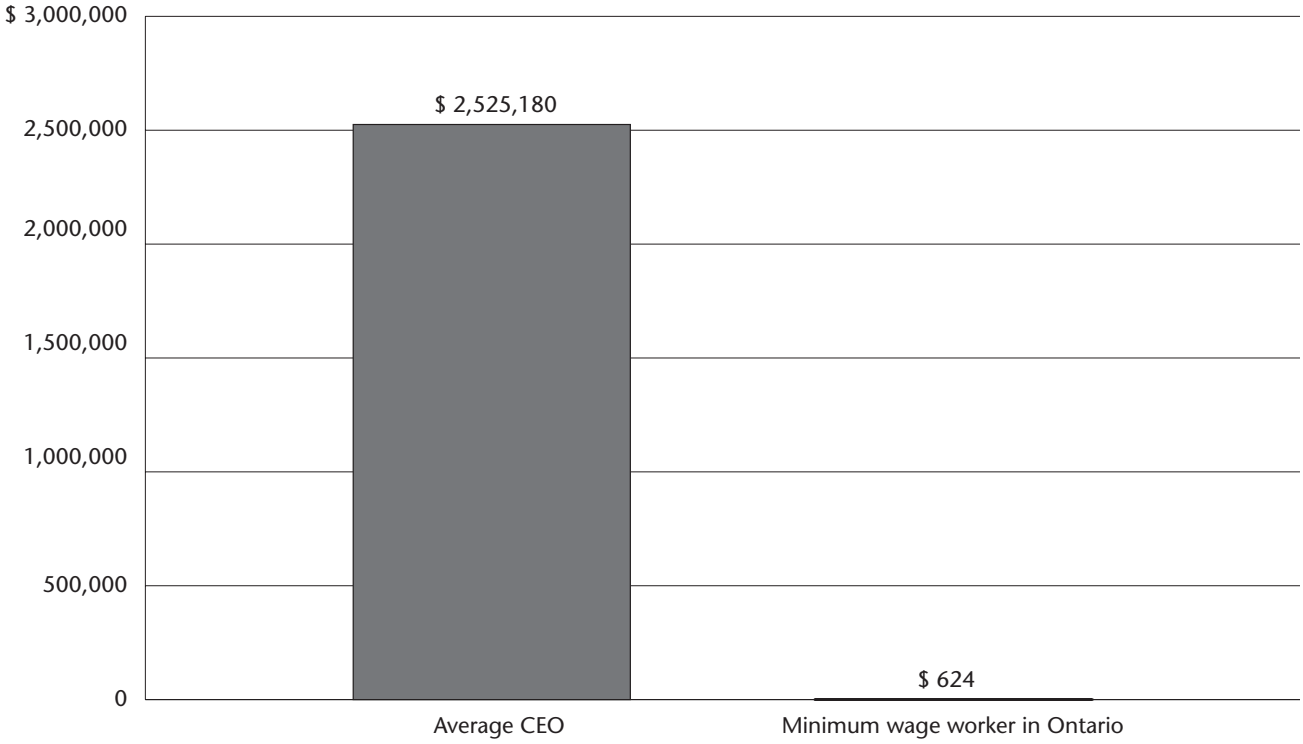
Minimum wage changes in context

Since the minimum wage in Ontario was frozen by the Harris government in 1995, average industrial wages have increased by 25%. As of February 1, 2007, Ontario's minimum wage will have increased by 16.7% over the same period.

It wasn't always this way. Ontario's minimum wage used to be more in line with the province's industrial wage. In fact, the minimum wage in Ontario was as high as $9.97 in 1976 (adjusted to 2007 dollars, based on the Toronto area consumer price index).

In 2005, the minimum wage increased by 4.2%. To put that in context, in 2005 the average CEO's salary in Canada increased by 39%.

Value of 2005 pay increase, average CEO and Ontario minimum wage worker



The average of Canada's 100 best-paid CEOs matched the average Canadian minimum wage worker's annual earnings by 40 minutes after noon on New Years' Day. An increase in the minimum wage to $10 an hour would push that back to 1:50 p.m. in the afternoon on New Years' Day.

To put that in context, Ontario's MPPs recently voted themselves a 25% increase. The increase in MPP pay this year will generate an additional $22,000 a year.

Does raising minimum wages reduce employment?

There are those who argue that raising the minimum wage any higher than it is today would reduce employment—but the evidence doesn't support such claims.

The now-discredited traditional view, based on theoretical models of the labour market,predicts reductions in employment of low-wage workers of in the range of 1–2% for each 10% change in the minimum wage for workers under the age of 25.

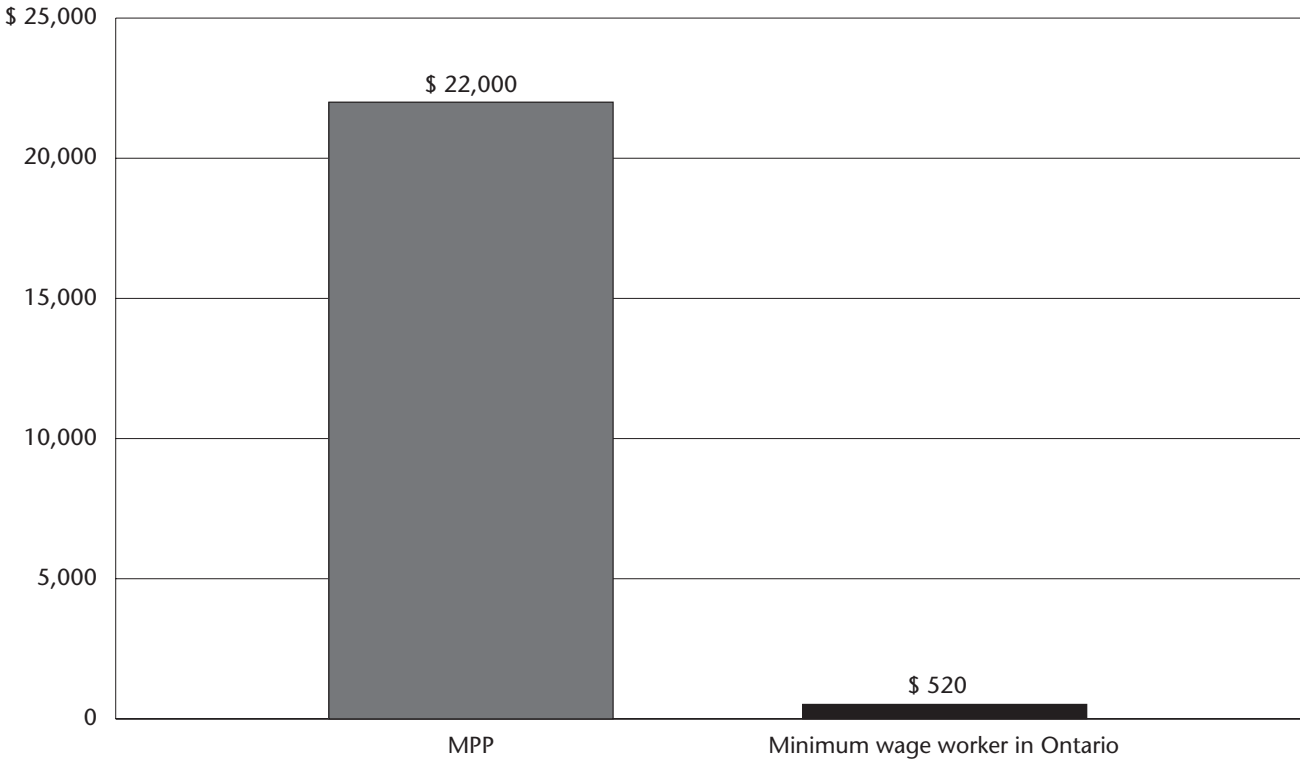
Generally, these studies find no significant impact on employment for workers over the age of 25.

Studies of actual experience with minimum wage changes, however, find employment impacts are either non-existent or negligible. Why?

The impact of minimum increases is generally so small relative to that of other changes in the economy that no impact is evident comparing before-after employment levels.

Most minimum wage employment is in industries that serve local markets. As a result, individual

Value of 2007 pay increase, MPP and minimum wage worker



employers will not be at a cost disadvantage relative to competitors when minimum wages increase.

Studies designed to isolate the impact of minimum wage changes from other changes (state-to-state comparisons in the United States) find no difference in employment patterns between states in which minimum wages increased and states in which minimum wages did not increase.

Sources: *Wage data, various studies cited in: Saunders, Ron "Does a Rising Tide Lift All Boats? Low-paid Workers in Canada, R", Canadian Policy Research Networks, Vulnerable Workers Series, No. 4 May 2005; employment impact of minimum wage, Fox, Liana "Minimum Wage Trends: Understanding past and contemporary research", Economic Policy Institute, Washington D.C. November 2006.*