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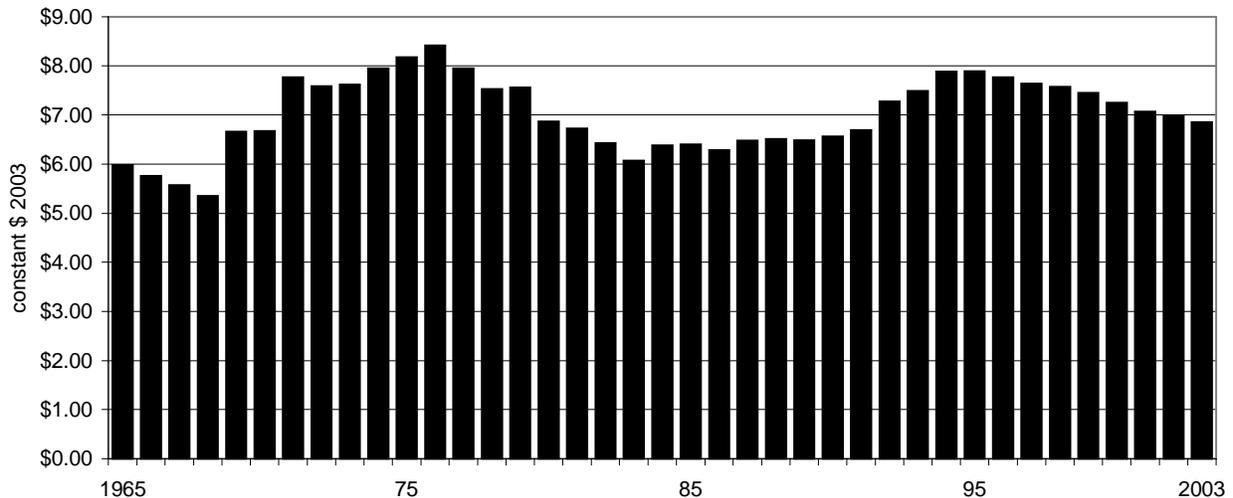
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Ontario's Shrinking Minimum Wage

Ontario has seen a steady decline in the value of its minimum wage because the rate has been frozen at \$6.85 for eight long years. In 1995 it was worth \$7.89 in today's dollars. By 2003 inflation had eroded its value to \$6.85, inflicting a substantial loss of \$1.56 an hour or 18.5 percent.

Ontario minimum wage,
in constant (2003) dollars, 1965-2003



Ontario had Canada's highest minimum wage in 1995. By 2003 it had slid from first to fifth place, trailing Yukon (\$7.20), Quebec (which will rise from \$7.20 to \$7.30 on February 1 for an annual average of \$7.29), British Columbia (\$8.00) and Nunavut (rising from \$6.50 to \$8.50 an hour on March 1, for an annual average of \$8.15).

Ontario's minimum wage also compares poorly to a number of American states. Converting US dollars to Canadian amounts with purchasing power parity, Ontario's \$6.85 rate is just a tick above the \$6.54 US federal rate. Ontario lags behind Alaska (\$7.18), Hawaii (\$7.30), Maine (\$7.30), Delaware (\$7.81), the District of Columbia (\$7.81), Rhode Island (\$7.81), Vermont (\$7.94), Oregon (\$8.26), Connecticut (\$8.51), Washington (\$8.53), California and Massachusetts (\$8.57 each).

Ontario's minimum wage amounted to 43.2 percent of average earnings in 1995, ranking the province highest in Canada on that measure. By 2001 Ontario's wage floor had sunk to 38.5 percent of average earnings, placing the province sixth-lowest among the 13 jurisdictions, ahead of only the Northwest Territories, Nunavut, Alberta, Newfoundland and Yukon – and far behind its neighbour Quebec in second place with 44.8 percent, and British Columbia in first place at 46.2 percent.

A significant number of Ontario workers – an estimated 223,500 in 2000 – toil at the bottom of the wage ladder, though they account for only 4.5 percent of all employees in the province. The minimum wage workforce ranges from a low of 2.0 percent in Alberta to a high of 8.7 percent in Newfoundland. But Ontario has the largest share in Canada of both minimum wage workers and all employees, so the province's falling minimum wage affects a considerable group – 38.5 percent at last count – of Canada's minimum wage workforce.

Ontario is not alone in failing to maintain the value of its minimum wage. Most jurisdictions saw a sharp increase in the value of the minimum wage between 1965 and the peak in the mid-1970s, followed by a decrease until the mid-1980s or early 1990s and then one of three trends throughout the 1990s and into 2001: modest improvements (PEI, Manitoba, Alberta and BC), flattening out (Newfoundland, Nova Scotia, New Brunswick, Saskatchewan and Yukon) or decline (Quebec, Ontario, the Northwest Territories and Nunavut).

Overall, minimum wages generally have declined since the mid-1970s. The national weighted average minimum wage (expressed in inflation-adjusted 2001 dollars) rose from \$5.60 in 1965 to \$8.58 by 1976 and stood at \$6.76 in 2001 – \$1.82 less or 21.2 percent smaller in real terms than in the mid-1970s.

Contrary to what some people believe, the archetypical minimum wage worker is not a middle class teenager working after school for pocket money. In Canada and the US, the majority of minimum wage workers are adults. Four in ten minimum wage workers in Canada work on a full-time basis.

Many minimum wage workers are students who rely upon their employment earnings to help pay for their education. At a time when the cost of postsecondary education is rising, the minimum wage becomes all the more important – especially for low- and modest-income families struggling to finance their children’s passport to a better life.

Canadian and American research indicates that the modest increases to the minimum wage that have been made are not the ‘job killers’ that critics have alleged. The Economic Policy Institute in the US concludes that stronger minimum wages can benefit employers and employees alike “through increased productivity, lower recruiting and training costs, decreased absenteeism and increased worker morale.”

But the politics of the minimum wage are tougher than the economics. Employers and most governments typically resist calls to increase the minimum wage.

To boost minimum wages to the poverty line for the largest cities would require increases ranging from a low of \$1.17 an hour in British Columbia to a high of \$3.27 in Alberta. Raising them to half of average earnings would cost 63 cents an hour in British Columbia on up to \$4.27 in the Northwest Territories.

Nonetheless, Ontario and the other provinces and territories can do better, even if modest increases will not satisfy advocates of a minimum wage that can provide a ‘living wage.’ For a start, our governments could follow the lead of the state of Washington by indexing their minimum wages (e.g., to some measure of cost of living, as Washington has done, or to some percentage of average wages).

At a minimum, the wage safety net should not sag even further.

Ken Battle
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*For further information on minimum wage trends and minimum wage workers in Ontario and the other provinces and territories, see Caledon’s January 2003 study, **Minimum Wages in Canada: A Statistical Portrait With Policy Implications.***

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