Revising the Minimum Wage:
A View from the Ontario Experience

Anil Verma, Professor
Rotman School of Management
and
Director, Centre for Industrial Relations & Human Resources
University of Toronto
Models of MW Determination

- The Stakeholders Model – UK
- The Judicial Model – Australia
- The Ontario Hybrid Model
  - Stakeholders are members of the Panel
  - Stakeholders are heard in public consultations
  - Neutral Chair with veto over recommendations
  - Government as the final arbiter
    - Setting the initial wage level
How helpful is MW Research to Policymakers?

- Good descriptions of MW worker, employer profiles are known
- Some evidence of small effects on poverty and income distribution
- Extensive research on disemployment effects
  - .......but much of it is unhelpful at the margin to policymakers (“plateau” effect)
- Other effects ignored or underemphasized
Disemployment Effects

- Findings vary but general agreement that effects are small overall but more significant for youth
- Much of it is (mis-)cited on both sides of the MW debate
- Confusion emanates from poor framing of results by researchers for policymaking
  - Average effect may be quite different from effects in certain contexts
  - Scale effects are generally ignored or underemphasized
More Research Needed

- Evidence less helpful (absent or unclear) on contextual contingencies such as
  - Economic growth rate
  - Size of the “bite” of the MW
- Effects within disaggregate-level industries and geographies
Less Research in Other Areas

- Productivity
- “Shock” Effect on Employer Practices
  - Training
  - Hiring
  - Career paths
- Effect on individual choices in the labour market
  - Time spent in MW jobs
  - Career trajectories
  - Decisions re further training, education
Reforms for the MW Regulatory Process

- Policy need to balance strategic governance objectives with ground-level immediate needs
  - Short-term adjustments
  - Longer-term reviews
- Ongoing consultations with stakeholders?
  - Huge pressure for “differentials” by various groups
What Lies Beyond $11/hr?

- The ON Govt has announced an increase to $11/hr eff. 01 June 2014
- This increase would bring it to the 2010 level in real terms (constant dollars)
- From then on the MW will keep step with inflation
- Is that Mission Accomplished?
- Do we need more? Or, less?
Policy Choices in MW

- Keep MW relatively low, medium or high?
- Benchmarks: median wage, average wage, “living wage”, etc.
- There is a case for keeping it high to distribute gains (or share prosperity)
- MW policies will need to be aligned with other labour market, social and economic policies and priorities