

## TOPIC: Provincial Minimum Wage Increase

### TREND / ISSUE

From 1995 through 2003, the minimum wage in Ontario remained frozen. When the current provincial government took office in 2003, the minimum wage increased to the current rate of \$8.00/hr. The current government proposes to increase the hourly minimum wage to \$10.25 by 2010, with three annual increases of 75 cents, beginning on March 31, 2008. This represents a 28% increase over 3 years.

### BACKGROUND

On March 21, 2007, the provincial budget proposed minimum wage increases of 75 cents each year for the next 3 years, thus raising the minimum wage in 2010 to \$10.25. According to the most recent PRO Recreation and Parks part time wage figures, most positions within the Recreation and Parks field make above the current minimum wage of \$8.00 per hour.

Some union leaders and anti-poverty spokespersons have advocated for an immediate increase in the minimum wage to \$10 in 2007. Some analysts have stated that taking inflation projections into account, low-wage workers in 2010 would still be earning \$1 an hour below the poverty line.

### IMPACT

The Fraser Institute has reported that the most damaging impact of an increase in the minimum wage is that employers may be pressed to reduce hours of employees or the number of workers they employ. One study found that a 10% increase in the minimum wage resulted in a 1.4 to 4.4 percent reduction in youth (aged 16 to 24) employment (Campolieti, Gunderson, and Riddell, 2006).

Research has also found that employers often reduce training or other benefits in order to compensate for higher wages (Neumark and Wascher, 2001).

In the parks and recreation sector, where student summer employees, part-time and seasonal workers are common, there is direct impact in two areas: pressure on recruitment for trained seasonal employees (i.e. seasonal parks employees, summer students, lifeguards, fitness instructors, camp leaders etc.) and resultant budgetary impact to employers.

In sport and recreation sectors that include specialized staffing such as aquatics and parks, employers often pay above minimum wage in order to compensate employees for the level of training required.

If employers do not maintain the existing differential between current wages and the current minimum wage, prospective employees may not undertake the training necessary to fulfill such jobs, preferring instead to apply for less-skilled jobs with relatively the same pay. In this scenario, there is a definite risk of future shortages of qualified employees.

There will be a direct impact on budgets of both municipal and non-profit organizations to maintain competitive wage structures for qualified and trained workers who will have more choices given current demographic trends for fewer younger cohorts seeking part-time or entry employment.

### RECOMMENDATIONS

If proposed minimum wage standards are adopted, human resources managers should take the following steps in order to secure adequate staffing levels within our sector:

- Assess the level of responsibility, training and/or pre-requirements to hold positions to maintain standards.
- Evaluate current employment patterns in local regions/counties and projected demand/supply relationships for such employment.
- Benchmark current position wages within each sector of Parks and Recreation and compare this sector to the minimum wage gap.

Recreation and Parks staff need to prepare for the potential impact of potential part time labour force wage increases of 28% over the next 3 years. A primary challenge will be to prepare for difficulty in recruitment for positions that require strenuous labour, unique skills, or numerous qualifications.

### CONTACT

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