



Ontario Federation of Agriculture

Ontario AgriCentre

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October 18, 2013

Dr. Anil Verma, Chair
Minimum Wage Advisory Panel
400 University Ave., 12th Floor
Toronto, ON
M7A 1T7

Re: Views and Comments Regarding the Consultation Paper on Ontario's Minimum Wage

Dear Dr. Verma,

The Ontario Federation of Agriculture (OFA) is pleased to submit our views to the Ministry of Labour's "Consultation Paper on Ontario's Minimum Wage". A significant number of our farm members will be directly impacted by future changes to the minimum wage structure.

The OFA is Canada's largest voluntary farm organization representing more than 37,000 farm family businesses across Ontario. These farm businesses form the backbone of a robust food system, driving the Ontario economy.

Ontario's agriculture sector is a major economic engine, providing jobs in both rural and urban communities. Ontario farms offer stability to our rural communities and represent an integral part of our social fabric by providing a healthy, safe food supply and contributing to environmental sustainability through the protection of soil, water and air resources.

As a member of Ontario agriculture's Labour Issues Coordinating Committee (LICC), the OFA advocates on behalf of farm employers in Ontario. Our fundamental tenet is that all farm workers, from both Canada and abroad, should be treated with dignity and respect, and be provided with a safe, fair, and rewarding work environment.

We trust the Minimum Wage Advisory Panel will find our views and recommendations helpful in this important deliberation.

Sincerely,

A handwritten signature in black ink that reads "Mark Wales". The signature is fluid and cursive, with the first letters of each word being capitalized.

Mark Wales
OFA President



Ontario Federation of Agriculture

Views and Comments on the Consultation Paper on Ontario's Minimum Wage

The Ontario Federation of Agriculture recognizes the mandate of the Minimum Wage Advisory Panel is not to decide on a new minimum wage rate for Ontario, but rather to provide direction on how Ontario will determine minimum wage adjustments in the future. We are pleased to provide our views and comments on the Consultation Paper that reflect the interests of our membership.

Our submission also strongly supports the position expressed by the LICC and its member organizations in their submission to the Panel.

The intention of a provincial minimum wage is “to create a wage floor for the labour market and to help ensure a minimum standard of living for employees”.

However, we respectfully submit that “minimum standard of living” is a very subjective phrase where standard of living is completely dependent on a host of considerations including wages; health; costs of living factors such as housing, food and taxes; and lifestyle choices. You cannot legislate wealth or even well being by addressing only one contributing factor.

Categorically missing from the current list of government considerations is a thorough examination of alternatives to raising the minimum wage. Ontario must benefit from the lessons learned from other jurisdictions. Boards and Committees in other provinces charged with reviewing minimum wage policy have agreed that changes to basic personal income tax exemptions, strengthening of social assistance programs, and support for continuing education can produce far better results for the standard of living of low-income workers than an increase to the minimum wage.

Caring for the most marginal people in our society is the responsibility of all Ontarians. It is a responsibility that we must all share. Relying on employers to carry this burden through increases to the minimum wage is ineffective, if not counterproductive, and is a disservice to low income workers. When we have dramatic increases to the minimum wage, jobs and job security are threatened, benefitting no-one. The OFA strongly recommends that consideration of alternative approaches to impacting the standard of living for low-income workers must be a primary consideration in any review of minimum wage rates.

The link between minimum wage and poverty alleviation has proven to be extremely vague. The demographics of those being paid minimum wage (young, living at home, student, married to a non-minimum wage earner) are rarely in low-income household situations. Low household income often defines poverty. Minimum wage is paid to an individual irrespective of their household situation or need. As a result, increases to the minimum wage rate is a very poor or coarse tool to reduce poverty.



Poverty reduction can be achieved through a number of integrated activities:

- Full employment and sustainable growth in the economy;
- Reducing the level of Income Tax on low-income households;
- Fine tune welfare programs, reduce claw backs on support programs;
- Support long term care;
- Improve support for child care;
- Facilitate affordable housing;
- Enable access to affordable education.

If there is a moral obligation for society to assist low-income households, and we believe there is, all of society (including employers) should be engaged in supporting those families. The notion of dealing with a legitimate social issue like poverty through increases to minimum wage places the onus on a small subset of employers (small, low-margin businesses), when it is a cost that should be shared by society in general.

While not conceding our strongly held view that minimum wage legislation is an ineffective and damaging means of addressing poverty, we will provide our perspective on the issues raised in the discussion paper. We do so because of the critical importance of these issues to our membership in the event the Ontario government moves forward with any changes to the minimum wage policy or to the current rate.

Consultation Questions:

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

The factors listed in the discussion paper comprise a fairly comprehensive list of the appropriate considerations for an analysis of minimum wage. We strongly recommend that the Ontario government address each of these considerations in a public way and that the analysis used in decision making be made available. In particular, the analysis of the overall impact of previous minimum wage increases would be particularly helpful.

In addition to these factors, it is imperative that the Ontario government include a comprehensive review of alternative policy options to minimum wage increases. This review should work lockstep with the economic analysis included in the factors. In a dynamic economic environment it would be imprudent to rely on a single public policy option. As noted above, several policy options exist that will have different impacts depending on the economic conditions at the time. These impacts include the net effect on poverty reduction as well as the impacts on employers and job creation.

While farm workers are not technically covered by minimum wage legislation, farm employers must still compete with other sectors to attract and retain skilled workers. This means that our farm employers rarely, if ever, pay employees below the provincial minimum wage rate, and must increase wages in order to compete for labour. If they do pay less than the current minimum wage rate, it is often because the employer and worker have negotiated non-monetary benefits such as housing or other compensatory considerations.



The majority of agricultural production in Ontario is marketed globally and is governed in accordance with Canada's trade agreements. Our agricultural producers have little to no ability to influence the world price. They receive the price the market is willing to pay. Ontario farmers are price takers, not price setters.

From the perspective of the agriculture sector, an increase to the minimum wage is an increase in the cost of production for which there is no mechanism to recoup that cost from the marketplace. Labour cost constitutes the majority of production costs in many sectors of agriculture.

An increase in the cost of production can prompt a shift into less labour-intensive agricultural products or act as an incentive to shed labour costs through automation. Employers seeking to limit risk may no longer hire inexperienced workers or students, choosing to focus on hiring those workers with the necessary productivity skills or to extend personal hours.

In the worst case, farmers with higher costs of production due to minimum wage may simply exit the industry.

It is worth noting that, even if farmers were able to raise prices in response to higher labour costs without loss of market share, the effect would then be higher food prices to consumers. This is a regressive impact on those we are trying to assist as there is clearly no substitute for food.

The OFA strongly suggests that in reviewing the minimum wage, government must consider the impact on industries with limited or no capacity to influence prices received or to recoup increased costs of production from the marketplace.

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

Ontario needs to look across other jurisdictions (provincial and USA) to capitalize on their experiences and ensure best practices are adopted to achieve Ontario's goals. In our view, this includes not only considering the rate and process for setting minimum wage, but alternatives to making any adjustment at all.

Specifically on rate setting, Ontario cannot afford to be out of sync with competing jurisdictions. The 'factors' under consideration within the scope of the previous question rightly includes consideration of wage rates paid in other jurisdictions.

The OFA supports the notion of adopting a formal mandatory review process to adjust the minimum wage rate. We submit this review process must, first and foremost, include a compulsory review of the 'factors'. This assessment should be done publically, using a clear set of guidelines based on the 'factors'. If the determination is made to change the minimum wage, then following a known process to set and implement that change will be critical.

Markets and business crave stability. We have seen in the past that increases made on a discretionary, *ad hoc* basis have left employers in an extremely difficult or untenable position. We support efforts to de-politicize the current *ad hoc* rate setting process and, as Minister Naqvi has stated, take "steps to ensure that the setting of minimum wage is out of politicians' hands".



A formalized, mandatory review process will increase transparency and reliability in the decision to either maintain or increase minimum wage rates.

Some provinces have combined economic indicators and an advisory committee as a means of de-politicizing the process and bringing predictable and stable change. The OFA feels this approach has merit provided objectivity can be assured. A way to de-politicize the process would be to establish an independent advisory body working with economic analysis as called for in the 'factors' along with public policy guidelines that reflect the goals that minimum wage or poverty reduction policy should achieve. These goals will, in part, be established by the economic analysis as alluded to above, given the dynamic nature of our economy.

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

Minimum wage levels need to be competitive with other Canadian Provinces, as well as competing regions in the United States (USA), Mexico, and other OECD countries. If our minimum wage continues to be near the highest in the world, there will be a huge disincentive for those affected industries to continue to function in Ontario. This is especially true for industries like the agri-food sector that must compete in both global markets and in the domestic arena as well.

Agriculture is a primary industry that leads to a host of jobs in the food processing and beverage industries. Once primary production leaves Ontario, so do many of the food processing and beverage jobs.

Consequently, in reviewing minimum wage policy and levels, consideration needs to be given to:

- Minimum wage levels in competing jurisdictions;
- Avoiding dramatic changes by using the federal CPI to adjust;
- The ability of employers to pay;
- The value of the sector to the broader economy where minimum wage is frequently used.

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?

In principle, the OFA supports the concept of indexing the minimum wage rate to an economic indicator if minimum wage persists as a policy tool. Regardless of the economic indicator or combination of indicators a government selects to adjust minimum wage, there will be impacts. The challenge is to bring enough balance to the solution that businesses remain viable, and employees have a wage that values their work.

As in other jurisdictions, the OFA supports tying future adjustments to the minimum wage rate to the Consumer Price Index (CPI). By tying the minimum wage to the rate of inflation, we believe this will lead to relatively predictable, measured adjustments providing businesses the ability to



plan for increase costs of production and allowing employers to forecast future productivity requirements. It can also help to prevent political intrusion into the wage adjustment process that has proved thus far to be unworkable and disruptive to our industry.

While we support using the CPI to adjust minimum wage rates, we do have reservations. The CPI is a general measure of inflation but is not necessarily indicative of the Provincial economy as a whole. Consequently, if there is a gap between general labour wage inflation and the CPI, it should be taken into consideration.

An interesting question arises in this scenario: *“will government or an advisory committee recommend reducing the minimum wage if the CPI is negative, i.e. a period of deflation”?*

The level of the wage at the time of tying it to the CPI may in itself be inflationary, especially if you consider the compounding aspect of annual increases. Specifically, it is worth noting that if Ontario had implemented a CPI-based approach in 2004, the minimum wage would not have achieved the current rate of \$10.25 until 2016. This needs to be accounted for if and when an inflation factor is built into minimum wage policy.

However, increasing minimum wage based on inflation does not address the ability to pay when marketing into global markets. Consideration should be given to:

- Industries that function primarily in a global market;
- Balance of trade;
- Ability to pay;
- Other legislated costs that other provinces or countries are not obligated to pay; such as Workplace Safety Insurance premiums with Unfunded Liabilities costs; health and safety regulations; other employment standards regulations; payroll requirements, etc;
- Tying the wage to inflation without considering unemployment levels and economic prosperity can result in negative consequences.

6. How often should Ontario review the minimum wage?

The OFA believes that if minimum wage rates are tied to an economic indicator (such as the CPI), then the rate should be reviewed annually, preferably within a narrow time-frame from when the indicator numbers are released. For the majority of agricultural employment there is a seasonal component; any review and re-setting of the minimum wage should occur outside of the traditional seasonal production period (April to November).

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?

The OFA agrees that there should be a mandatory periodic review of the minimum wage rate.

As suggested above, with each and every setting of minimum wage, the economic factors affecting and affected by our labour market must be reviewed. Minimum wage has a significant impact on numerous industries and therefore needs to be approached with thorough analysis.



In addition a periodic review of the success or failure of minimum wage as public policy must be undertaken. The analysis should be performed to address the performance of minimum wage policy against a set of established criteria, based on the presumed goal of poverty reduction.

Public input should be sought as part of the analysis.

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

Any adjustments to the minimum wage rate (regardless of the direction of that adjustment) must include a minimum three to four month notice period so employers can make changes to their business plans and workers can manage their finances.

Government must have a communication strategy that will effectively reach all employers, regardless of size or location, prior to any adjustment to the minimum wage regime.

9. Do you have any other comments regarding Ontario's minimum wage?

As noted above, agriculture is currently exempt from minimum wage legislation but is, in effect, governed by it as much as other industries.

In this regard it may be most effective to include agriculture by establishing a multi-level wage similar to the approach used now with student, liquor servers, hunting/fishing guides and home workers wages.

A dialogue should be opened on a differential minimum wage level for Agriculture. Agriculture has a number of characteristics that suggest this is a worthy consideration:

- Functions in a global market place while most other minimum wage sectors do not;
- Rural Ontario's cost of living is considerably less than large urban centers;
- Primary production leads to a large workforce in the food and beverage industries. Competitiveness yields more jobs and economic prosperity.

The OFA appreciates this opportunity to offer its perspective on minimum wage as a public policy instrument and specifically on the questions posed by the Advisory Panel.

In representing an industry that is significantly affected by minimum wage changes we reiterate unequivocally that a minimum wage structure that places the burden of poverty alleviation on the shoulders of employers cannot achieve its intended public policy goals. We recommend the Advisory Panel carefully consider the full gamut of costs and benefits of minimum wage policy and the various ways and means of administering that policy.