

CHAPTER TWENTY ONE

Regulating Wages

Prof. David Doorey

I. The Scope of Wage Regulation

A. Wage Regulation Applies only to *Employment Contracts*

- Therefore, whether someone is an “employee” or “independent contractor” matters in *Regulatory Regime* too.

B. Many Employees Are Excluded from Wage Regulation

- This can apply to an entire occupation or to a specific job. See Handout.

C. Wage Laws Vary by Occupation

- Some occupations may be entitled to higher or lower than the standard rate. Again, see handout.

II. Minimum Wage Regulation

- Canadian governments have demonstrated little confidence that unregulated labour markets will produce acceptable wage levels.
- Minimum wage laws restrict freedom of contract over floor of wages.
- Long and interesting history of wage regulation recounted briefly in Chapter 21. Highlights include:
 - 1917-1920: Provinces introduce minimum wage laws only for females. Why?
 - 1925-1970s: Minimum wage laws for men, often male rate higher than female rate. Why?
 - 1970s: Gender distinction in minimum wage disappears.
- Today, minimum wages in Canada vary from just over \$10 per hour to \$12.50 (NWT). Ontario: \$11.25 (general minimum wage)

Arguments About Minimum Wage

- Whether minimum wage is good public policy is among oldest of employment law debates
- Opposed:
 - Neoclassical Economic Claim that minimum wage increases unemployment, because employers will buy less labour as price increases
 - Min. Wage doesn't reduce poverty because job losses it causes felt most by poorest, and many min. wage recipients aren't poor.
- In Favour:
 - Studies are inconclusive on whether min. wage affects employment levels.
 - Helps raise income of poorest.
 - Fairness and justice arguments.

III. Wage Freezes and Maximum Wage Legislation

A. *Wage Freeze Legislation*

- Fairly common in public sector, rare in private sector
- Stated Purpose: to fight inflation, reduce government deficits / debt
- Controversial: Should government workers be expected to accept wage freeze to fund other government policies, such as corporate tax cuts?

B. *Maximum Wage Legislation*

- High wages have not historically been considered a problem in need of legislative intervention
- Recently, there has been movement to legislate a compensation ratio: CEO can't earn more than some percentage of pay of average employee (no law yet)