

# The \$15 question - How to prepare for the new federal minimum wage

July 08, 2021

## What is new?

In the spring of 2021, the Federal Government of Canada announced its intention to establish a minimum wage applicable to employees working for federally regulated employers.

On June 30, 2021, a federal minimum wage of **\$15 per hour** became law (the minimum wage), with the royal assent of Bill C-30, An Act to implement certain provisions of the budget tabled in Parliament on April 19, 2021 and other measures (the Act).

This new minimum wage **will come into effect on December 29, 2021**.

## What does this mean for employers?

For many years, the applicable minimum wage for employees working for federal undertakings was the provincial minimum wage of the province in which the employee is usually employed.<sup>1</sup>

This meant that many federal employers could have employees occupying the same **position but being compensated differently, based on these employees' province of employment**.

As indicated below, this continues to be the case. However, after December 29, 2021, one thing is clear for these employees: **they may not be paid less than \$15 per hour**.<sup>2</sup>

Therefore, employers with activities in provinces where the minimum hourly wage is below the new federal rate will have to budget for salary increases in 2022 and beyond.<sup>3</sup> While these increases may or may not be significant, it is clear that certain employers will be faced with some increases just before the end of the year.

In this regard, the following illustrate two potential scenarios facing these employers:

- The current minimum wage in Québec is \$13.50 (which came into effect as of May 1, 2021). All Quebec-based employees covered by the Canada Labour Code **will be paid at the new \$15 per hour rate as of December 29** . This will require their employer to provide them with an hourly increase of \$1.50 as of that date.
- However, there is also an opposite scenario. The Canada Labour Code, as amended by the Act, will provide that if the minimum wage in the province where the employee is usually employed is higher than the \$15 minimum wage, **the higher provincial wage will prevail**. Therefore, an employer with employees in, for example, British Columbia, where the minimum provincial hourly wage is currently \$15.20, will not be able to reduce the hourly rate of its employees as a result of the amendments under the Act.

## What is necessary to consider?

Federally regulated private sector employers may want to identify their employees receiving an hourly wage lower than the newly created federal minimum wage before the changes come into force.

These employers will also want to assess the economic impacts of this type of change before the new minimum wage comes into effect. This will include the need to consider certain legal issues that may arise, such as the following:

- **The impact on the employees ' total compensation and the cost to the employer** : Certain amounts to be paid to employees are calculated on their hourly wage, such as vacation pay, overtime pay, or incentive pay, such as bonuses, and will increase once the minimum wage does as well. In addition, this **increase to the minimum wage will also impact the employer's at-source deductions**.
- **The potential wage scale compression**: In companies where employees are paid on a progressive scale (e.g. based on seniority or years of experience), **increasing the lowest hourly rates to the minimum wage may have the effect of compressing the rest of the scale, including the hourly wages paid to more senior employees**. This issue could be further magnified in companies where collective bargaining agreements are in force, and where the wage scales have been carefully negotiated with the unions.
- **The impact on the employer 's pay equity obligations** : Employers should reassess their pay equity obligations, and notably consider whether it will be necessary to revise their plan presently in force to ensure that it considers the new minimum wage.

Employers will be wise to consider these issues before employee complaints, pay equity claims and/or union grievances are filed.

For any questions related to implementing the new federal minimum wage, or the Canada Labour Code, contact your BLG lawyer or any of the key contacts listed below.

<sup>1</sup> Canada Labour Code, s. 178 (1).

<sup>2</sup> Subject to certain legislated exceptions.

<sup>3</sup> In fact, the Act provides for an annual adjustment mechanism for the minimum wage.

By

[Vanessa Lapointe](#), [Danny J. Kaufer](#)

Expertise

[Labour & Employment](#)

---

## BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

[blg.com](http://blg.com)

### BLG Offices

#### Calgary

Centennial Place, East Tower  
520 3rd Avenue S.W.  
Calgary, AB, Canada  
T2P 0R3

T 403.232.9500  
F 403.266.1395

#### Ottawa

World Exchange Plaza  
100 Queen Street  
Ottawa, ON, Canada  
K1P 1J9

T 613.237.5160  
F 613.230.8842

#### Vancouver

1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, Canada  
V7X 1T2

T 604.687.5744  
F 604.687.1415

#### Montréal

1000 De La Gauchetière Street West  
Suite 900  
Montréal, QC, Canada  
H3B 5H4

T 514.954.2555  
F 514.879.9015

#### Toronto

Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada  
M5H 4E3

T 416.367.6000  
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing [unsubscribe@blg.com](mailto:unsubscribe@blg.com) or manage your subscription preferences at [blg.com/MyPreferences](http://blg.com/MyPreferences). If you feel you have received this message in error please contact [communications@blg.com](mailto:communications@blg.com). BLG's privacy policy for publications may be found at [blg.com/en/privacy](http://blg.com/en/privacy).

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.