



A Guide for Employers

# Wage Entitlement and Pay

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PENINSULA



## About Peninsula

Peninsula is an employer resource for HR and employment advice, offering guidance to small- and medium-sized businesses. For over three decades, we have supported over 50,000 businesses worldwide, across every sector and industry.

Our clients benefit from immediate access to unlimited 24/7 employment advice, legal expenses insurance, on-site HR audits, a suite of employer documents and templates, online employee management tools, and legislation updates, all of which are custom-tailored to your business. Simply put, Peninsula is an affordable alternative solution to having your own in-house human resources team. We're here to help you, anytime.

For more information, visit [www.peninsulagrouplimited.com/ca](http://www.peninsulagrouplimited.com/ca).





# Who is this guide for?

**The essential guide for HR and employment topics dedicated to small business owners.**

If you are a business owner or employer, this guide is for you.

The content is designed to address employment-related topics and provides basic information and answers to frequently asked questions.

Use this guide as a reference point for:

- Employer need-to-knows
- HR best practices
- Employment-related facts
- Legislation updates

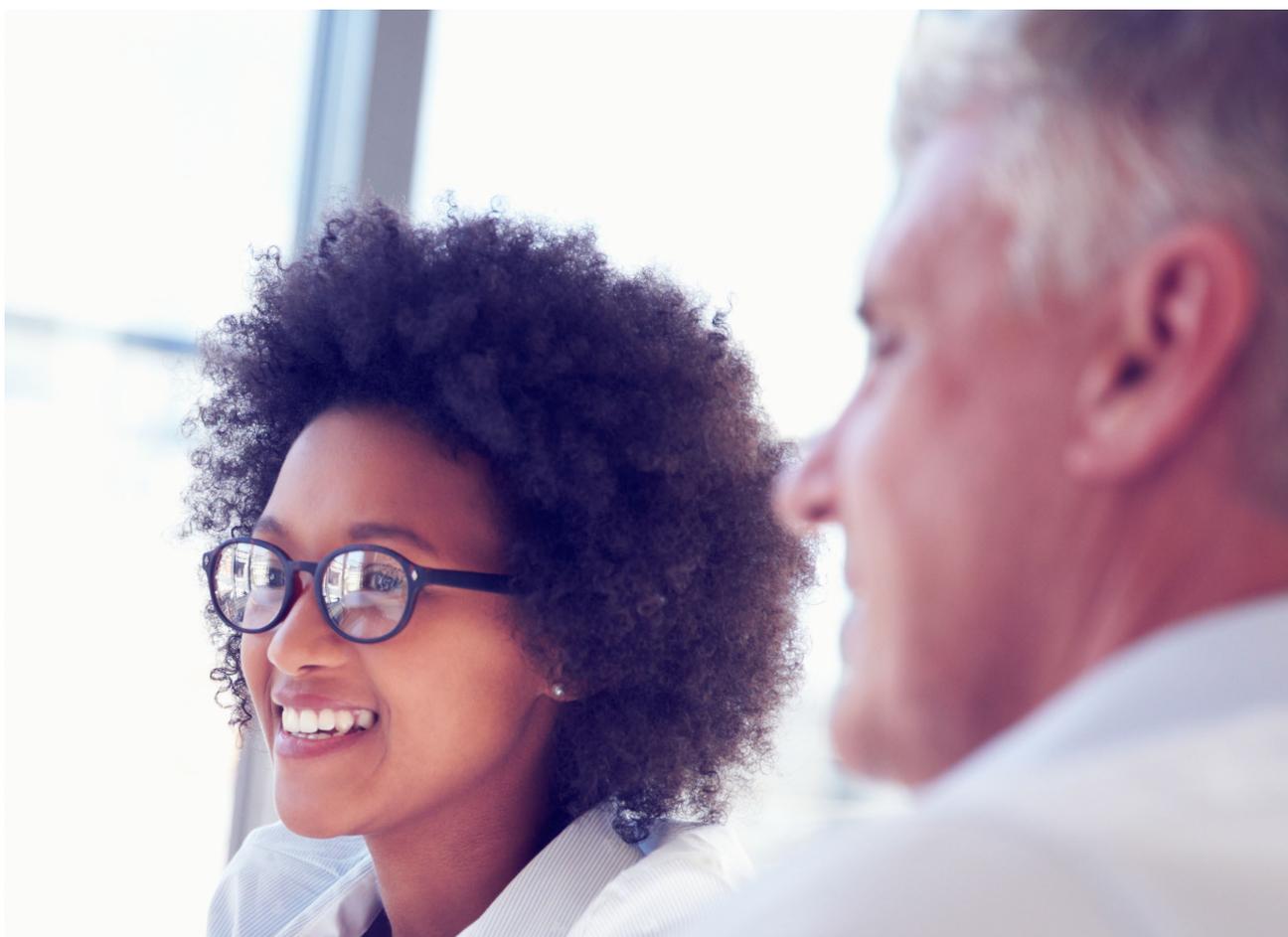
If you require help to apply this information to your particular situation, please contact Peninsula to speak with our expert HR and employment advisors. Our dedicated employer's advice line is a complimentary service that's available 24/7 at **1(833) 247-3651**.

General Disclaimer: Peninsula is an employer resource for HR and employment advice. Employers are advised that this guide is for informational purposes only. Peninsula is not licensed to practice law in Ontario. The content in this guide is not intended to replace licensed services and the information is not intended to be legal advice.



# Paying Wages

A Resource Dedicated to Employers



**This employer guide provides an overview of the basics for pay-related rights and offers guidance on how to avoid common pitfalls.**

Your relationship with your employees is fundamental to your ongoing success. Making sure your employees get paid adequately and on time is a key part of keeping a healthy and productive relationship, along with your business.

Ontario requires businesses to follow specific standards when paying employees.

This document outlines those requirements, such as, payment of wages, deductions, minimum wages and tips, and provides a recommendation of best practices for staying compliant with Ontario's regulations.



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# Payment of Wages

**The Employment Standards Act, 2000 (ESA) is the law that sets out the minimum standards for workplaces in Ontario.**

## Wage Regulations

Under the ESA, employers must establish for employees:

- A regular pay period, and
- A regular pay day

As an employer, you are obligated to pay each employee the full amount of their wages earned during a pay period, no later than the employee's regular pay day. This does not include vacation that is accruing, as there are special rules regarding vacation pay.

You can pay wages by:

- Cash
- Cheque
- Direct deposit into the employee's account

If payment is by cash or cheque, the payment must be delivered either at the place of employment or in a location that the employee agrees to electronically or in writing.

## Wage Statements

You must provide the employee with a wage statement, on or before the employee's pay day. The wage statement must set out:

- The pay period for which the wages are being paid
- The wage rate
- The gross amount of wages
- The way the wages were calculated (if applicable)
- The amount and purpose of each deduction
- Any amounts that were paid in respect of room or board \*if applicable
- The net amount of wages

The wage statement must be provided in writing or via email in a format that allows the employee to make a hardcopy.

## **Deductions**

As an employer, you are also responsible for making the appropriate deductions from the employee's pay. The ESA states that only **three** types of deductions are permitted:

1. Statutory deductions
2. Deductions authorized by a court order
3. Deductions authorized by the employee in writing

Each are described below.

### **Statutory Deductions**

Statutory deductions are made according to federal and provincial legislation. They include:

1. Income Tax
2. Employment Insurance (EI) premiums
3. Canada Pension Plan (CPP) contributions

### **Court Orders and Garnishment**

A court may order an employer to deduct an amount from an employee's wages.

There may be cases where the court decides to garnish a person's wages, and directs you, as their employer, to deduct an amount from their wages.

## **Written Authorization**

An employer may deduct money from an employee's wages if that employee has agreed to this in writing. The written authorization must:

- State that the employee authorizes the deduction of his or her wages
- Specify the amount of money deducted or a method of calculating the amount

For example, your employee may want some money directed into a savings account. With the employee's written authorization, you can make this deduction directly from their pay.

## **Instances When Wages Cannot be Deducted**

Wages cannot be deducted for:

**A loss due to faulty work.** For example: a mistake in a credit card transaction, work that is spoiled or rejected, or damage to company tools or vehicles.

**A cash shortage or lost or stolen property if a person other than the employee had control over or access to the cash or property.** For example, if restaurant customers leave without paying the bill – “dine and dash” – the server cannot be made to pay the bill.

These wages cannot be deducted in these instances even with signed authorization from the employee.



# Minimum Wage

**Minimum wage is the lowest wage rate an employer can pay their employees.**

Most employees are eligible for minimum wage, whether they are full-time, part-time, casual employees, on contract, or paid an hourly rate, commission, piece rate, flat rate or salary.

## Rate of Pay by Category

As of January 1, 2018 Ontario's General Minimum Wage is \$14.00 per hour.

Category	Definition	Rate*
General Minimum Wage	This applies to most employees.	\$14.00 per hour
Student Minimum Wage	This rate applies to students under 18 years old who work 28 hours a week or less when school in session, or work during a school break or summer holidays.	\$13.15 per hour
Liquor Servers Minimum Wage	This rate applies to employees who serve liquor directly to customers or guests in licensed premises as a regular part of their work. The workplace must be operating under a license or permit under of the <b>Liquor Licence Act</b> .	\$12.20 per hour
Hunting and Fishing Guides Minimum Wage	The minimum wage for hunting and fishing guides is based on blocks of time instead of by the hour.  Guides get a minimum amount for working less than five consecutive hours in a day, and a different amount for working five hours or more in a day – whether or not the hours are consecutive.	\$70.00 for working less than 5 hours in a day  \$140.00 for working five or more hours in a day whether or not the hours are consecutive
Homeworkers Wage	Homeworkers are paid to work in their own homes.  They perform work such as sewing clothes for a clothing manufacturer, answering phone calls for a call centre, or writing software for a technology company.  Students of any age employed as homeworkers must be paid the homemaker's	\$15.40 per hour

\*as of January 2018

In effect January 1, 2019, the general wage group will be increased to earnings of \$15.00 per hour. As of October 1, 2019, minimum pay will be subject to annual adjustments that are dependent on the rate of inflation.



### **How is compliance calculated?**

Compliance with minimum wage requirements is based on pay periods. For example, if your employees are paid weekly, and an employee works 37.5 hours in a week, then they must be paid at least \$435.00 (37.5 hours X \$14.00 per hour = \$525.00).

### **Are meal breaks counted as working hours?**

No, meals breaks are not counted as working hours.

### **What is the 3-hour rule?**

The 3-hour rule applies when an employee who regularly works more than 3 hours a day is required to report to work but ends up working less than 3 hours. He or she must be paid whichever is the highest of three hours of minimum wage or the employee's regular wage for the time worked.

Note: this rule does not apply to 1) students (including students over 18 years of age); 2) employees whose regular shift is three hours or less; or 3) where the cause of the employee not being able to work at least three hours was beyond the employer's control.



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# Tips & Gratuities

**As an employer, you can decide whether tipping is allowed in your business or not.**

If you decide to allow tipping, it's a good idea to:

- Establish a clear policy for handling tips, such as, how tip jars will be divided or how and when tips will be paid out
- Post the policy where employees can see it
- Track the amounts paid to employees

If you decide **not to allow tipping**, make sure to tell your customers that tips are not accepted.

You cannot make an employee return their tip, nor can you withhold or make deductions from their tips.

You can distribute by cash, cheque or direct deposit. There is no required timeline for distributing tips to employees, but it's a good practice to distribute tips to employees on a regular basis.



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# Summary

## Wage Entitlement & Pay

**It is important to understand Ontario's requirements for employers when it comes to paying wages and making deductions.**

As a small-to-medium sized business, keeping your employees focused and productive is always at the front of your mind. At the same time, paying your employees is one of the key administrative responsibilities of an employer.

**Remember:** you have some degree of flexibility when it comes to setting your pay periods, wage rates and in-house policies for compensating your staff. You can set these factors as they best fit your business model and processes. The best practice is to communicate clearly with your staff and customers about how you operate, making sure everyone knows what to expect and how you manage your business.

Use our Employer's Checklist to get your business off to a successful start!

Questions? Contact Peninsula for on-call, on-site, and on-demand human resources support. Our 24/7 complimentary advice line is dedicated to employers for immediate help. Call us today - **1(833) 247-3651.**

**We've got you covered.**



# Employer's Checklist

## Do you check all the boxes when it comes to paying wages?

Employers should verify the following to ensure they stay compliant when paying employees.

I have established the pay period, and I have a plan for producing the employees' wage statements. Yes No

I am only deducting wages for:   

- Statutory deductions
- Court ordered deductions or
- Deductions the employee authorized in writing

I have the employee's deductions authorizations in writing, stating the amount of the deduction or the method for calculating it.

My wage statements include the necessary information, including the   

- Pay period
- Wage rates
- Gross wages for pay period
- Amounts and purpose of each deduction

I have decided not to allow tipping and I am telling our customers not to tip;

OR

I have decided to allow tipping and I have posted a tip-handling policy where employees can see it.

I have checked the minimum wage to make sure my employees are being paid at least that amount.

I understand that I cannot deduct from an employee's wages any losses due to faulty work or any losses from theft or damages that happen while the employee is at work.



# Employer Resources

Get 24-hour access to complete HR support that's affordable, immediate, and right for your business needs.



**Are you a small business owner looking for HR advice? You're in the right place.**

For additional information, you can continue browsing:

- [The Employment Standards Act, 2000 \(ESA\)](#)
- [Peninsula Employment Services](#)
- [Peninsula's Free Employer Downloads](#)

Or, save time and money with a quick solution. Give us a call, instead - **1(833) 247-3651**