

Winners and Losers

EMPLOYER ONE SUPPLEMENT

July 2019

How has the increased minimum wage impacted Hamilton?

min·i·mum wage :

/ ' , m i n i m ə m ' , w ā j /

the lowest wage paid or permitted to be paid

specifically: a wage fixed by legal authority or by contract as the least that may be paid either to employed persons generally or to a particular category of employed persons

In January 2018 the Ontario government increased the general minimum wage from \$11.60 to \$14 per hour. When this change was announced there was intense discussion about the potential impact this might have on the economy, employers, and workers. In particular it was suggested that jobs may be eliminated and employment might decline in some sectors. It was felt by some that this would have a dampening affect on economic and labour force growth.

With the above factors in mind Workforce Planning Hamilton (WPH) included a question on the impact of the increase in the minimum wage in our January 2019 Employer One survey¹. A year had passed since implementation and employers had an opportunity to consider the ways in which this change had directly affected their business, either positively or negatively. The following presents our findings on this question, in combination with other data sources.

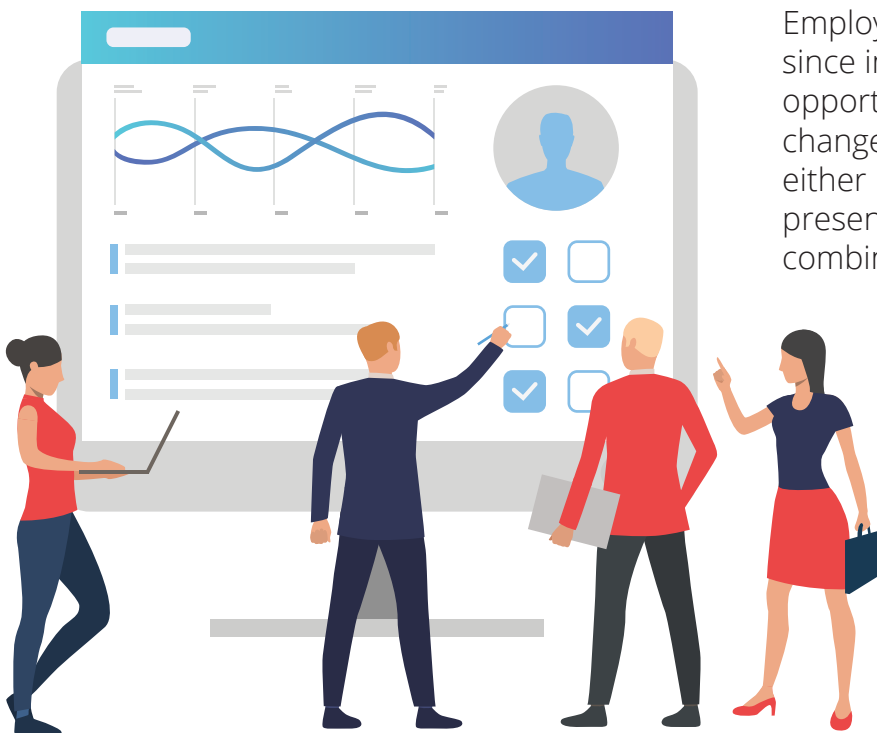
¹ The Employer One survey is an annual survey conducted by WPH and distributed to local employers exploring their labour market issues. In 2019, there were 327 employers that completed the survey across all industries.

 EMPLOYER ONE survey

 Ontario



Workforce Planning Hamilton
Planification de main d'oeuvre de Hamilton

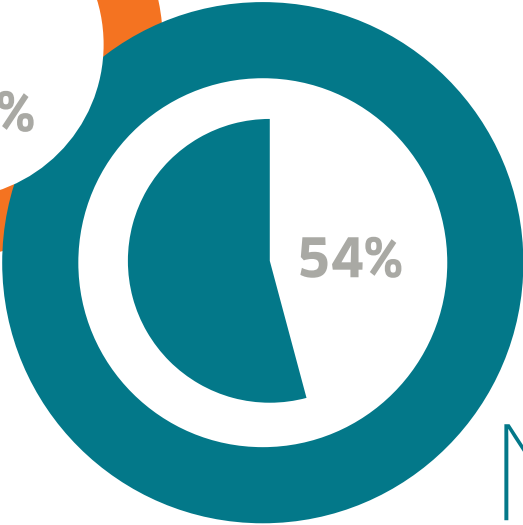
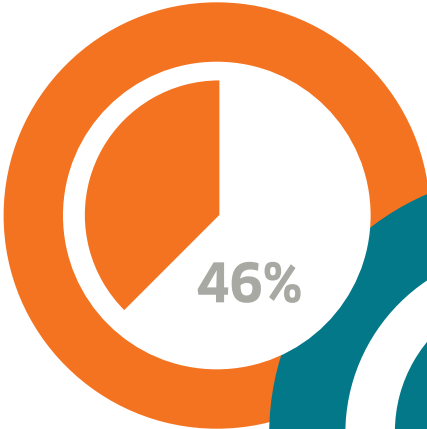


Nearly half of employers were affected by the increase in minimum wage

46% of employers state that the minimum wage increase has affected their business operations.

Has this increase in minimum wage affected your business operations?

Yes



No



As a small business with profit less than \$80,000 per year, I am greatly affected by the increase in minimum wage. In the past I have tied wages to profit. That is, if the business profited on a monthly basis, I would give staff a bonus. I can no longer do that. I do not think all jobs warrant \$14.



Most employers had negative impacts from the minimum wage increase



WPH asked employers that were affected by the increase in minimum wage to select the top three impacts.

Top impacts are

Increased prices for customers, **65%**

38% Decreased hours for staff

Postponed future hiring **33%**



Lay-offs were not a major consequence. Only 10% of the employers affected by the minimum wage stated they laid-off staff. Also, 12% of selections were a positive impact.

The top two positive impacts are

Improved job performance, productivity and/or service delivery, **9%**

7% Decreased employee turnover



Would have liked to see the government follow through on increase to \$15 as of January 1, 2019.

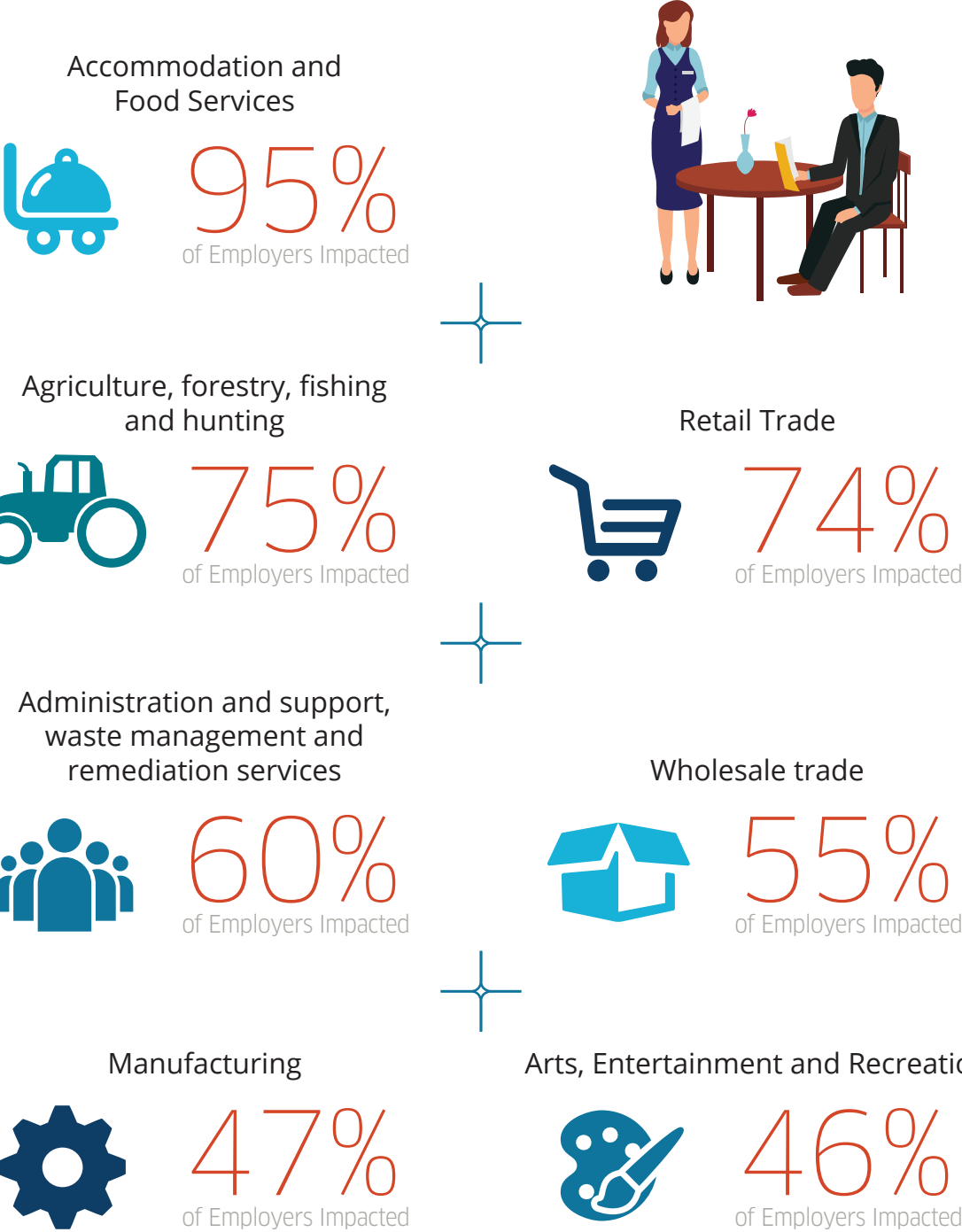


13%

Thirteen percent of employers also selected 'Other'. Employers were asked to fill in impacts beyond our list. The top impacts included: increased costs, resources/budget reallocated, profits affected, increased employee turnover, increased other employees wages, and deferred hiring students.

Certain industries were more impacted

The following is the list of industries that were impacted by the increase in minimum wage across all industries (46%). The greatest impact was felt in Accommodation and food services, as 95% of employers stated the minimum wage increase had an impact on their business operations.



Low wage industries most affected by minimum wage

The top five industries with the lowest median incomes² are also some of industries most affected by the minimum wage increase. These industries are:



Industry	Median Income
Accommodation and Food Services	\$24,974
Agriculture, forestry, fishing and hunting	\$30,667
Administration and support, waste management and remediation services	\$36,302
Arts, Entertainment and Recreation	\$36,480
Retail Trade	\$37,005

These sectors tend to have the greatest number of low wage workers. Some employers noted that with this increase they were forced to adjust their salary grid and raise wages for other workers in their employ who earned above minimum wage thus creating a ripple effect in their overall payroll.

For Wholesale trade and Manufacturing who have higher than average median incomes the minimum wage impact was felt for specific low skilled occupations. These include labourer positions that work in the factory or warehouse.

“ It was long overdue and we should continue raising it. ”

² These are median incomes for full-time workers in a given industry in Hamilton. This may skew the wages slightly higher because many of these industries also have a significant part-time workforce. Data comes from the 2016 Census.

No clear impact on job loss from minimum wage increase

Looking at the employment numbers captured in the Labour Force Survey for the Hamilton CMA³, specifically the change from 2017 to 2018 shows an inconsistent relationship between an increase in minimum wage and employment. The expectation by some suggested that employers would lay-off or cut back on hiring staff with the increase in minimum wage. The seven industries highlighted above were grouped into six, with Wholesale and Retail trade combined. Of these six in Hamilton, four saw declines in employment. However, all of Hamilton's labour market saw a decline in employment of 4,100 jobs (-1%).

When we compare our data to provincial employment numbers, only two out of six saw declines in employment and there were overall job gains provincially. The minimum wage of course affects the province as a whole. Only Administration and support, waste management and remediation services saw job losses in Hamilton and across the province. There is no clear link between the increase in the minimum wage and job loss.

Many employers still plan on hiring. Eighty-four percent of employers plan on hiring in 2019, an increase from last January as 77% of employers planned on hiring. Only two industries were considerably lower than the 84% average: Retail trade and Administration and support, waste management and remediation. Retail trade still had employment growth during 2018 and the majority plan on hiring (63%). Administration and support, waste management and remediation is one industry where we saw employment declines locally and provincially, and a smaller share of employers plan on hiring compared to the average. However, 72% of employers in this industry still do plan on hiring.

Size of employer and minimum wage impact was also analyzed. There was no relationship found in this area. The smaller employers were no more likely to be impacted by the minimum wage than larger employers according to our Employer One survey.

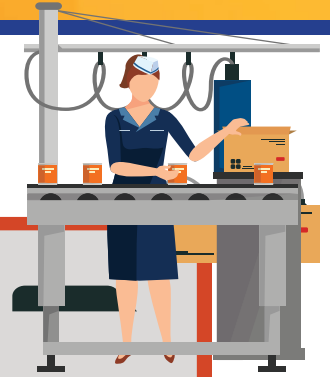


An increase in minimum wage should have come out slow and steady. This significant jump in costs affects all small businesses in a negative way.



² The Hamilton Census Metropolitan Area includes Hamilton, Burlington, Grimsby.

Sector Analysis



The vast majority of employers in **Accommodation and food services** (96%) report that minimum wage had an impact on their business operations.

Top minimum wage increase impacts:

- Increased prices for customers (95% of employers)
- Decreased hours for staff (71%)
- Only 38% of the employers said they will postpone hiring and 82% still plan on hiring in 2019.

The **Manufacturing** sector had some of the greatest recruitment challenges in Hamilton

Top minimum wage increase impacts:

- Increased prices for customers (67% of employers)
- Postponed future hiring (38%)
- Other (37%) – led by increased turnover
- General Labourer positions were the most impacted

74% of **Retail trade** employers said the increase in minimum wage impacted their business.

Top minimum wage increase impacts:

- Decreased hours for staff (62%)
- Increased prices for customers (57%)
- Postponed future hiring (48%)

60% of employers in **Administrative and support, and remediation services** said the increase had an impact on their businesses.

Top minimum wage increase impacts:

- Increased prices for customers (69% of employers)
- Other (38%) – led by decreased profitability
- The increase did not appear to affect hiring



Implemented far too quickly. Too high too fast. Little consideration for businesses with long term planning.



Low wage workers benefit from the increase

The minimum wage increase across the province has impacted local employers according to the 2019 Employer One. Nearly half (46%) of employers were affected, with the vast majority reporting negative impacts. Job loss for the most part was avoided as employers made adjustments to prices, decreased hours for staff, and postponed future hiring. However, in a separate question employers (even those affected by the increase in minimum wage) stated that they still plan on hiring in 2019. This confirms the employment findings as there was no clear relationship with an increase in minimum wage and declining employment numbers.

At the end of the first year of the increase most employers have weathered the storm. Certain industries were more affected than others and they were mostly industries that paid lower wages. Overall, long-term effects will need to be studied but in the first year of the increase in minimum wage, low wage workers were the winners.



A number of student jobs have been replaced by regular salaried employees at the lower clerical/operations levels. It became financially feasible to replace several casual employees with a few regular full-time employees.

