

Member's Quarterly

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Feature

Minimum Wage Increases

Bad news for business and for jobs

The announcement by the Liberal government in Ontario to raise the minimum wage has thrown a monkey wrench into the planning and future operations of many small and medium size enterprises. At the beginning of 2017, workers in Ontario got a minimum of \$11.40 an hour rising slightly to \$11.60 in October 2017. That is along the lines of previous minimum wage increases in the province that are designed to allow wages to grow in relation to increased costs and the overall cost of living.

But the next wave of increases to the Ontario minimum wage are shocking. In January 2018 the rate will rise to \$14 an hour and then to reach \$15 an hour by 2019. Some people have suggested that this is a maneuver by an embattled provincial government to try and garner political support before the next provincial election which is scheduled to be held on or before June 7, 2018. That may or may not happen. But what will happen, according to business insiders and observers, is that there will definitely be a massive and negative impact on small and medium size enterprises in the province.

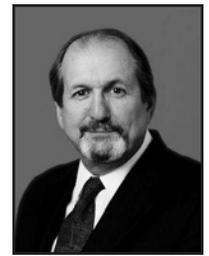
According to Philip Gennis, Senior Principal with licensed insolvency trustees msi Spergel inc., the outcome of this decision will be disastrous on small to medium enterprise. "This increase to the Ontario minimum wage will result in job loss and the replacement of current workers through automation and a dramatic rise in both business failure and business bankruptcy."

He is not alone in these views. Although only about 10 percent of workers in Ontario currently earn the minimum wage, about 30 percent of all workers in the province make less than the proposed \$15 an hour. That means that the Ontario government is not just raising the rates for the most poorly paid employees, they are also handing all these other workers a raise that they didn't even ask for before this decision was made. That has led to a variety of employers, large, small and in-between to call on the provincial government to reverse its decision before more Ontario businesses have to close their doors.

One major grocery store chain in Ontario, Metro, recently announced it is looking at new ways to automate, as a result of the imminent \$15 minimum wage. The evidence shows that jobs held by relatively low-skilled workers involving repetition or routine are already vulnerable to automation and this only solidifies that argument. So, while the Ontario government may say that it is trying to help support low-wage workers, that won't do them much good if they are out of a job. In fact, as Philip Gennis suggests, the higher minimum wage will actually hurt many low-skilled workers by encouraging employers to replace their jobs with machines.

That's why some of businesses and organizations in Ontario have banded together to try and bring these concerns to the public's attention. The Keep Ontario Working Coalition is a diverse coalition of groups like the Ontario Chamber of Commerce, the Ontario Federation of Agriculture and Food and Beverage Ontario. One of their major aims is to call on the Ontario government to conduct an economic analysis of the proposed minimum wage increase to inhibit negative impacts on the growth of Ontario's economy, its people and its communities.

The Keep Ontario Working Coalition has commissioned and is circulating some research to support their claims. They include the fact that some of the worst impacts of the \$15 minimum wage will be on young people. They point to studies that show that increasing the minimum wage has led to a reduction in employment especially for youth. They note that even the Premier's own 2014 Minimum Wage Panel concluded that, in the Canadian context, researchers have generally found an adverse employment effect of raising minimum wages especially for young workers. In fact, Canadian studies have found that teen employment would drop by 3% - 6% if the minimum wage is raised by 10 percent.



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They also published the results of an independently- commissioned Aug. 14 report that was conducted by the Canadian Centre for Economic Analysis which said there will be a "\$23 billion hit to business" and "185,000 Ontario jobs will be at immediate risk" in the next two years. And the Ontario government "would need to borrow \$440 million more to cover the increases in new costs from this legislation."

Even one of the provincial government's own watchdogs has stepped into the fray to warn them that this proposal could cost the province much- needed jobs. Ontario's Financial Accountability Office issued a warning that the proposed minimum wage increase could wind up resulting in an estimated net loss of 50,000 jobs, concentrated mostly among teens and young adults. The people who need the jobs the most.

The bottom line is that no one opposes a staged and incremental increase to the minimum wage. Most businesses are happy to provide their workers with a little more, as long as they can plan for that increase and not have it dropped on them like an anvil that hurts them and their employees at the same time. To have the minimum wage rise over 20 percent in the first round of increases and then another 12 percent to bring it to \$15 in just 18 months is not feasible or practical. According to Philip Gennis, it is a disaster waiting to happen.

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