

Ontario Needs a Raise

Who Benefits From a \$15 Minimum Wage?

David Macdonald





CCPA

CANADIAN CENTRE
for POLICY ALTERNATIVES
CENTRE CANADIEN
de POLITIQUES ALTERNATIVES

ISBN 978-1-77125-353-6

This report is available free of charge at www.policyalternatives.ca. Printed copies may be ordered through the CCPA National Office for \$10.

PLEASE MAKE A DONATION...

Help us to continue to offer our publications free online.

The CCPA Ontario office is based in Toronto. We specialize in provincial and municipal issues. We deliver original, independent, peer-reviewed, non-partisan research that equips progressives with the arguments they need to press for social change.

The opinions and recommendations in this report, and any errors, are those of the authors, and do not necessarily reflect the views of the publishers or funders of this report.



ABOUT THE AUTHORS

David Macdonald is a senior economist with the Canadian Centre for Policy Alternatives.

ACKNOWLEDGMENTS

The author would like to thank the Metcalf Foundation for their generous support of this research. The author would also like to thank Sheila Block for her comments on an earlier version of this paper.

5	Executive Summary
6	Introduction
7	Who gets a raise (and why)?
15	Conclusion
17	Notes

Ontario Needs a Raise

Who Benefits From a \$15 Minimum Wage?

Executive Summary

Ontario has committed to raise its minimum wage to \$14 on January 1, 2018 then to \$15 on January 1, 2019. This paper examines who will benefit from a minimum wage increase in Ontario.

Had a \$15 minimum wage been in place for the first six months of 2017, 23% of Ontarians – 27% of women, 19% of men – would have received a raise. But understanding how that benefit would be distributed requires a closer look at Ontario’s workforce.

Although nearly all teenagers would see a raise, this represents a small proportion – 18% – of the overall group of low-wage workers who would benefit. In fact, 15% of workers getting a raise are over 55. Put another way, if you’re getting a raise you’re as likely to be a baby boomer as a teenager.

While most Ontarians have permanent jobs, although not necessarily full-time, those in non-permanent jobs who are working casual, contract or seasonal work would see a significant gain from a \$15 minimum wage. Half of seasonal workers, a third of contract workers, and 57% of casual workers would see their wages rise.

Low-wage work is the norm for part-time workers, 57% of whom would see a raise. Almost half of part-time work isn’t voluntary; these workers would be large beneficiaries of a \$15 minimum wage. More than half of those work-

ing part-time due to a disability or lack of full-time work would get a raise. A third of those caring for children, and 40% of those caring for family members while working part-time, would get a raise. Women are predominant in each of these categories.

A little more than a third (35%) of recent immigrants and 42% of recent immigrant women would see a raise.

Low-wage work is heavily concentrated in three industries: retail, accommodations/food, and “business, building and other services” (which includes call centres, cleaning, security guards, landscaping, and waste collection). These three industries represent 23% of Ontario workers, but 57% of these workers would get a raise from the implementation of a \$15 minimum wage. As such, 55% of retail workers, 71% of accommodation/food workers, and 46% of business, building and other services would see their wages rise.

Big companies prevail in the retail and food/accommodation industries. Among those workers who would benefit from a \$15 minimum wage within these industries, 59% work for a company that has more than 500 employees. Only 17% work for a small business with less than 20 employees. In other words, someone getting a raise in retail or food/accommodation is three-and-a-half times more likely to work for a big box store than for a mom-and-pop shop.

In summary, workers in Ontario who will benefit most from a \$15 minimum wage tend to be women and immigrants – the vast majority of whom are adults. Workers who hold seasonal, casual, or part-time jobs are more likely to benefit from raising the minimum wage. And since minimum-wage jobs tend to be concentrated in retail, accommodation and food services, and business, building and other services, workers in those industries will benefit more from a \$15 minimum wage. Controversy over the \$15 minimum wage tends to focus on the stress it will place on mom-and-pop shops, but the data show these represent a small portion of the firms where employees will see a raise. The minimum wage is a big business issue. It’s time for workers in big businesses to get a raise.

Introduction

Ontario has recently decided to increase its minimum wage from its present level of \$11.40 an hour to \$14 an hour on January 1, 2018 and \$15 an hour on January 1, 2019. It will be the second province to reach the \$15 an hour threshold; Alberta’s will arrive three months earlier on October 1, 2018.

With each increase in the provincial minimum wage, business groups regularly predict dire impacts, which fail to materialize. Recent empirical analysis finds that potential job losses as a result of minimum wage increases remain very small and occur mostly for teenagers, who make up an increasingly small proportion of low-wage earners.¹ The actual experience of minimum wage increases generally results in lower employee turnover, as it reduces the incentive for firms to operate a low-wage, high-turnover model. Because it increases wages for low-wage workers, a higher minimum wage can be an important tool in combating income inequality.

This paper does not focus on the employment rate impact of a higher minimum wage in Ontario. Rather, it seeks to identify who would benefit most from such a change. Who would get a raise? It updates previous work on a \$15 an hour minimum wage in Ontario.² The findings mirror work others are doing.³

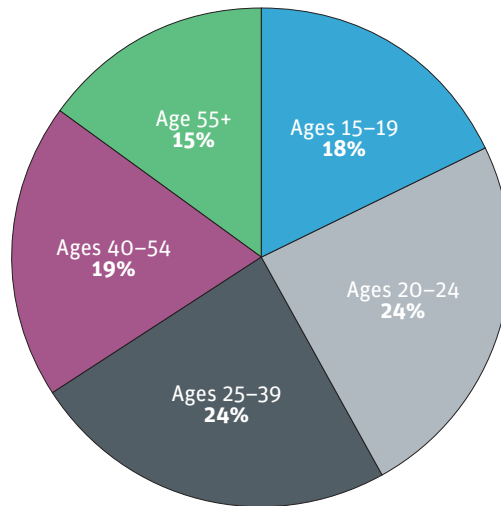
This analysis uses Statistics Canada's Labour Force Survey (LFS) for the first six months of 2017. As with any Labour Force Survey analysis, self-employed individuals are excluded since their wages are not recorded. Using only the first six months of 2017 may have some seasonality bias, but since the categorization of several key measures was fundamentally altered as of January 2017, making a 12-month comparison is difficult. The figures also include those who are employed but were not working when the survey was conducted (due to vacation or sick leave, for example).

Who gets a raise (and why)?

Looking at the broad picture, the 23% of Ontarians who worked for less than \$15 an hour in the first six months of 2017 would have received a raise if the minimum wage had been \$15 as of January 2017. This amount is slightly less than what was calculated for 2014,⁴ likely due to slightly different measurement thresholds, inflationary increases in the minimum wage, and inflation in general wages. Ontario has a higher proportion of its working population making less than \$15 an hour, particularly compared to Alberta, which is also increasing its minimum wage to \$15 an hour.⁵ As a result, a \$15 minimum wage will have a greater impact in Ontario.

The minimum wage increase means that 27% of women and 19% of men will receive a raise. The gendered nature of work explains much of this. Women are more likely to work part-time, they are more likely to care for children and parents, and they are more likely to work in low-wage indus-

FIGURE 1 Age distribution of those getting a raise



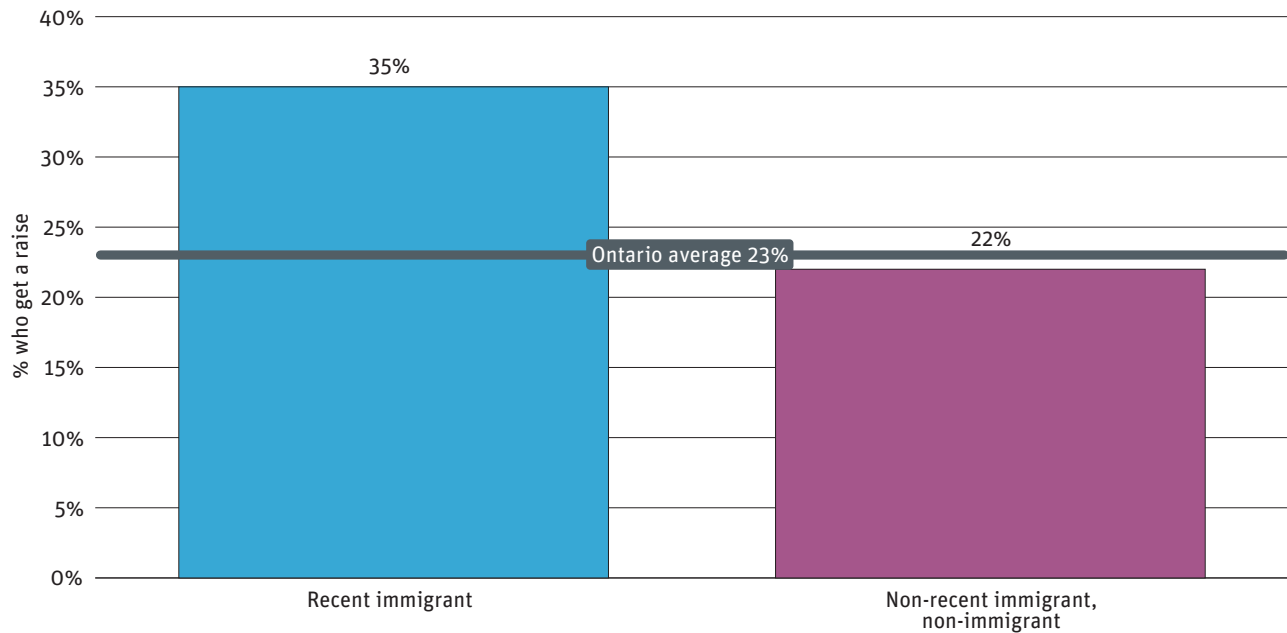
Source: Labour Force Survey PUMF for Ontario (January–June 2017).

tries. These circumstances make it more likely that women make less than \$15 an hour and will, therefore, experience a greater impact from a higher minimum wage. While younger women tend to be higher educated, that does not offset the impact of these other factors on their wages.

Younger Canadians are far more likely to be working for a lower wage because they have less experience, less education, and they are more likely to be working part-time while in school. This means that 90% of those aged 15 to 19 and 54% of those aged 20 to 24 will see a raise with a \$15 an hour minimum wage. Perhaps more interesting is that 19%, or one in five, of those aged 55 and over will also see a raise. Comparatively, only 16% and 13% of those in the peak working age category of 25 to 39 and 40 to 54 respectively will experience a wage increase.

While it is no surprise that younger Canadians tend to be at the lower end of the earning spectrum, what is more surprising about the impact of a \$15 minimum wage is the distribution between the various age groups. Those aged 25 and older make up 58% of those getting a raise. As shown in *Figure 1*, only 18% of all workers receiving a raise are aged 15 to 19 compared to 15% of those who are aged 55 and over. While the vast majority of teenagers will get a raise, they represent a relatively small proportion of the overall employed population in Ontario and a small part of the low-wage population, in particular. In fact, if the \$15 minimum wage means you'll get a pay increase, you're about as likely to be a baby boomer as you are to be a teenager.

FIGURE 2 Who gets a raise, by immigrant status



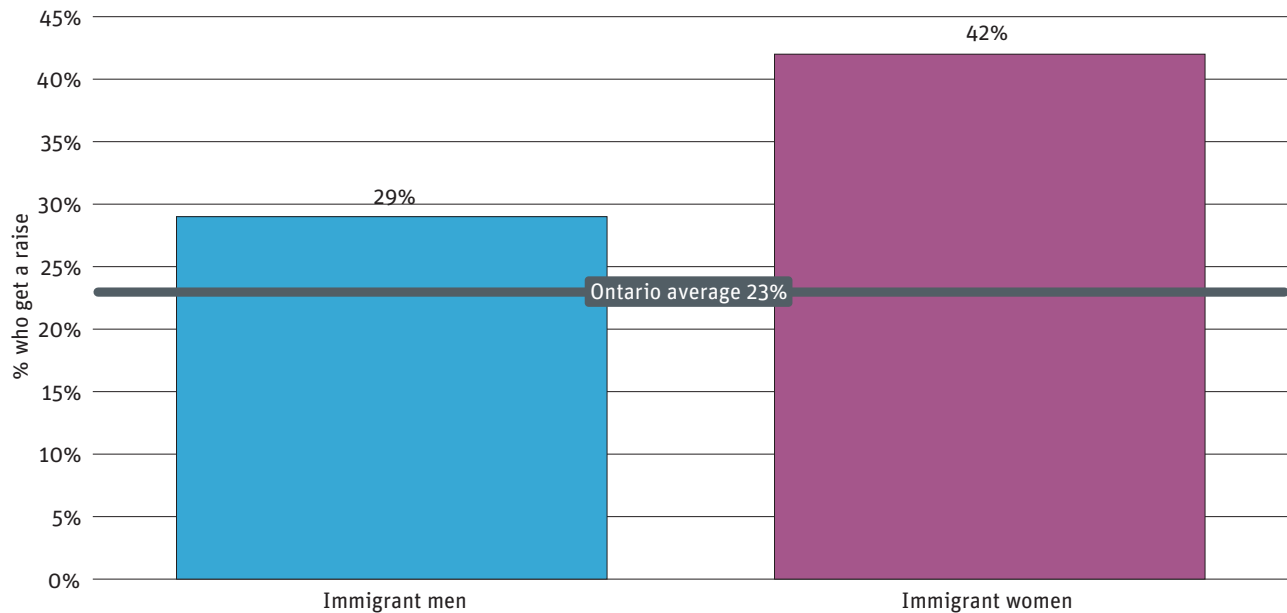
Source: Labour Force Survey PUMF for Ontario (January–June 2017).

A \$15 minimum wage will have a dramatic impact on recent immigrants who have been in Canada less than 10 years, over a third of whom would see a raise as a result of the new policy. Only 22% of non-immigrant workers would see a raise (similar to the Ontario average). Breaking this out by gender, it's clear that recent immigrant women, in particular, would benefit, with 42% of them seeing a raise with a \$15 minimum wage.

Unfortunately, the data source for this analysis does not specify either racialized or Indigenous identity, so we cannot estimate the proportion of racialized or Indigenous workers who will benefit from a \$15 minimum wage. However, research suggests that racialized⁶ and Indigenous workers are more likely to be in low wage work, and therefore would benefit from the increase in minimum wage.

Just as the newly available immigration status data strengthens the analysis in this report, improved data collection is necessary to broaden our understanding of the impact of a minimum wage increase on all workers — particularly racialized workers. Our analysis will only become more complete as Statistics Canada regularly and accurately collects data on the socio-economic status of racial and ethnic groups and other dimensions of their identity.

FIGURE 3 Who gets a raise, by immigrant status and sex



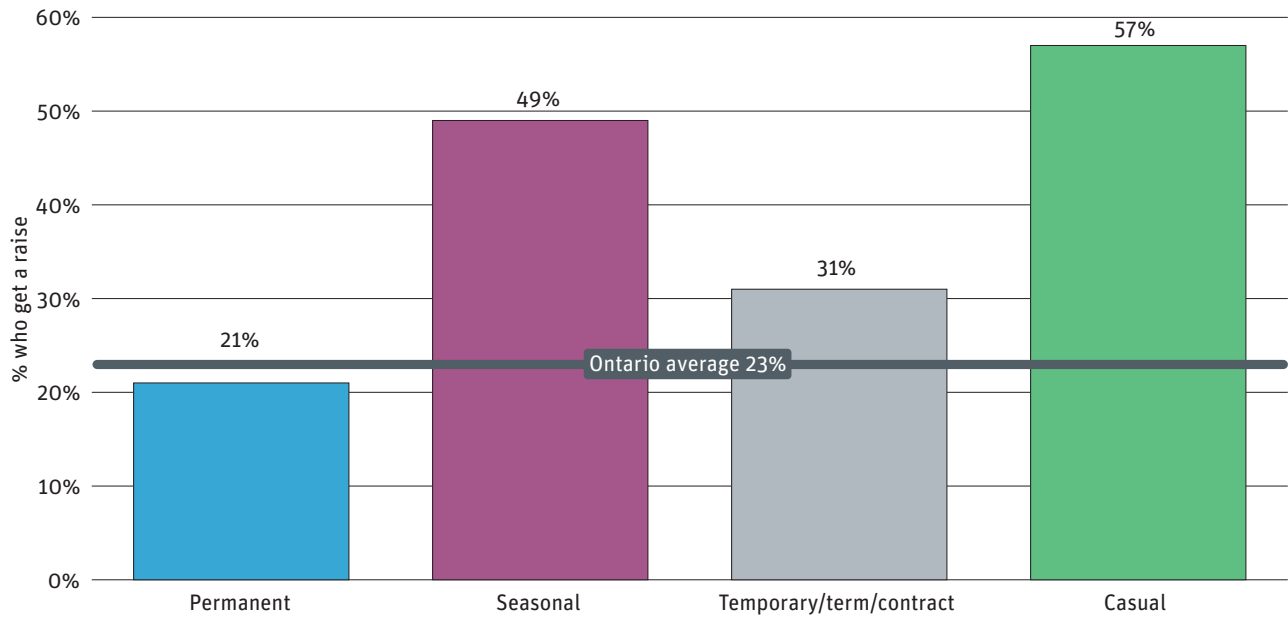
Source: Labour Force Survey PUMF for Ontario (January–June 2017).

The majority of Ontarians work in permanent positions, but these are not necessarily full-time jobs. Twelve per cent of Ontarians work in non-permanent jobs (the various non-permanent categories are highlighted in *Figure 4*). The impact of a \$15 minimum wage would be very significant for those working casual or seasonal jobs: 63% and 54%, respectively, would see a raise. One-third of those working on contract would see a raise. In contrast, those working in permanent positions have a similar likelihood as the Ontario average of a pay increase.

Part-time workers make up 18% of all workers in Ontario. As shown in *Figure 5*, they are much more likely — at 57% — to see a raise with a \$15 an hour minimum wage. Full-time workers have higher pay rates, in general, so only 16% of them would see a raise.

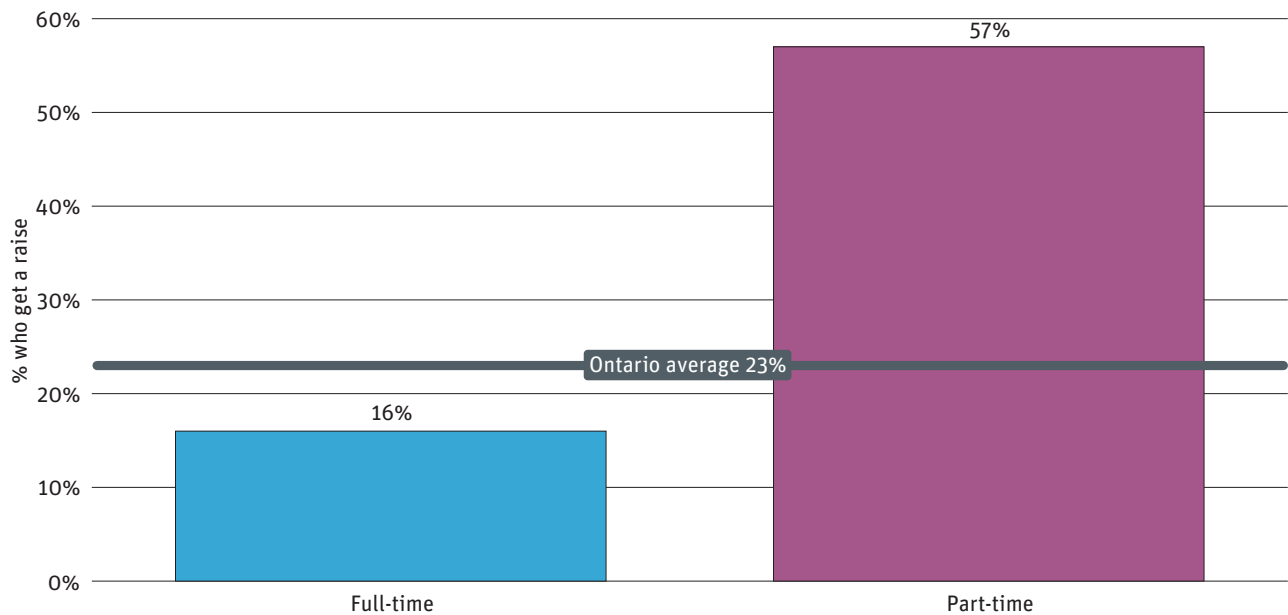
Although part-time work is becoming more prevalent in Ontario, it is often involuntary. In fact, 45% of those who are working part-time aren't doing it because it is their preference or because they are in school. In other words, workers don't necessarily choose part-time employment; they work part-time because they must. They may want a full-time job, but they can't find it. Or other factors such as caring for children or aging parents, may prevent them from seeking full-time work. The high cost of child care, par-

FIGURE 4 Who gets a raise, by job permanence



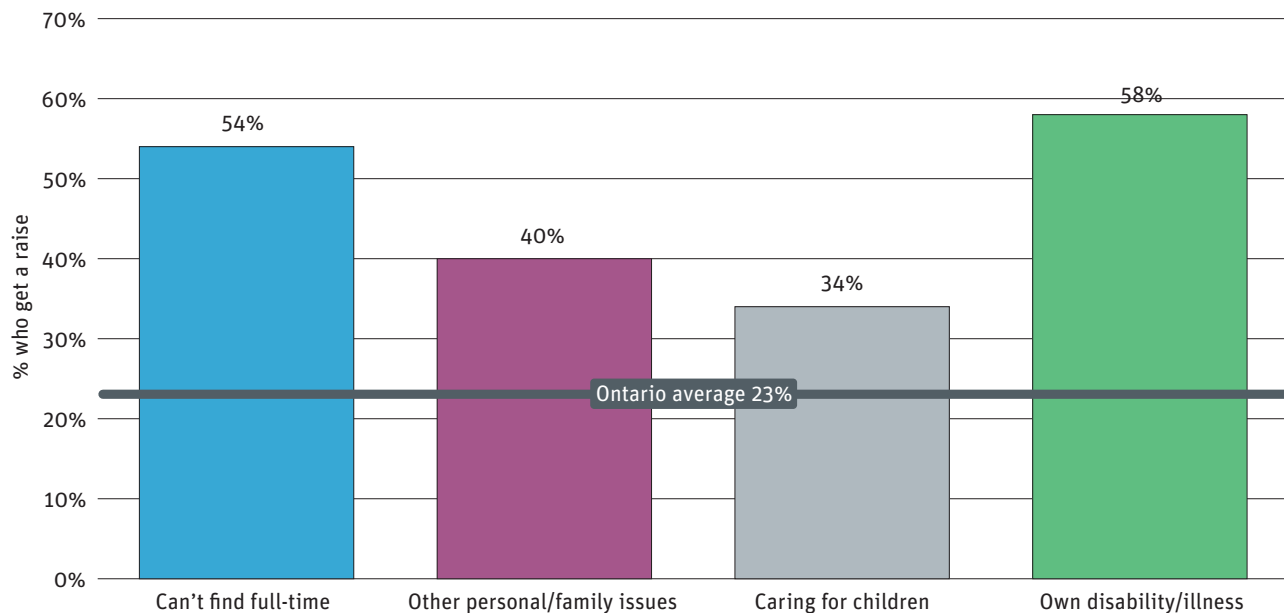
Source: Labour Force Survey PUMF for Ontario (January–June 2017).

FIGURE 5 Who gets a raise, part-time vs. full-time



Source: Labour Force Survey PUMF for Ontario (January–June 2017).

FIGURE 6 Who gets a raise, by involuntary part-time



Source: Labour Force Survey PUMF for Ontario (January–June 2017).

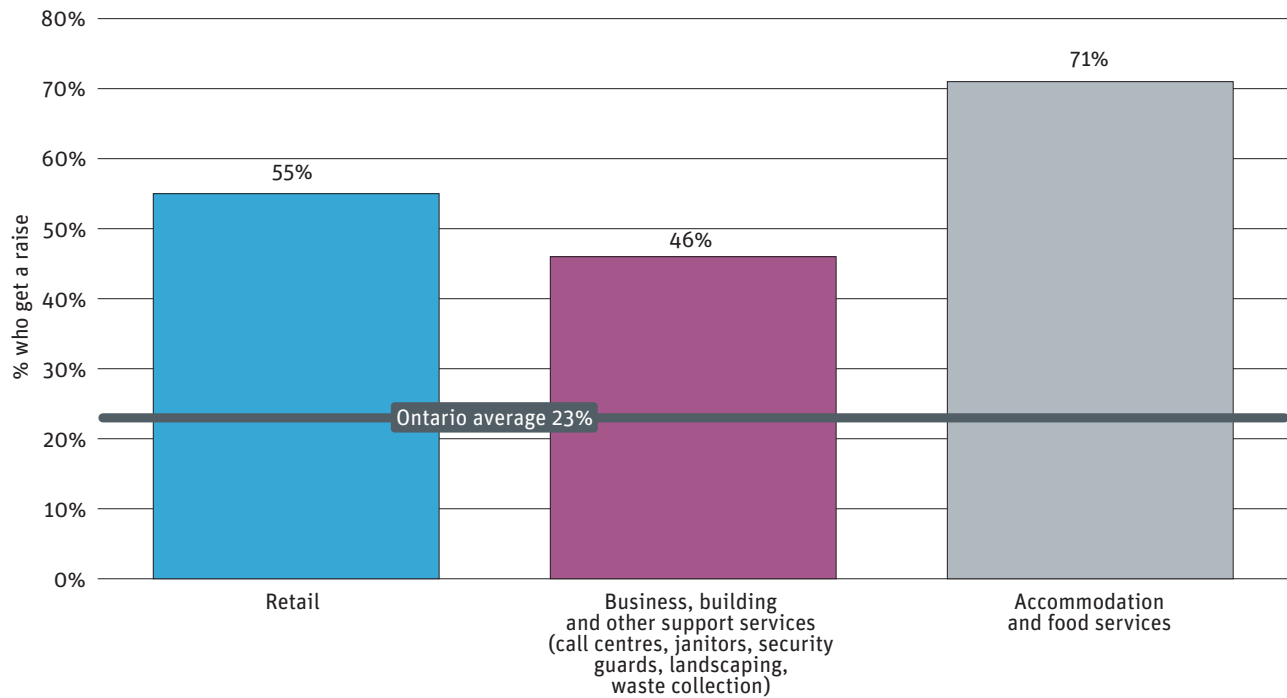
ticularly in the Greater Toronto Area, is potentially acting as a key driver of the involuntary part-time work category, particularly for women.

Figure 6 shows that those who are involuntarily working part-time are much more likely to see a raise as a result of a \$15 minimum wage than the average Ontarian. Among those who want to work full-time but can only find part-time work, 54% will see a raise. Among those forced into part-time work due to child care responsibilities — 93% of whom are women — a third will benefit. Among those Ontarians forced into part-time work due to other family reasons — 85% of whom are women — 40% will see a raise. Finally, among those working part-time due to disability or illness, 58% would see a raise.

Among the 21 industry codes recorded in the Statistics Canada LFS for Ontario, low-wage work is concentrated in three industries: retail trade, food/accommodations, and business, and building and other support services (the third industry category is a hodgepodge of business services, including security guards, call centres, janitors, landscaping and waste collection).⁷

These three industries employ 23% of workers in Ontario, but they represent 57% of all Ontario workers who will see a raise with a \$15 minimum wage. This means that two-thirds of those working in the accommodation and food service industries; almost half of those working in the building,

FIGURE 7 Who gets a raise, by selected industries



Source: Labour Force Survey PUMF for Ontario (January–June 2017), NAICS 21.

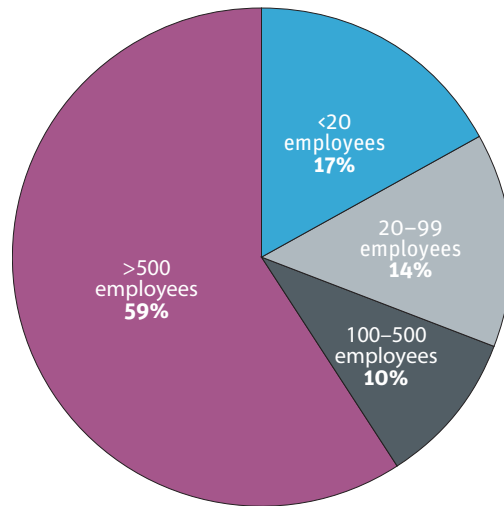
business and other services; and over half (55%) of those working in retail will see a raise.

Corporate lobbyists have worked hard to portray the top two industries for low wage-work – retail and food/accommodations – as predominantly small businesses. However, firm size distribution conclusively demonstrates that it is big box stores and chain restaurants that predominate in these industries, not mom-and-pop corner stores and local eateries.

Fully 59% of workers who would see a raise in these two industries work for firms with more than 500 employees. Only 17% of those seeing a raise work for small business (with fewer than 20 employees).

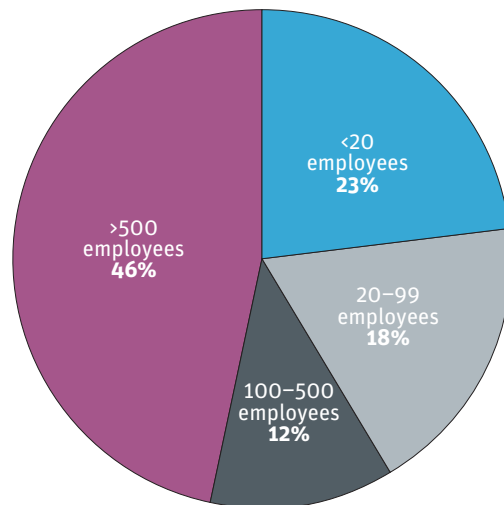
Even this striking contrast understates how much low-wage work happens in small firms because the under 20 employees category can also include individual franchisees, which represent a common corporate structure for fast-food chain restaurants, for example. Franchises are not reported as a separate category. Put another way, a retail, food, and accommodation worker who gets a raise because of a \$15 minimum wage will be three-and-a-half times more likely to work for a big company than for a family store.

FIGURE 8 Firm size distribution of those getting a raise (retail trade & food/accommodations only)



Source: Labour Force Survey PUMF for Ontario (January-June 2017), number of employees all locations, NAICS 21 codes: 10 & 19.

FIGURE 9 Firm size distribution of those getting a raise, all industries



Source: Labour Force Survey PUMF for Ontario (January-June 2017), number of employees all locations.

Among those working in either retail or food and accommodations in a company with less than 20 employees, 66% will see a raise. A very similar proportion (62%) will see a raise if they work for a company with more than 500 employees. However, there are simply many more companies with more than 500 employees operating in these industries, and that's why a \$15 minimum wage is a more of a big business issue than a small business one. Interestingly, a little more than half of those who work for mid-sized companies in retail, food, and accommodation will see a raise, which is less than the proportion of workers in very small or very large firms.

Figure 9 examines the same distribution, but it is not restricted to only the retail, food, and accommodation industries. Overall, 46% of low-wage employees who would receive a raise due to a \$15 minimum wage are still working for a firm with over 500 employees. This is exactly twice as high as the proportion of those who are working for small businesses with less than 20 employees who would benefit from the minimum wage increase.

Conclusion

Ontario has decided to take a significant step in addressing low-wage work by implementing a phased-in \$15 minimum wage. Many of the people who will benefit from the wage increase are those with more insecure employment and those who experience other barriers in the labour market. Women; recent immigrants; casual, seasonal, contract, and part-time employees, in particular, will get a raise. And their ages are spread fairly evenly across the population. However, those workers who will most benefit from a \$15 minimum wage are particularly concentrated in retail, food, and accommodation jobs. And they are predominantly working for big businesses.

Increasing the minimum wage to \$15 an hour will improve the working lives of residents who are in precarious low-wage work. It will have the largest impact in industries where precarious work is prevalent, among workers whose employment situations are precarious (part-time and temporary workers), and among populations that are more likely to be in precarious work (women, people with a disability, and recent immigrants).

As more data is collected and becomes available, it will improve our understanding of the impact of a minimum wage increase on all workers, particularly the most precarious. And increasing the minimum wage will be an effective tool in improving incomes for those in precarious work.

Raising the minimum wage means that Ontarians who struggle the most will finally see a few more dollars in their pockets. It's time that *all* Ontarians benefit from economic growth for a change.

Notes

1 David Green. April 2015. *The Case for Increasing the Minimum Wage*. Canadian Centre for Policy Alternatives.

2 Sheila Block. June 2015. *A Higher Standard: The Case for Holding Low-wage Employers in Ontario to a Higher Standard*. Canadian Centre for Policy Alternatives.

3 Armine Yalnizyan. June 2, 2017. “Why a \$15 minimum wage is good for business.” *Maclean’s*. (<http://www.macleans.ca/economy/economicanalysis/why-a-15-minimum-wage-is-good-for-business/>).

4 See Sheila Block. June 2015. *A Higher Standard: The Case for Holding Low-wage Employers in Ontario to a Higher Standard*. Canadian Centre for Policy Alternatives. Table 2, Pg 10.

5 Armine Yalnizyan. June 2, 2017. “Why a \$15 minimum wage is good for business.” *Maclean’s*. (<http://www.macleans.ca/economy/economicanalysis/why-a-15-minimum-wage-is-good-for-business/>).

6 Block, Sheila (2013) Who is working for minimum wage Wellesley Institute: Toronto.

7 For a full list of industries contained in this broad category, see the breakdown of North American Industry Classification System (NAICS) 2007 8.2. <http://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVDStruct&TVD=107003&CVD=107005&CPV=8.2.5&CST=01012007&CLV=2&MLV=7>.



CCPA

CANADIAN CENTRE
for POLICY ALTERNATIVES
ONTARIO OFFICE