

WHERE ARE MINIMUM WAGE EARNERS IN ONTARIO WORKING?

An Analysis of Minimum Wage Employment and Firm Size
November 2014

Summary

- Nearly half of Ontario's minimum wage workers in 2013 were employed in large firms (over 500 employees), while only a quarter were employed in very small firms of less than 20 employees.
- Between 1998 and 2013, the number of minimum wage employees in large firms (500 employees or more) in Ontario increased by 191.5%, compared to only 66.8% in small firms (1 to 99 employees).
- Between 1998 and 2013, Ontario's minimum wage workforce increased by nearly 114%, growing to just over half a million workers. Over this same period, the provincial minimum wage was gradually raised from \$6.85 in 2003 (after being frozen for eight years) to \$10.25 in 2013 – an increase of about 50%.
- The share of employees working for minimum wage or less in Ontario doubled between 2005 and 2013, rising from 4.4% to 8.9%.
- Between 1999 and 2013, the share of minimum wage employees working in large firms (more than 500 employees) more than doubled from 12.6% to 30.2%, while in small firms (1 to 99 employees) the share rose from only 4.1% to 5.6%.

INTRODUCTION

A frequent argument made against an increase to Ontario's minimum wage is the potential impact on small businesses. However, increasingly, it is large firms that have been benefiting from a low-wage workforce. Using data from Statistics Canada's Labour Force Survey (LFS), the following document provides an overview of the distribution of minimum wage workers in Ontario by firm¹ size between 1998 and 2013, in order to gain a better understanding of the type of establishments who rely on a minimum wage workforce.

ONTARIO MINIMUM WAGE WORKERS INCREASING

As Table 1 shows, the number of workers earning minimum wage or less in Ontario has increased by nearly 114% since 1998, reaching just over half a million workers in 2013. In examining the share of Ontario employees earning minimum wage or less, we discover that the proportion of workers falling under this category doubles from 4.4% to 8.9% between 2005 and 2013, peaking at 10.7% in 2010.

¹ "Firms" in Statistics Canada's Labour Force Survey includes both public and private sector employers.

Table 1: Employees Earning Adult Minimum Wage or Less in Ontario 1998 to 2013 (annual averages, in thousands)

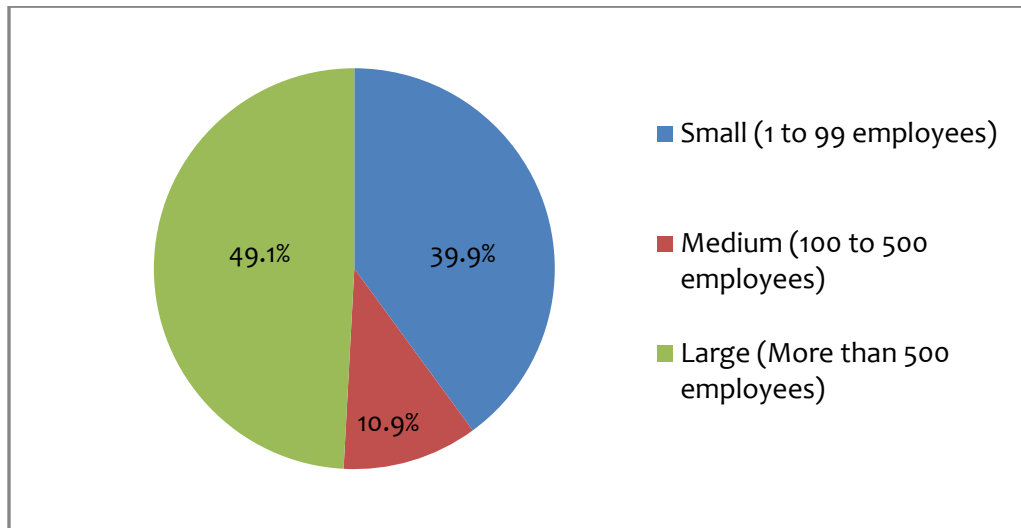
| | 1998 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|
| Total min wage (or less) employees | 242.7 | 186.4 | 285.1 | 239.8 | 264.2 | 360.0 | 379.0 | 451.9 | 596.2 | 584.4 | 534.9 | 518.6 |
| Share of Ontario employees earning min wage or less (%) | 5.3% | 3.5% | 5.3% | 4.4% | 4.8% | 6.4% | 6.7% | 8.2% | 10.7% | 10.3% | 9.3% | 8.9% |
| ON hourly adult min wage rate | \$6.85 | \$6.85 | \$7.15 | \$7.45 | \$7.75 | \$8.00 | \$8.75 | \$9.50 | \$10.25 | \$10.25 | \$10.25 | \$10.25 |

Source: Statistics Canada, Labour Force Survey, custom tabulation.

LARGE FIRMS MAKES UP A GREATER AND INCREASING SHARE OF MINIMUM WAGE WORKERS

Examining the breakdown of minimum wage workers in Ontario by firm size² in 2013 (Figure 1), we find that large firms³ (more than 500 employees) employ nearly half (49.1%) of Ontario’s low-wage workers, while over a third (39.9%) work in small firms (1 to 99 employees). Furthermore, if we break down the small firm category into “very small” (less than 20 employees) as seen in Figure 2, we find that very small firms employ a mere quarter (25.1%) of all minimum wage workers.

Figure 1: Employees Earning Minimum Wage or Less in Ontario in 2013: Distribution According to Employer Firm Size

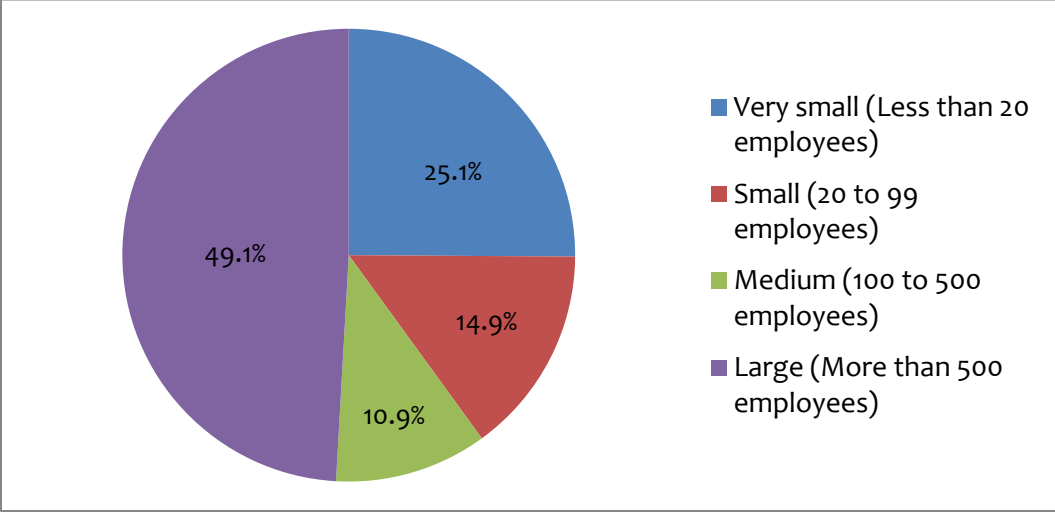


Source: Statistics Canada, Labour Force Survey, custom tabulation.

² For simplicity, we adopted the classification system used by Industry Canada. Firms are broken down according to number of workers employed: small (1 to 99 employees), medium (100 to 500 employees) and large (500+ employees). Statistics Canada’s LFS, on the other hand, categorizes firms into four categories: less than 20 employees, 20 to 99 employees, 100 to 500 employees, and more than 500 employees.

³ The Labour Force Survey (LFS) uses “location of employment (building or compound)” in determining total number of employees. Therefore, corporate franchises with multiple locations, for example, may not necessarily all fall under the category of “large firms”. Please refer to Statistics Canada’s LFS dictionary of concepts and definitions for full variable descriptions: <http://www.statcan.gc.ca/pub/71-543-g/2014001/part-partie3-eng.htm>.

Figure 2: Employees Earning Minimum Wage or Less in Ontario in 2013: Distribution According to Employer Firm Size



Source: Statistics Canada, Labour Force Survey, custom tabulation.

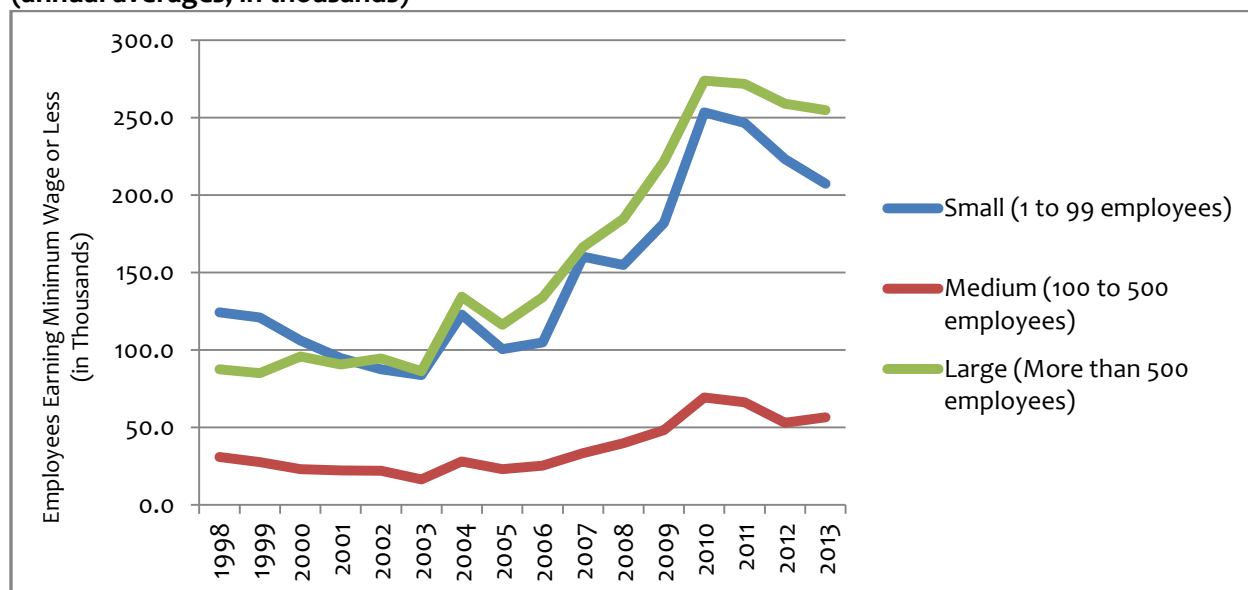
Table 2 shows the rate of change in the number of workers earning minimum wage or less by firm size in Ontario between 1998 and 2013. During this 15-year period, minimum wage employment experienced significant growth in large (increasing by nearly 192%) and medium-sized firms (increasing by 83%), compared to only 67% in small firms. Figure 3 displays the overall trend in Ontario’s minimum wage earners between 1998 and 2013.

Table 2: Employees Earning Adult Minimum Wage or Less in Ontario by Firm Size 1998 to 2013 (annual averages, in thousands)

| Firm Size | 1998 | 2013 | Percentage Change |
|---------------------------------|-------|-------|-------------------|
| Small (1 to 99 employees) | 124.3 | 207.3 | 66.8% |
| Medium (100 to 500 employees) | 30.9 | 56.5 | 82.8% |
| Large (More than 500 employees) | 87.4 | 254.8 | 191.5% |

Source: Statistics Canada, Labour Force Survey, custom tabulation.

Figure 3: Employees Earning Minimum Wage or Less in Ontario (1998 – 2013) by Business Size (annual averages, in thousands)



Source: Statistics Canada, Labour Force Survey, custom tabulation

According to Statistics Canada’s LFS data for 2013⁴, the proportion of Ontario employees working in small firms (1 to 99 employees) was 63.5% and 14.5% in large firms (500+ employees). However, as Table 3 (below) shows, only 5.6% of Ontario employees in small firms in 2013 were paid minimum wage or less, while those employed in larger firms accounted for 30% of all minimum wage employees in the same firm size. Figure 4 highlights the proportional distribution of Ontario employees paid minimum wage or less in small, medium and large firms between 1999 and 2013. Over this 14-year period we find that the share of minimum wage employees in Ontario working in large firms greatly outpaced smaller firms, increasing from 12.6% in 1999 to 30.2% in 2013, compared to only 4.1% and 5.6%.

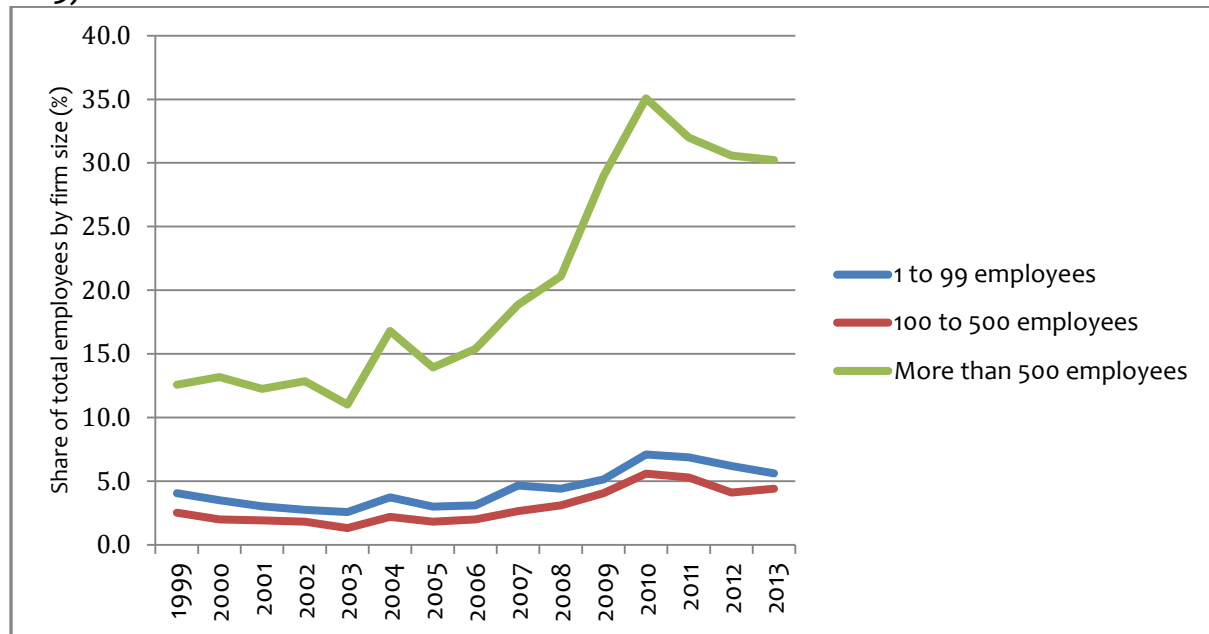
Table 3: Share of Ontario Employees Earning Minimum Wage or Less by Firm Size (2013)

| Firm Size | Total Employees in Ontario (in thousands) | Share of Total Ontario Employees by Firm Size (%) | Minimum Wage Earners or Less (in thousands) | Share of Ontario Employees by Business Size Paid Minimum Wage or Less (%) |
|---------------------------------|---|---|---|---|
| Small (1 to 99 employees) | 3,697.6 | 63.5% | 207.3 | 5.6% |
| Medium (100 to 500 employees) | 1,283.4 | 22.0% | 56.5 | 4.4% |
| Large (More than 500 employees) | 843.0 | 14.5% | 254.8 | 30.2% |

Source: Statistics Canada. Table 282-0076 – Labour force survey estimates (LFS), employees by establishment size, North American Industry Classification System (NAICS), sex and age group, annual (persons), CANISM (database) and Statistics Canada, Labour Force Survey, custom tabulation

⁴ Statistics Canada. Table 282-0076 – Labour force survey estimates (LFS), employees by establishment size, North American Industry Classification System (NAICS), sex and age group, annual (persons), CANISM (database).

Figure 4: Share of Ontario Employees Earning Minimum Wage or Less by Firm Size (1999 – 2013)



Source: Statistics Canada. Table 282-0076 – Labour force survey estimates (LFS), employees by establishment size, North American Industry Classification System (NAICS), sex and age group, annual (persons), CANISM (database) and Statistics Canada, Labour Force Survey, custom tabulation

CONCLUSION

Based on the LFS data, we find that not only has the number of minimum wage workers grown in the province of Ontario over the past 15 years, but the greatest increase has been among large firms. When we consider minimum wage workers as a share of total employment among firms of different sizes, the conclusion is reaffirmed: small firms are not the principle target of minimum wage changes. It is clear, therefore, that compared to smaller establishments, it is larger enterprises who are profiting from maintaining a low-wage workforce.



Prepared by: Sydney Edmonds & Navjeet Sidhu

Social Planning Toronto

2 Carlton Street Suite 1001

Toronto, Ontario M5B 1J3

416-351-0095

Email: info@socialplanningtoronto.org

