

VOICE OF BUSINESS

THE IMPACT OF BILL 148

A Submission to the
Standing Committee of Finance and Economic Affairs
July 2017

LETTER TO THE COMMITTEE

This submission is to provide the Standing Committee on Finance and Economic Affairs with the concerns of dozens of small business owners in the City and County of Peterborough.

Under the proposed legislation of Bill 148, this group of constituents is facing a dramatic increase in staffing costs in 18 months. Add to the proposed increase in minimum wage the impact of some of the other measures such as the 48 hour rule, sick days, and equal pay, and business owners are at a loss as to how to stay afloat. The title of the legislation is Fair Workplaces, Better Jobs. We strongly feel that fair workplaces should balance the needs of employers and employees, not tilt the scale one way or the other.

Recently, the Peterborough Chamber of Commerce held a roundtable session with the Minister Responsible for Small Business, Minister of Agriculture, Food and Rural Affairs and Peterborough MPP Jeff Leal. 24 businesses representing various sectors of the Peterborough economy from restaurants to retailers, manufacturers, agricultural producers and not-for-profits, all were talking about fewer hours for employees, fewer new hires, job cuts, automation and increased prices.

This discussion provided the minister and his staff with very clear and detailed impacts and came after many hours and days of thought as to how they were going to

adjust to these new rules. The group of businesses all reiterated that the proposed changes were "too much, too fast."

By the time the legislature returns and Bill 148 follows due process, businesses might have just over two months to adjust. Throughout this submission you will see direct quotes from our members, as well as their suggestions on implementation.

We are very interested in seeing the results of the independent economic analysis conducted by the Keep Ontario Working Coalition. We feel it is very important to have a broad picture of the economic impact of these moves, particularly in a small rural/urban area, such as Peterborough.

This resistance to the legislation is not about whether or not the minimum wage should be increased. Business was a willing partner in the discussions in 2014 around tying minimum wage to the Consumer Price Index. This made minimum wage predictable and transparent. Businesses were able to plan. Even then, the first 75 cent increase was announced with ample time for businesses to prepare.

As your committee learns more about the impact of the proposed changes in Bill 148, we hope you truly consider both sides of this equation because employers and employees have to band together to make the economy work.



Stuart Harrison
President & CEO
Greater Peterborough Chamber of Commerce

WHAT OUR MEMBERS ARE SAYING

LOCAL NOT-FOR-PROFIT

"We employ about 35 employees in the summer alone. Our labour costs just went up 30%! We will use a combination of hiring fewer people, shortening shifts and increasing prices to adapt. Unfortunately, hiring fewer students for the summer will be the first move"

LOCAL TECH COMPANY

"Layoffs likely and price increases for sure"

LOCAL MANUFACTURER

"I've just won a contract to supply another local company with my product. This is a major order that will require an expansion of my businesses, including hiring more people. At \$15/hr, I am no longer competitive and will have to walk away from the work and the expansion. I thought hydro rates, now my largest business expense, was hard enough to deal with. This is impossible."

WHAT OUR MEMBERS ARE SAYING

LOCAL LAWN CARE AND LANDSCAPING BUSINESS

As like any other small business owner this is going to have a huge impact on us. As Peterborough has a large population of seniors (which makes up better than half of our clients) raising prices is out of the question. Old age pensions and securities are not raising. If we raise our prices they will go for someone cheaper (in most cases this is unregistered businesses working for cash!!) Maybe we should be hiring enforcement officers to control this situation!!

If we cannot raise our prices we do not have the profit margins to make up the difference in wages. The cost of running a business continues to raise with training, insurance, HYDRO!!! fuel and equipment to name a few. This means we are looking at a substantial decrease in our revenue which will translate into layoffs and loss of employment for our staff.

We feel that the rights for equal pay for equal work are more than justified, whether it be based on sex, full or part time staff, casual or seasonal workers!

We can live with the 3 weeks holidays after 5 years, most companies do that anyways.

The 10 sick days with 2 paid days will be a huge impact for us as well. That is the equivalent of 5 weeks off for someone who has been with us for 5 years, with the minimum wage increasing at the rate they have set out it means we need 1 person on staff just to be a floater for sick and holidays which is totally out of the question.

Currently none of our staff are at minimum wage. We feel they are valuable and compensate them for dedication and hard work. The truth of the matter is they will all go from

making \$1.50-4.60 over minimum wage per hour to all but 1 being back to earning minimum wage, with no pay increase over the mandated inflation raise of minimum wage.

We can go on and on about how this has no positive outcomes for us or our staff especially any that lose jobs because of this. Many of the workers will take home minimal pay increases if any, after deductions because most will move up a tax bracket. Number of hours will likely be reduced as well.

Employees in Ontario will feel the effects of the raise in minimum wage when prices increase and they are making fewer hours, taxed in a higher bracket or lose their jobs.

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WHAT OUR MEMBERS ARE SAYING

LOCAL MANUFACTURER

"We are finding it more difficult all the time to compete. We will definitely be looking at welding robots so we can cut staff. Ontario will soon price itself out of the marketplace if they keep increasing the costs of doing business."

LOCAL RETAILER

"At this point we have estimated that this increase will cost us upwards of \$50,000.00 a year. Where is that coming from? Profit, that is used to scale our business, and for the creators/ the risk takers to feed our families."

LOCAL RESTAURANT

"At \$14/hr payroll increases by \$70k, at \$15/hr an additional \$23k... I see hiring fewer people, increasing prices, phasing out employee benefits such as group benefits, free uniforms, free meals, etc. This is the most devastating cost to hit the hospitality industry – ever..."

WHAT OUR MEMBERS ARE SAYING

LOCAL DRY CLEANING BUSINESS

As a small business here in Peterborough I take pride in the fact that I pay higher than minimum wage (\$12-\$16). I have 13 employees that I respect and they respect me. They are a good group and I care about their well-being. I spent 23 years building the business and giving them healthy raises each year as the business grew.

To raise them all \$3 per hour will cost me \$47,000 in additional wages and payroll taxes. Those at the lower level have little responsibility and need no special skills and of course they are ecstatic.

Those at the higher level have been with me a long time, have responsibility and earned their raises over the years. They will not be happy if employees with less responsibility are making close to their wage rate. I will be forced to offer them substantial raises or face not having qualified and trained staff aboard.

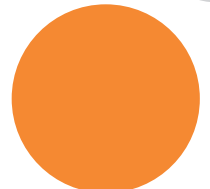
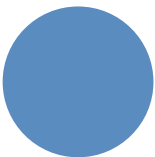
Give small business time to figure out how to reduce other expenses, increase sales and pull some miracle out of a hat to make being in business a viable enterprise.

I have 3 leases that don't expire till the end of 2019 and I need to close two of those operations and lay 6 people off to make this work. You will have dictated a raise and then handcuffed me from stopping the bleeding. If you must continue on this path we need a phase-in period.

I understand the need to give people a living wage but to thrust this onto small business at our expense, in such a quick timeline regardless of our profit margins is irresponsible and unfair. Give us 5 years to figure this out, but 6 months notice is ridiculous.

Please give small business a chance!

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WHAT OUR MEMBERS ARE SAYING

LOCAL RESTAURANT

"We are only open for breakfast and lunch. If the minimum wage is increased to \$15/hr we will be forced to close for Jan., Feb., March and possibly April because we depend on tourist and seasonal traffic and it doesn't bring in enough income for those months that could sustain us with that much of an increase. We employ 4 to 5 people."

LOCAL TOURISM BUSINESS

"I am going to be affected as a small business owner in the tourism seasonal business. I currently offer \$15 per hour for cleaners in the Kawarthas. That is above the average service industry wage I will have to increase prices to keep comparative wage increases."

LOCAL RETAILER

"Increasing Minimum wage to \$15 will affect our entire pay scale. An employee currently making \$15 an hour has earned it through experience, training and proving themselves. They certainly won't be happy making the same money as an entry-level employee. Our costs will increase approximately 8% and while we can increase prices over time, it has to match our competitors, so our only tool in the short term is an equal reduction in the number of hours."

WHAT OUR MEMBERS ARE SAYING

LOCAL PROPERTY MANAGEMENT GROUP

We may need to look at price increases across the board, but for our residential properties it will be more costly housing as we increase the market rent of our units as they turn over; ultimately a cycle – we have to increase housing amounts accordingly and those making the new minimum wage still may not be able to afford the accommodations and, it will ultimately affect anyone on a fixed income.

In any event, I expect many of our expenses would increase as the increase in minimum wage will also affect their business and they in turn will pass that cost along to us.

LOCAL MULTI-BUSINESS OWNER

We have always operated our businesses with a view to a one, three, and five year strategic plan, uncertainty about general economic conditions, makes planning difficult at best.

The proposed changes were not on anyone's radar 12 months ago so we are left re-evaluating our plans. We had planned a fairly major expansion to begin in the next 6-12 months, those plans are now on hold and possibly cancelled.

We will in all likelihood be forced to freeze hiring and possibly implement some layoffs, hopefully these will not be permanent in nature. We are in a competitive sector but we will, like our competition, be forced to pass along increased costs to our customers where possible. Some of our business ventures are price regulated, so we are vulnerable here to the decisions of the regulators.

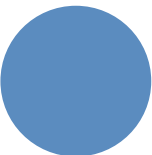
LOCAL GOLF COURSE

What I can tell you is at this point our company as a whole cannot tolerate increases to overall wage levels, particularly to the extent that is proposed. In other words, we will be adjusting how we do things to work within what is a relatively set overall labour budget figure.

So in simple terms, if wages increase across the board by 20%, it would be fair to suggest that the labour workforce will be cut by something close to that. In our turf department for example, if we employed 20 personnel, it's likely we would lose up to 4 in that department alone.

The flip side of course is that if we deem we require those individuals to provide the product and service we need, then we look to management wages. Meaning I have to review the salaried personnel and structure, and as you know this is a difficult one. We have long-term staff that could be impacted by those difficult decisions.

If government believes that we can simply absorb those types of wage increases, they have completely missed it. In our business, passing along those costs to the consumer are not possible.



WHAT OUR MEMBERS ARE SAYING

LOCAL TECH REPAIR SHOP

"It looks like I'm going to have to wait more than a year to hire someone now, I'll be run off my feet by then. I just need someone to fill in and maybe learn a thing or two, but now that is impossible too. I'm just going to sit back and see what wears out first: my business or my feet. I do believe that we should all be making a living wage, and that \$15/hr is a good start, but companies like mine will suffer through quality and turnaround times...the two most important facets to my business."

LOCAL TRUCK REPAIR BUSINESS

"\$15.00 minimum is too much for businesses to accept. Not only is it too much to pay for part time workers but it will force other employees to seek larger increases as their pay may also be below or just above the minimum wage."

LOCAL ACCOUNTANT

"How can I bring in admin staff to help with tax season with filing and printing, but they're paid very close to the staff who are responsible for actually doing the tax returns??"

WHAT OUR MEMBERS ARE SAYING

LOCAL MANUFACTURER/ EXPORTER

These upcoming changes will force the economy to go into a deep recession that would take years to stabilize the market as well as huge loss on manufacturing and service industries.

For the last ten years the minimum wages increased rapidly from \$7 to \$11.40. In fact as a manufacturer we were not able to increase our price as fast as this increase because we have to compete with imported similar products from Overseas and the USA. For the last few years we had no choice but to shrink our profit to be able to manage our day to day business and pay the bills. We have been surviving by working hard and harder every year to stay in manufacturing business.

I travel to many different countries for doing business and I always compare living there to the life we have in Canada. I believe we live in a very nice country in the world, Canada is the best. I also believe our government works productively towards handling all issues in the country, but sometimes going to extremes makes a good government become less predictable in the future and creates uncertain upcoming effects to our day to day life.

“Being a seasonal restaurant we depend on nice weather and we hire lots of students... The annual increase of this proposed act will cost me approx. \$50,000 over a 7 month period!!”

I strongly believe we should not damage manufacturing in Canada. In Ontario we pay the same property tax rate than all other businesses, we are in the same income tax bracket than others. For my business 96% of the water is going to the drinks but we pay almost 90% of our water bill for the sewage as well which is not fair, we pay the maximum rate of electricity in the peak time of the day, I can go on with more unfair economy structure for manufacturing companies in Ontario.

LOCAL RESTAURANT OWNER

I would like to comment on the increase in minimum wage which I think is horrendous. Being a seasonal restaurant we depend on nice weather and we hire lots of students who move along in the fall. Some return and some do not. I don't feel that an 18 year old student who is doing dishes should make the same amount that a manager makes. And I certainly cannot afford to raise my manager another \$4.00 per hour. The annual increase of this proposed act will cost me approx \$50,000 over a 7 month period!!

Therefore the cost of anything on my menu will increase drastically, thus likely showing a decline in customers. I have an understanding with all my staff that on rainy days we take turns cutting people...How am I supposed to know 48 hrs in advance if it's going to rain or storm? So to have to pay somebody for 3 hours because of an act beyond my control is ridiculous!!!

I employ 30-35 people every summer most being students although I do have some staff who have been here for years. They have had increases in pay as I see fit not what someone tells me to pay them.

In closing I would like to add that I raised 2 children working minimum wage jobs and although we didn't have everything we managed.

I suggest lowering hydro rates, fuel prices, rent and taxes...Thank you

OWNER

LOCAL OIL CHANGE SERVICE STATIONS

"In my situation, if I were to increase my wages by 24%, to meet the minimum proposed, my one year business value would decrease by \$257,000. Multiply that number by the factor that I paid for the existing business, which is 4, that would mean my business would be worth \$1,028,000.00 less than what we paid for it if Bill 148 went into effect today.

My options then would be to:

- Sell at a tremendous loss and carry the commercial loans*
- Sell at the same valuations, which nobody would buy. Nor would I recommend anyone to purchase as this would put tremendous financial pressure on the new business owner.*
- Reduce more expenses and raise top-line pricing – which are going to effect my vendors and consumers... and the vicious cycle begins again.*

WHAT OUR MEMBERS ARE SAYING

LOCAL RETAILER IN THE HEALTH SECTOR

For the past seven years we have hired a university student to work for us for the summer at slightly above minimum wage. They are untrained help, but we felt it was important to do what we could to support our students by offering them a decent job and gaining work experience. It also helped us to ensure we had adequate summer support for staff holidays.

I can't afford to offer this position at \$15 an hour. We don't have any full time retail staff that get paid less than \$15 an hour as we have always tried to pay a living wage to our workers, but I know that the next time I am looking for an employee that I will have to offer closer to \$17 or \$18 an hour to get an employee to even apply.

Our current employees are going to want raises given how much of an increase minimum wage is going up by. We train our own employees as there is no specific educational program for what we do. It takes at least a year to train someone on the basics of the products we sell.

We only hire full time employees and they all have access to benefits, sick pay and vacation pay more generous than what you are proposing. I will likely have to cut benefits and reduce our vacation pay to your standards in order to pay for employees. This will be across the board with all employees.

We already offer 3 weeks of holidays after 3 years and 3 paid sick days a year. I do believe in greater holiday time for workers as they are more productive and happy when well rested.

Over the past 10 years you have cut every reasonable tax deduction for small business owners while making working conditions for owners almost unbearable. There is no valid reason to own a company anymore. As an owner, you work longer hours for less pay and are constantly bogged down in red tape and licensing and insurance costs. We will probably look to sell our company or simply close the doors in the next few years. It just simply isn't worth it anymore.

"We felt it was important to do what we could to support our students by offering them a decent job and gaining work experience. It also helped us to ensure we had adequate summer support for staff holidays.

I can't afford to offer this position at \$15 an hour. "



ALTERNATIVE APPROACHES TO BILL 148

RECOMMENDATIONS

Our Peterborough Chamber members view themselves as willing partners and not villains in these discussions around Bill 148. They care deeply about their employees and are concerned about the impact these changes will have. They have told us it's "too much, too fast".

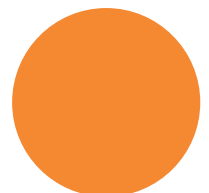
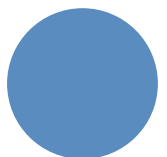
As a way to move the conversation forward and demonstrate this willingness, we have also compiled several recommendations:

- Phase-in the move to \$14.00 minimum wage over a five year period
- Consider keeping the student minimum wage lower than the regular minimum wage
- Provide sector specific relief (tourism, agriculture, and weather dependent businesses) on scheduling and the 48 hour rule
- Complete an economic analysis on the desired changes related to Bill 148
- Reconsider the hiring of 175 inspectors
- Consider other ways, e.g. income tax measures, to improve outcomes for low wage earners
- Complete the pilot projects around Basic Income Guarantee and subject any recommendations being considered for implementation to an economic analysis

"This is a manufactured crisis.

- *We don't need mitigation, we need to not create the crisis*
- *We need government plans we can count on*
- *We need change management and proper implementation*

Roll it out over five years, we can figure it out. Roll it out over 18 months, we sink."



PETERBOROUGH CHAMBER

VISION

Strengthening business

MISSION STATEMENT

We are recognized as the leading organization providing business advocacy, networking and education for our members and the community at large.

We act as a catalyst to enhance business growth and opportunity, innovation, partnerships, and a diverse business community.

CONTACT

Stuart Harrison
President & CEO
Peterborough Chamber of Commerce
stuart@peterboroughchamber.ca
705.748.9771 x202

or

Sandra Dueck
Policy Analyst/Communications Specialist
Peterborough Chamber of Commerce
sandra@peterboroughchamber.ca
705.748.9771 x215