3 Dividend Stocks That Are Feeling the Impact of Minimum Wage Hikes

Description

The Ontario minimum wage hikes have been greeted with immediate controversy to kick off 2018. The Bank of Canada ignited speculation after releasing a research note that projected 60,000 jobs could be lost due to minimum wage hikes across the country. Some companies have met with popular opposition online due to the strategies implemented following the policy change.

Let's look at three dividend-yielding stocks today that are feeling the pinch from the minimum wage hikes. Should investors pull the trigger on any of the following?

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR)

RBI fell 0.49% on January 9. Employees at several Tim Hortons chains, which are owned by RBI, stated that they saw their employee benefits reduced and their breaks cut back in response to the minimum wage hike. A spokesman for the Great White North Franchisee Association, which has been engaged in an internal battle with RBI leadership over changing processes, confirmed the reduction in benefits.

A social media movement erupted in response, urging regulars to partake in "No Timmies Tuesday" on January 9. The Ontario Labour Minister also chimed in to criticize businesses for reducing employee benefits. The Great White North Franchisee Association has pointed the finger at RBI leadership for failing to lower supply costs, allegedly leaving owners no choice but to claw back employee perks.

Ultimately, this appears to represent just another phase in the ongoing battle between the franchisee and upper-management factions. The controversy may in fact grant RBI leadership more leverage in the short term. The stock offers a quarterly dividend of $0.27 per share, representing a 1.3% dividend yield.

Loblaw Companies Ltd. (TSX:L)

Loblaw stock has dropped 0.53% in 2018 as of close on January 9. In late 2017, Loblaw announced that it would cut 500 office workers as part of its cost-cutting plan in response to the minimum wage hikes. Grocery retailers are expecting a difficult year in light of the new policy and the challenge in grocery from **Amazon.com, Inc.**

Loblaw last announced a quarterly dividend of $0.27 per share, representing a 1.6% dividend yield. The company recently launched a $25 gift card to redeem at store locations. The promotion is in response to a bread price-fixing scandal the company admitted to in December. Employees partook in the scheme which stretched over much of the last two decades.

Cineplex Inc. (TSX:CGX)

Cineplex stock has declined 7.8% in 2018 as of close on January 9. Cineplex CEO Ellis Jacob voiced his displeasure with impending minimum wage hikes back in the summer. "It's sad to see what's happening," he said. "Because at the end of the day in a lot of cases, we are the first job for a lot of the individuals that we hire." Jacob said Cineplex was looking into efficiency, technology, and pricing in order to offset rising operating costs.

The company announced a quarterly dividend of $0.14 per share in December, representing a 4.9% dividend yield at offering. Cinemas struggled in the summer of 2017, but box office revenues were boosted by big films in the fall and winter. Cineplex could be a good buy after its recent dip, especially considering its attractive dividend.

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2. TSX:CGX (Cineplex Inc.)
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