

**Prince Edward Island
Employment Standards Board**

Minimum Wage Review Report



2020

The Prince Edward Island Employment Standards Board (the Board), at its annual meeting on 24 September 2019, reviewed the Minimum Wage Order as prescribed by sections 5(1), 5(2), and 5(3) of the *Prince Edward Island Employment Standards Act*, as amended in 2019 (Bill No. 104).

Public Consultation

The Board requested, through newspaper notices and social media, public input on adjustments to the minimum wage. Responses were received from nine (9) organizations / businesses and four (4) individuals (see attached list). Five (5) of the organizations and one (1) individual presented oral submissions. The Board considered these views as well as considerable documentation relevant to the criteria prescribed by section 5(3) of the *Act* (e.g., cost of living change, economic conditions in the province, and measures of poverty).

The public submissions and presentations covered a number of issues.

- a) COVID-19
 - The global pandemic and related public health measures have had profound impacts on many employers and employees. Stakeholders pointed to the plight of groups and sectors that have been particularly adversely affected (i.e., certain employee demographic groups and industry sectors).
 - Employer representatives and employee spokespersons acknowledged and expressed appreciation for timely emergency response programs from the provincial government and other levels of government.
 - The economic and public-health environment is dynamic with continued uncertainty about COVID-19, required public-health measures, economic conditions, emergency-support programs for businesses and residents, cost of living, cost of doing business, business revenue, and prospects for recovery and employment opportunities.

- b) Common themes from employer representatives included:
 - opposition to a minimum wage increase at this time;
 - no particular opposition to reasonable minimum wage increases under favourable economic conditions;
 - the observation that increasing the minimum wage exerts pressure on employers to increase wages for other workers, which further increases labour costs;
 - advocating for considerable advance notice before any new minimum wage rate takes effect;
 - advocating for predictability and transparency in setting the minimum wage rate (e.g., tying increases to the Consumer Price Index, CPI, or another predictable measure);
 - 7% of minimum-wage earners live in low-income households. Most (50% or higher) minimum-wage earners are 15-24 years old, living with their parent(s) or guardian(s), and have been in their job for less than one year.

- warnings that (substantial) increases to the minimum wage rate could have negative impacts on the availability of jobs and work hours, especially for younger workers, as other options due to changes in technology and automation become more cost effective relative to labour costs;
 - advocating for the use of government tax policy (e.g., further increases to the Basic Personal Exemption) and targeted programs to support individuals and families.
- c) Common themes from employee spokespersons included:
- arguments that the *Employment Standards Act* is outdated and should be revised to reflect the changing workplace;
 - the need to consider models that provide a “livable income,” including a minimum wage rate of approximately \$15.00 - \$18.00 per hour (in their view);
 - the desire for predictability such that when the minimum wage matches a living wage, further increases should be linked to changes in the CPI or in another predictable index;
 - the contention that people cannot live on pay of \$12.85 per hour;
 - the observation that the rental situation in the province continues to present challenges to minimum wage earners (and others);
 - points about a higher minimum wage can promote food security and better health;
 - the observation that tax policies have an impact on the amount of money employees have available to spend on necessities and other things;
 - the argument that minimum wage workers tend to spend their income locally, therefore, any increase in minimum wage is likely to benefit the local economy;

Considerations

In its deliberations, the Board considered the public submissions (see above highlights) and other relevant points.

- COVID-19, its impacts, and the continued uncertainty it presents.
- Various economic indices such as current CPI and forecasted CPI for 2021.
- Concerns for business viability and costs in difficult economic circumstances.
- Concerns for low-income workers and the costs and demands they face in difficult economic circumstances.
- The minimum wage helps protect the wages of vulnerable workers who have little or no bargaining power.
- Effects of raising the minimum wage can include increased consumer spending, better health outcomes, and lower wage inequality, especially for women.
- An increase in minimum wage may have an indirect negative impact for employees such as reduced employment or hours of work due to higher costs to employers.
- Minimum wage rates across Canada (see attached chart).

- Between 1 April 2018 and 1 April 2020, the PEI minimum wage increased from \$11.55 to \$12.85 per hour, during a period of positive economic conditions.
- Deliberations included the “costs to an employee of purchasing the necessities of life” (s.5.3.a) and “maintain a suitable standard of living” (s.5.3.c), and not have employees fall (further) behind on those criteria.
- Executive Council, employer representatives, and employee spokespersons have asked the Board to provide greater predictability, transparency, and/or multi-year projections pertaining to the minimum wage.
- The Board’s statutory mandate under section 5(2) of the *Employment Standards Act* requires the Board to meet annually to review the minimum wage and issue a report. Section 5(3) outlines criteria the Board must consider as part of its deliberations.
- The Board cannot, under existing legislation, fulfill its statutory requirements and provide a multi-year projection of the minimum wage. Moreover, the Board does not want to provide false certainty to stakeholders about projected minimum wage rate(s) that may need to be amended during the Board’s mandated annual review due to unforeseen circumstances and economic conditions in the province.
- The Board agreed that moving towards a longer-term plan for minimum wage is desirable. In the spirit of exploring the possibility of a more predictable approach to setting the minimum wage, the Board offers the following possibility for stakeholder consideration and feedback. That feedback could come through the Board’s annual minimum wage consultations as well as government’s comprehensive review of the *Employment Standards Act*.

Please note that the Board considered the following approach *among other approaches and factors*. The Board has not adopted any particular model to determine its minimum wage recommendation. Nevertheless, one possible approach toward a predictable minimum wage is to involve a low-income indicator. For example, in July 2020 the Legislative Assembly’s Special Committee on Poverty in PEI recommended that Statistics Canada’s Market Basket Measure (MBM) be adopted for policy and regulatory purposes. The MBM relates to local cost of living. To “fix one minimum wage for all employees” in PEI (s.5.1.a), the Board’s preliminary MBM-based approach involves an average MBM, across PEI’s three MBM regions. This approach uses an MBM-based income estimate for an individual PEI wage-earner working full time, as defined as 37.5 hours per week for 50 weeks per year (1,875 hours/year). That value is adjusted based on the Consumer Price Index (CPI), where necessary. The MBM-based income estimate is converted to before-tax dollars. The ratio of the before-tax to after-tax dollar estimates would be adjusted to reflect any relevant changes in taxation policy (e.g., Basic Personal Exemption). The before-tax calculation includes income taxes and other mandatory deductions (e.g., Canada Pension Plan, Employment Insurance).

The Board deliberated many factors and perspectives before deciding, by a series of votes, to make the following recommendations.

Wage Recommendations (Board Mandate, Section 5 of the Act)

- the minimum wage be increased by \$0.15 (to \$13.00/hour) on 1 April 2021; and
- the new minimum wage rate be announced to the public as soon as possible.

The Board noted that there have not been any requests for an adjustment to the Board and Lodging section of the Minimum Wage Order. The Board recommends the following maximum amounts that may be deducted from the wages of an employee where the employer furnishes board (effective 1 April 2021):

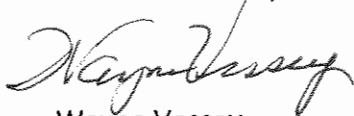
- for board and lodging, \$61.60 (no change);
- for board only, \$49.50 (no change);
- for lodging only, \$27.50 (no change);
- for single meals, \$4.25 (an increase of \$0.12).

Should government accept these recommendations, an appropriate rationale should be included with any public announcement of the rate changes.

Other Recommendations

- Complete a comprehensive review of the *Employment Standards Act*;
- Continue to explore other means, beyond the minimum wage, to support low-income workers (e.g., tax policy such as the Basic Personal Exemption, targeted support programs), and ensure members of the public are well-educated about existing or new supports available to them;
- Educate Islanders about financial literacy (e.g., mandatory high school programs, continuing education for adults).

Respectfully submitted on behalf of the Members of the Prince Edward Island Employment Standards Board,



Wayne Vessey
Chair

Attachments

- List of Submissions and Other Materials Taken Into Consideration by Board
- Provincial Minimum Wage Rates Across the Country
- Current Minimum Wage Order

List of Submissions and Other Materials Taken Into Consideration by Board

- History of Minimum Wage – PEI
- Current Minimum Wage Across Canada
- Basic Personal Amount – Provincial Comparison
- Median After Tax Income (Canada and Provinces) / 2014 to 2018 – StatsCan
- Income Highlights Tables (LICO) – StatsCan
- How is Poverty Measured (LICO / MBM) – Province of Prince Edward Island
- Excerpts from the Report on the Second Comprehensive Review of the Market Basket Measure - StatsCan
- Excerpts from 46th Statistical Report – Province of Prince Edward Island
- Consumer Price Index, monthly, percentage change, not seasonally adjusted / Transportation - StatsCan
- CPI – Canada / July 2020 prepared by PEI Department of Finance
- CPI – PEI / July 2020 prepared by PEI Department of Finance
- Average Weekly Earnings (PEI) - StatsCan
- Average Weekly Earnings (Canada) – StatsCan
- Monthly Average Retail Prices for Selected Products (PEI) –StatsCan
- Labour Force Survey, August 2020 – StatsCan
- Monthly Labour Force Survey Report – Province of Prince Edward Island
- Minimum Wage / CPI Statistics 1976 – 2019
- Canada’s Official Poverty Dashboard - StatsCan
- Let the Recovery Begin (May 2020) – RBC
- RBC Provincial Outlook – 2021
- Report on Living Wage & Pay Equity – New Brunswick Provincial Government
- P.E.I. unemployment rate drops to 10.7 per cent – The Guardian website
- Survey Reports Improved Hiring Forecast for Atlantic Canada Employers – The Guardian
- The Wages of Fear: The Pandemic and the Future of the Low-Paid “Essential” Work - CBC
- Charlottetown Seeing Strong Residential Construction Season - CBC
- Women Hit Wage Parity with Men on PEI – CBC
- Submission – Twyla Muir (Private Citizen)
- Submission – Jill Hamilton (Private Citizen)
- Submission – Gaylene Weavers (Private Citizen)
- Submission – Canadian Federation of Independent Business
- Submission – Greater Charlottetown Area Chamber of Commerce
- Submission – Canadian Union of Public Employees

- Submission – Prince Edward Island Federation of Labour
- Submission – Retail Council of Canada
- Submission – Tourism Industry Association of Prince Edward Island
- Submission – Restaurants Canada
- Submission – PEI Working Group for a Livable Income
- Submission – Prince Edward Island Union of Public Sector Employees

Minimum Wage		
PE	1 April 2020	\$12.85
NB	1 April 2020	\$11.70
NL	1 April 2020	\$11.65
	1 October 2020	\$12.15
	1 April 2021	\$12.65
NS	1 April 2020	\$12.55
	1 April 2021	\$13.10
QC	1 May 2020	\$13.10
ON	1 January 2018	\$14.00
	1 October 2020	\$14.25
MB	1 October 2019	\$11.65
	1 October 2020	\$11.90
SK	1 October 2019	\$11.32
	1 October 2020	\$11.45
AB	1 October 2018	\$15.00
BC	1 June 2020	\$14.60
	1 June 2021	\$15.20
NU	1 April 2020	\$16.00
NT	1 April 2018	\$13.46
YK	1 April 2020	\$13.71

(Last updated 14.09.20)

Source: Provincial websites

MINIMUM WAGE ORDER
PRINCE EDWARD ISLAND
EMPLOYMENT STANDARDS ACT



1. Minimum Rates

The Minimum rate of wages for all employees shall be:

\$12.85 per hour effective 1 April 2020

2.(1) The maximum amounts that may be deducted from the wages of an employee where the employer furnishes board and lodging are as follows (effective 1 April 2020):

(a)	for board and lodging	\$61.60 per week
(b)	for board only	\$49.50 per week
(c)	for lodging only	\$27.50 per week
(d)	for single meals	\$ 4.13 per meal

(2) No charge is to be made for a meal not received by an employee. In no case shall the employee's pay, after board and lodging deductions, be a lesser amount than the minimum rate less the price schedule shown in this Order.

3. These regulations come into force upon approval by Executive Council.