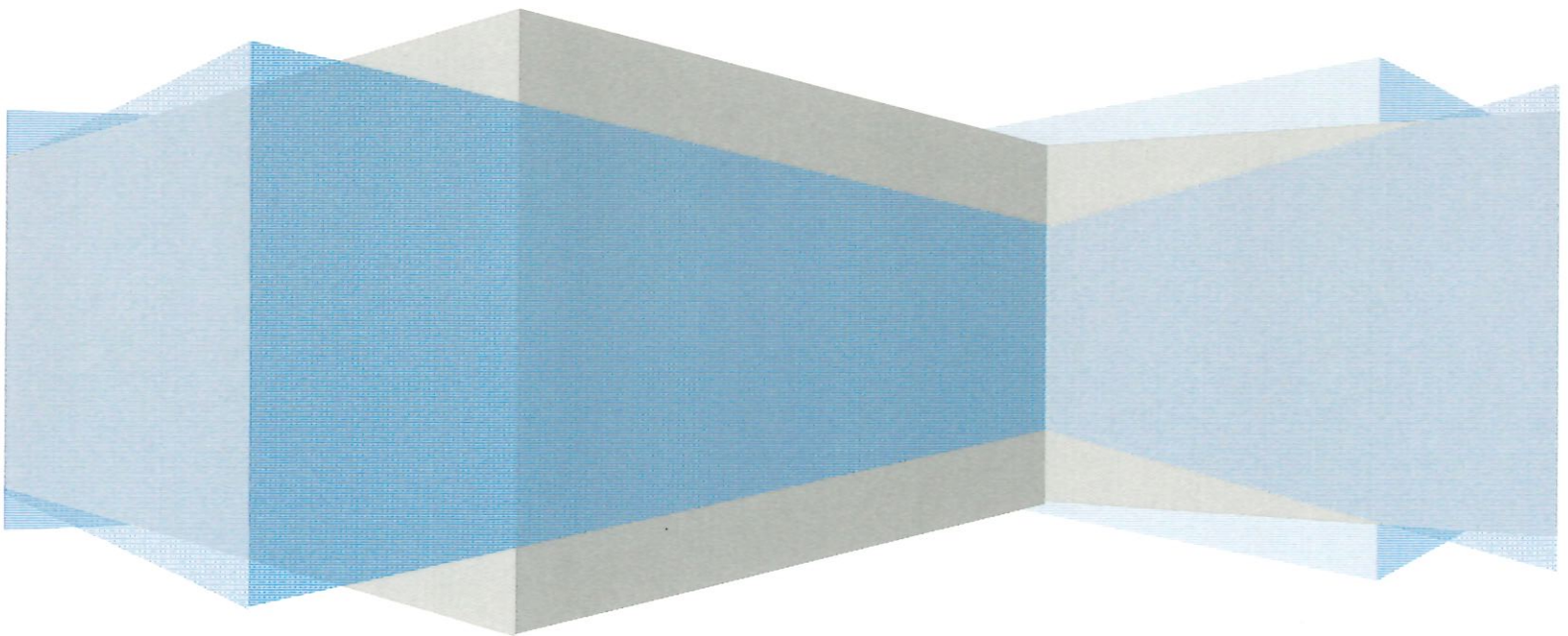


**Prince Edward Island
Employment Standards Board**

2024

**Minimum Wage
Review Report**



Introduction

The minimum wage is a basic labour standard that sets the lowest wage rate that a government will allow an employer to pay an employee. The common practice in Canadian jurisdictions is to define the general minimum wage as an hourly rate (Strategic Policy, Analysis, and Workplace Information Directorate, 2022).

The Prince Edward Island (PEI) Employment Standards Board (the board) conducts a review of the Minimum Wage Order at least once per year as per its statutory mandate [sections 5(1), 5(2), and 5(3) of the PEI *Employment Standards Act* (the Act) as amended in 2019 (Bill No. 104)]. The board is required to “fix one minimum wage for all employees” [subsection 5(1)(a)] and, as per section 5(3), must consider the following:

“In advising the Lieutenant Governor in Council, the board shall issue a report taking into account the social and economic effects of the minimum wage rates in the province and shall consider among other matters

- (a) any cost of living increase since any previous order affecting the cost to an employee of purchasing the necessities of life, including housing, food, clothing, transportation and health care and supplies;
- (b) economic conditions within the province and the concept of a reasonable return on private investment; and
- (c) measures of poverty and the ability of an employee to maintain a suitable standard of living,

and shall make this report public on the publication of a Minimum Wage Order in the Royal Gazette.”

Insights from Previous Reports

Minimum Wage Review Reports from 2019 to present are available online. Searching “PEI Minimum Wage Order” in a search engine should reveal a Government of PEI web page with links to those reports. Alternatively, the Employment Standards Branch can help locate desired reports.

Common themes identified by stakeholders in recent years have included concerns about the cost of living – especially for essentials like food and shelter – and inflationary pressures faced by employees and employers. Those concerns remain despite an easing of the PEI Consumer Price Index (CPI) to 2.9% in 2023 (Statistics Canada Table 18-10-0005-01) because 2023 price increases were added on top of remarkably high inflation in recent years.

Economic uncertainty has been a pervasive theme in recent Minimum Wage Review Reports influenced by issues like the COVID-19 pandemic, conclusion of special government pandemic-related financial supports, supply-chain problems, and global geo-political conflicts. Still, there was some positive news in terms of labour force statistics again last year. Highlights from the *PEI Labour Force Survey 2023 Annual Report* included all-time highs for employment, total labour force count, and full-time employment. PEI’s lowest unemployment rate on record (since 1976) was, however, still second highest in Canada for 2023 and included an increase in the unemployment rate for young workers (15-24 year-olds). Despite gains, PEI remained lowest among Canadian provinces in terms of average wages in 2023.

Stakeholders – especially but not only employer representatives – have advocated for a transparent, predictable approach to setting or adjusting the minimum wage. The board has responded by examining possible formulaic approaches and, in its annual deliberations, considering methods based on Market Basket Measure (MBM) low-income thresholds, percentage(s) of typical wages, and CPI-related calculations in concert with other input from stakeholders. Estimates based on those indicators were again considered during the board’s 2024 deliberations though no exact formula is currently in place.

In addition to common themes, the board’s Minimum Wage Review Reports have examined particular issues in greater detail. For example, the board’s consideration of Canada’s official measure of poverty – the MBM – has been outlined in previous reports (e.g., 2021 and 2023 reports). The MBM represents the costs of a specific basket of goods and services including food, clothing, shelter, and other necessities that provide a modest standard of living. It is calculated for 53 geographic areas in Canada, including three MBM areas in PEI, recognizing potential differences in costs among different locations. MBM thresholds are calculated for a reference family of two adults and two children and estimated for other family sizes (e.g., an individual). The argument that *a person working full time for a year should be able to support themselves at a basic level* continue to resonate with board members.

The board acknowledges employer concerns that an MBM-based minimum wage formula may not be easily implemented by employers to predict minimum wage changes. Likewise, the board recognizes that not all employer representatives agree that poverty indicators should be included among the legislated criteria the board must consider. In contrast, the board also recognizes that several employee advocates would prefer an alternative approach to setting a living wage rate based on different assumptions. Some of those groups have acknowledged that a popular alternative approach was not intended to provide a wage floor recommendation (see also the board’s 2023 report, pp. 4-5).

The 2023 Minimum Wage Review Report (pp. 12-13) documented how PEI’s relatively low wages among Canadian jurisdictions compares unfavourably to PEI MBM area’s near-average or above-average MBM thresholds. That misalignment is a consideration for estimates derived from a percentage-of-typical earnings approach to minimum wage determination. Such an approach may not satisfy the board’s mandate to consider costs to employees to maintain a suitable standard of living.

The 2022 Minimum Wage Review Report included an examination of the complex relationship between minimum wage and poverty reduction. Increases in minimum wage are not likely to affect poverty statistics for low-income individuals who are not employed or who are employed but live in households with income levels above a poverty threshold. On the other hand, a minimum wage increase may not improve poverty levels if an increased minimum wage remains (far) below a poverty threshold. Still, higher minimum wages may improve living conditions for low-wage workers and help address income inequality, especially among women.

Employer groups’ profiles of minimum wage earners have tended to highlight demographic factors such as the prevalence of young people living with their parents or guardians among minimum wage workers. Conversely, some employee advocates have pointed out that most minimum wage earners are not teenagers. The board’s 2022 report clarified the profile of minimum wage earners (pp. 5-6).

Employer groups' analyses showing that the vast majority of minimum wage workers do not live in low-income households should be considered in the context of two key factors. First, the board's 2022 report (pp. 9-10) showed that, relative to other workers, people earning minimum wage were overrepresented in low-income households – dramatically so in the case of PEI. Second, the available data for such analyses represent a low-income measure distinct from the official poverty measure (i.e., MBM).

The 2022 report also examined research on minimum wage effects that indicates a shift from the traditional view that raising the minimum wage leads to reduced employment. Studies, including those by Nobel laureate David Card, suggest that modest increases in minimum wage have minimal disemployment effects. Still, meta-analytic research involving Canadian jurisdictions has revealed potential adverse employment impacts, particularly for young workers. Other issues discussed in that context include ways that employers may adapt to higher minimum wages through things like price adjustments, technological investments, and more stringent hiring standards. Spillover effects of minimum wage increases on other low-wage workers' earnings are also relevant considerations – beneficial from the perspective of worker advocates but representing additional cost pressures for employers.

A final theme noted in the board's previous reports is appreciation for those who have participated the public consultation processes that are central to the board's annual reviews.

2024 Public Consultations

The board requested that written public input be submitted by 29 April 2024. The board sent social media notices and placed newspaper advertisements about the review on the 12th and 17th of February in *The Guardian* and the 14th of February editions of the online *Journal-Pioneer*, *The Eastern Graphic*, *West Prince Graphic*, and *La Voix Acadienne*. The board worked with stakeholders that needed additional time.

Eight (8) organizations or groups made written submissions, representing employee (4) and employer (4) perspectives. Three (3) private citizens sent written responses. Four (4) organizations presented oral submissions. The board received oral submissions on the 14th and 16th of May and held its deliberation meeting on 28 May 2024. A list of participants appears near the end of this report. The board values the opinions, arguments, and evidence presented by those who participated in the public consultation process.

Board members considered stakeholders' written submissions and oral presentations in detail. Stakeholders provided perspectives on issues summarized previously and other points, including the following non-exhaustive list of considerations:

- \$20/hour has become a common minimum wage target for employee advocates, either immediately or over a transition period to allow employers to adjust.
- At least one employer advocate warned of risks of increasing too quickly to a \$20/hour minimum wage.
- Employers are not opposed to a fair, reasonable minimum wage for employees but minimum wage increases must be affordable for employers who face considerable financial challenges and may provide other benefits to attract and retain employees.

- The board appreciates an employer advocate’s point that the board’s recent reports have not focused much on the “concept of a reasonable return on private investment.” That is a criterion that the board is required to consider. The board did consider that and other mandated criteria again this year.
- Employee representatives called for clarity and evidence about the nature and extent of the severe financial challenges claimed by some employer groups, data that would also support the board’s consideration of the “reasonable return” criterion.
- An employer advocate noted that over the past 10 years Canadian minimum wage increases have outpaced inflation, labour productivity, and median wage increases.
- An employee representative noted that when employers provide good jobs that strategy can help employers and employees.
- Advocates for a high minimum wage argued that it could provide employees with more security, dignity, ability to maintain good health, and ability to make important life decisions (e.g., leave abusive situations). Employees should not have to rely on food banks or other forms of charity to survive or meet their human rights.
- Employer and employee advocates have encouraged the board to examine the impacts of minimum wage on relevant indicators – possible desired and unintended effects (e.g., poverty levels, employment availability, workforce reductions, business closures).
- Employer and employee representatives addressed various issues beyond the board’s minimum wage mandate that they believe are important for government officials to consider (e.g., addressing root causes of affordability challenges; taxation policy affecting individuals, families, and businesses; supports for vulnerable workers including the possibility of a Basic Income Guarantee; core funding for community organizations; supports for small businesses such as a minimum wage transition program like those in NL and MB).
- Stakeholders did not expect minimum wage changes to be a cure-all.

Comprehensive Review Panel

The *Employment Standards Act* Comprehensive Review Panel (CRP) released its final report in August 2023. That review process provided a way for the public to provide input on the future of the *Employment Standards Act* and the *Youth Employment Act*, including considerable feedback related to minimum wage (see CRP, 2023, pp. 33-41). The CRP provided recommendations for legislators to consider. Still, the board was able to reflect on some of the CRP’s information under the board’s current mandate. For example, the board explicitly considered the CRP’s CPI + 1 suggested adjustment and the idea of retaining flexibility to make a “course correction” based on consideration of other factors (e.g., MBM). The board respects the idea of giving employers plenty of notice regarding any forthcoming change to the minimum wage. The board does not believe the minimum wage has yet reached a level where the default application of a CPI + 1 formula would be advisable.

Jurisdictional Scan

PEI's minimum wage increased to \$15.40 per hour on 1 April 2024, similar to rates that came into effect in NS (\$15.20), NB (\$15.30), and NL (\$15.60) on that date. A further increase for PEI to \$16.00 per hour will take effect on 1 October 2024. The Government of Canada's minimum wage for federally regulated workplaces (e.g., banking, interprovincial transportation, federal government) increased to \$17.30 per hour on 1 April. That rate applies to federally regulated employees unless the province or territory where an employee usually works has a higher minimum wage. By the end of 2024, the average minimum wage across Canadian jurisdictions will be \$16.05 (median=\$15.88) per hour, ranging from \$15.00 (AB and SK) to \$17.59 (YK) per hour. A list of minimum wages in Canada by jurisdiction is presented near the end of this report.

Recommendations

Based on its consideration of relevant statistical indicators and stakeholders' opinions, arguments, and evidence, the board offers the following recommendations.

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

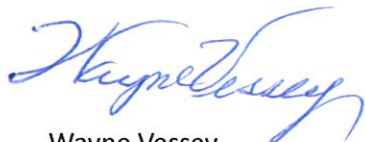
- the previously approved and announced minimum wage increase from \$15.40/hour to \$16.00/hour proceed as scheduled on 1 October 2024
- the minimum wage be increased by \$1.00 to \$17.00/hour on 1 October 2025;
- the new schedule of minimum wage rates be announced to the public as soon as possible.

The Board received no requests to adjust the Board and Lodging section of the Minimum Wage Order. The Board recommends no changes to the following maximum amounts that an employer may deduct from the wages of an employee where the employer furnishes board

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

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

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



Wayne Vessey
Chair

Written Submissions

- Canadian Union of Public Employees – PEI
- Canadian Federation of Independent Business
- PEI Federation of Labour
- PEI Union of Public Sector Employees
- PEI Working Group for a Livable Income
- Restaurants Canada
- Retail Council of Canada
- Tourism Industry Association of Prince Edward Island
- Private Citizen – T.D.
- Private Citizen – D.R.
- Private Citizen – S.H.O.

Oral Submissions

- Canadian Federation of Independent Business
- Canadian Union of Public Employees – PEI
- PEI Federation of Labour
- PEI Working Group for a Livable Income

Minimum Wages in Canada

Jurisdiction	Effective Date	Rate per Hour
PE	1 April 2024	\$15.40
	1 October 2024	\$16.00
NL	1 April 2024	\$15.60
NB	1 April 2024	\$15.30
NS	1 April 2024	\$15.20
QC	1 May 2024	\$15.75
ON	1 October 2023	\$16.55
	1 October 2024	\$17.20
MB	1 October 2023	\$15.30
SK	1 October 2023	\$14.00
	1 October 2024	\$15.00
AB	1 October 2018	\$15.00
BC	1 June 2023	\$16.75
	1 June 2024	\$17.40
NU	1 April 2020	\$16.00
NT	1 September 2023	\$16.05
YK	1 April 2024	\$17.59
Federal	1 April 2024	\$17.30*

Last updated 2024-06-04

Sources: Provincial websites; Government of Canada summary of *Current and Forthcoming General Minimum Wage Rates in Canada* <https://srv116.services.gc.ca/dimt-wid/sm-mw/rpt1.aspx>

* For employees in federally-regulated sectors. "An employee should be paid at least the federal minimum wage. If the minimum wage of the province or territory where the employee usually works is higher than the federal minimum wage, the employer is to pay the higher minimum wage."

References and Resources

The following list of resources may be useful to readers of this report.

- Arindrajit, D. (2019, November). *Impacts of Minimum Wages: Review of the International Evidence*. University of Massachusetts Amherst, National Bureau of Economic Research and IZA Institute of Labor Economics.
https://assets.publishing.service.gov.uk/media/5dc0312940f0b637a03ffa96/impacts_of_minimum_wages_review_of_the_international_evidence_Arindrajit_Dube_web.pdf
- Campolieti, M. (2020). Does an increase in the minimum wage decrease employment? A meta-analysis of Canadian studies. *Canadian Public Policy*, 46(4), 531-564. <https://doi.org/10.3138/cpp.2019-070>
- Card, D. (2021). *David Card – Prize Lecture*. The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2021. NobelPrize.org. Nobel Prize Outreach AB 2022.
<https://www.nobelprize.org/prizes/economic-sciences/2021/card/lecture/>
- Eisen, B. & Palacios, M. (2021). *Who Earns the Minimum Wage in Canada?* Fraser Institute. ISBN: 978-0-88975-672-4. <https://www.fraserinstitute.org/sites/default/files/who-earns-the-minimum-wage-in-canada.pdf>
- Expert Panel on Modern Federal Labour Standards (June 2019). *Report of the Expert Panel on Modern Federal Labour Standards. Employment and Social Development Canada* [Executive Summary and Chapter 2]. <https://www.canada.ca/en/employment-social-development/campaigns/expert-panel-labour-standards.html>
- Dionne-Simard, D. & Miller, J. (2019). *Maximum Insights on Minimum Wage Workers: 20 Years of Data*. Labour Statistics: Research Papers. Statistics Canada. ISBN: 978-0-660-32115-8.
<https://www150.statcan.gc.ca/n1/en/pub/75-004-m/75-004-m2019003-eng.pdf?st=6P41MyVb>
- Green, D. (April 2015). *The Case for Increasing the Minimum Wage: What Does the Academic Literature Tell Us?* Behind the Numbers. Canadian Centre for Policy Alternatives BC Office.
https://policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2015/04/CCPA-BC-Case-for-Incr-Minimum-Wage_0.pdf
- Mallett, T. (July 2022). *Minimum Wage: Pulling the Thorns from a Prickly Debate*. Issue Briefing. The Conference Board of Canada. <https://www.conferenceboard.ca/product/minimum-wage-pulling-the-thorns-from-a-prickly-debate/>
- PEI Statistics Bureau (2024, February 16). *Labour Force Survey Annual Report 2023*
https://www.princeedwardisland.ca/sites/default/files/publications/fin_statcan_labour_1.pdf
- Prince Edward Island (2021-05-13). *Poverty Elimination Strategy Act*.
https://www.princeedwardisland.ca/sites/default/files/legislation/p-14-1-poverty_elimination_strategy_act.pdf
- Prince Edward Island Employment Standards Act Comprehensive Review Panel (2023, August). *Phase Three: Final Report and Recommendations*.

https://www.princeedwardisland.ca/sites/default/files/publications/web_ready_dpcec-4266_employment_standards_act_panel_review_phase_three_oct_6_v2_2023.pdf

PROOF (2023). *New data on household food insecurity in 2022*. <https://proof.utoronto.ca/2023/new-data-on-household-food-insecurity-in-2022/>

Saulnier, C. (2020, November). *Charlottetown Living Wage 2020*. Canadian Centre for Policy Alternatives Nova Scotia Office. ISBN: 978-1-77125-526-4 URL: <https://policyalternatives.ca/publications/reports/charlottetown-living-wage-2020>

Statistics Canada (2024-04-26). *Table 11-10-0066-01 Market Basket Measure (MBM) thresholds for the reference family by Market Basket Measure region, component and base year*.

Statistics Canada (2024-01-05). *Table 14-10-0064-01 Employee wages by industry, annual*.

Statistics Canada (2024-01-16). *Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted*.

Strategic Policy, Analysis, and Workplace Information Directorate (2022). *Minimum wage database introduction*. Labour Program, Employment and Social Development Canada. <https://minwage-salairemin.service.canada.ca/en/intro.html>

United Nations Global Compact (no date). *Living Wage*. <https://unglobalcompact.org/what-is-gc/our-work/livingwages>

Yunis, J., Abdul Azeez, B., & Rousse, B. (2024, May). *Affordability, minimum wages, and living wages: Striking a balance for small businesses*. Canadian Federation of Independent Business. <https://www.cfib-fcei.ca/hubfs/research/reports/2024/2024-05-affordability-minimum-living-wages-en.pdf>