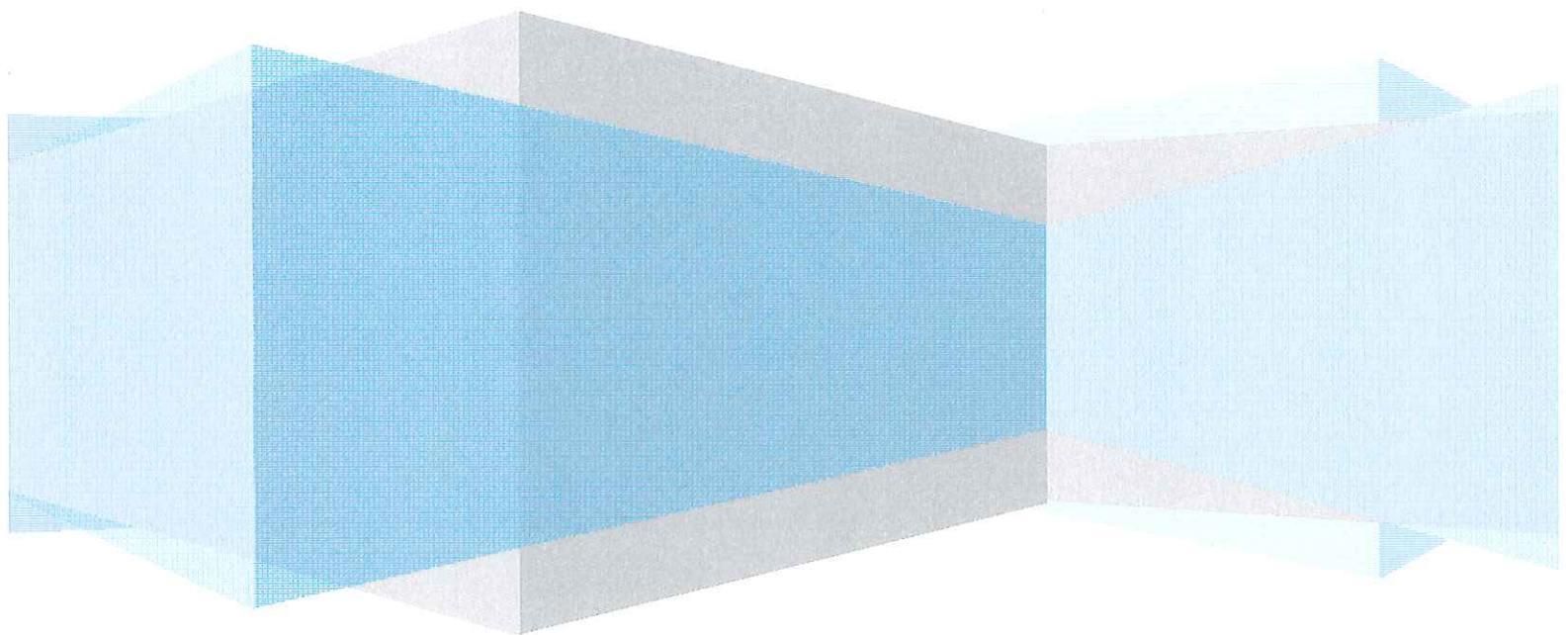


**Prince Edward Island
Employment Standards Board**

2022

**Minimum Wage
Review Report**



Introduction

The Prince Edward Island (PEI) Employment Standards Board (the board) is required to review the Minimum Wage Order at least once per year, as prescribed by 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 criteria and reporting requirements.

“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.”

The board convened on 2 August 2022 to review the Minimum Wage Order following a period of public consultations (described below). This report summarizes the Board’s 2022 minimum wage review and its recommendations for the minimum wage and other items set out in the Act.

The decision to conduct an earlier than usual review of the Minimum Wage Order reflected the exceptional economic circumstances and challenges facing PEI employees and employers. The summer 2022 review timing was intended to provide the board with more options about how and when to proceed with its next recommendation for the Minimum Wage Order. The board recognizes that the summer 2022 timing was an obstacle to some stakeholders’ full participation whereas others appreciated the board’s willingness to alter its typical schedule in response to current conditions.

Economic Conditions

Inflation and labour shortages were two prime concerns expressed by stakeholders during the 2022 minimum wage review. In recent months inflation in Canada and especially in PEI has hit rates not seen in decades, dramatically surpassing even the 5.1% all items Consumer Price Index (CPI) annual increase in 2021 for PEI. Whereas the final 2022 CPI change will not be known for months, large increases in the cost of living for PEI residents and businesses prompted the board to embark early on its 2022 minimum wage review. Low unemployment was a positive aspect of the economic conditions during this review, yet employers’ difficulties finding enough employees was a key concern as a labour shortage can limit business’ ability to operate and grow.

Although the COVID 19 pandemic is not over, the availability of vaccines – and impressive vaccination uptake by Islanders – and new therapeutics have shifted the risks of the disease and the public health measures used to contain transmission, compared to earlier waves of the pandemic. Yet, novel variants of COVID 19 and other public health threats continue to be concerns. COVID 19 has created staffing and operational challenges for some employers even when mandated shutdowns are not in effect. COVID 19 infections and related public health measures, combined with difficulty hiring new employees, may require individual businesses to close or curtail operations until sufficient staff are free to leave isolation and are healthy to resume work.

Uncertainty about inflation, trade disputes, global supply chains, geopolitical instability and armed conflicts, interest rate changes, consumer confidence, housing availability, and the state of the overall economy (e.g., fears of recession) were concerns to varying degrees at the time of this report.

Ongoing concerns mitigate a general sense of optimism for PEI's economy. A trade dispute that targeted PEI's potato industry has improved and PEI has been able to reopen to visitors for the 2021 summer tourism season. Preliminary estimates show that PEI's GDP by industry expanded by 6.6% in 2021 – the highest rate in recent years and a strong rebound following a 1.8% contraction in 2020. Major banks have forecasted solid growth in PEI's 2022 real GDP, albeit approximately 1/3 of the 2021 rate. An employer advocacy group provided the board with data from its national survey of small business confidence in June 2022. It showed that PEI had the most positive short term and long term outlooks among the provinces. However, that optimism stands in contrast to general pessimism among businesses in other provinces, and in a context where top concerns were the shortages of skilled labour and other labour, fuel/energy costs, and wage costs. Other stakeholders have suggested that PEI's pandemic recovery remains fragile and uncertain, including concerns about consumer confidence.

PEI's *48th Annual Statistical Review* (2021) and other sources provide more detailed information about recent economic conditions in the province.

Public Consultations

The board requested public input on the minimum wage via newspapers notices and social media on 21 May 2022. The board extended the submission deadlines by two (2) weeks to allow stakeholders more time to provide input.

Twelve (12) organizations or groups submitted written responses, representing employee and employer perspectives roughly equally. Nineteen (19) private citizens provided written responses – almost five times more than in 2021. Board members also considered online posts about relevant issues (e.g., almost 50 responses to a 9 July 2022 online media story about inflation, PEI's minimum wage, and this review process). Two (2) organizations and one (1) individual presented oral submissions. Board members appreciated the efforts of everyone who participated in the public consultation process.

Key issues raised during public consultations are addressed in subsequent sections of this report. This section summarizes high level themes from the public consultations. The board considered those themes and stakeholders' specific input as it deliberated its recommendations.

This section also includes brief mention of a sample of suggestions that are beyond the board's scope for a minimum wage review (e.g., taxation policy) but that may be useful for stakeholders to explore separately with the provincial government or other authorities. The board encourages stakeholders to participate in the ongoing Comprehensive Review of the *Employment Standards Act*, by a panel distinct from the Employment Standards Board. This comprehensive review will address issues relevant to employment standards in PEI with a focus on improving the effectiveness of the legislation.

It is worth reiterating that both employer and employee advocates discussed the challenges posed by high inflation given marked increases in most costs, including for energy, food, and housing.

Employer Perspectives

Employer advocates noted that PEI's minimum wage has increased well beyond inflation in most recent years (especially prior to 2000). They repeated previous calls for clarity, transparency, and predictability with respect to the process used to set and adjust the minimum wage (discussed in depth below). Various groups noted that employers are not opposed to reasonable increases in the minimum wage and support the idea of a livable income for employees. They pointed out, however, that tools beyond the minimum wage should be part of the effort to realize that goal (e.g., tax policy changes; supports for housing, transportation, access to affordable childcare for low income workers).

Employer advocates noted that minimum wage increases are costly to businesses and are not limited to higher pay for minimum wage employee. Related costs also increase such as wage increases for employees already paid more than the minimum wage and other mandatory payroll costs that are calculated as a percentage of payroll. Changes to the minimum wage should balance both employee needs and concerns for business viability and growth.

Employers identified challenges they face such as rising costs in areas beyond labour, supply chain problems, and a labour shortage. The board also received input about lost business during the pandemic including to off Island online competitors. Competitiveness beyond PEI was a concern among employers. Also, employer associations noted that high labour costs can lead employers to adapt via other measures such as labour saving technologies, though not all employers can avail themselves of such options when they need staff to provide a human connection with customers. The latter businesses feel especially vulnerable to minimum wage policy.

Employer groups advised the board and government to provide employers with plenty of notice before a change to the Minimum Wage Order comes into effect. Several appreciated the approximately five months of notice they have been given in recent years, yet some submissions sought (legislated) assurances of six months or more notice prior to a minimum wage increase.

One employer representative specifically advised the board to "do no harm" to businesses at this time and that sentiment was implicit in other employer advocates' submissions.

Employee Perspectives

Employee advocates provided perspectives about the challenges posed by the current economic context. High and rapidly escalating costs to live in PEI were urgent concerns. Submissions addressed an “unaffordability crisis” combined with lack of housing, food insecurity, and low minimum and average wages in PEI compared to other Canadian jurisdictions. There were also concerns about how rising interest rates would impact low wage workers.

Although everyone is affected by higher food prices, employee advocates argued that middle and high income earners can more easily adjust their spending by switching to less expensive brands or increase their use of coupons or sales. Conversely, low income workers who have already been economizing in those ways are left with few, undesirable options including cutting out costly healthy foods, reducing consumption overall, or turning to food banks. Several employee advocacy groups argued that the use of food banks by employees is a major concern. They pointed to indicators that food bank use has increased markedly in the past year and PEI food banks had the highest proportion of any province in terms of clients whose primary source of income was from employment. Those discussions related to the issue of access to healthy food and social determinants of health.

Along with current local issues and conditions, employee advocates addressed longstanding topics related to minimum wage. These include benefits of a higher minimum wage, such as protecting vulnerable workers and reducing income inequality, including among women, recent immigrants, (international) students, and other marginalized groups. The role of the minimum wage as a foundation for setting other wages could enhance such benefits. Minimum wage workers have little or no bargaining power, so regular reviews of and adjustments to minimum wage are important to continue, according to some submissions. Arguments against (sub) poverty level minimum wages – including PEI’s current minimum wage – were registered. Various issues along these lines are addressed in subsequent sections.

Employee advocates expressed concerns about some business practices such as withdrawing supplementary pay from frontline workers that had been offered earlier in the pandemic. Still, some submitters hoped that a higher minimum wage might help PEI employers attract and retain workers and justify investments in those employees to enhance business productivity. Employee advocates noted that minimum wage increases provide more money for low wage workers to spend, principally in the local economy which benefits businesses. Governments also benefit from wage increases. Employee advocates did not see a minimum wage increase as a major risk to further increase inflation. Instead, they pointed to arguments and indicators that record corporate profit taking is a far greater problem on that front. According to some submitters, businesses’ claims that they cannot afford a minimum wage increase (e.g., in an industry that is more profitable in PEI than elsewhere in the country) or that minimum wage increases lead to automation have been overstated.

Employees and their advocates made specific suggestions for the minimum wage, including rates ranging from \$14.50 per hour to \$30.00 per hour. Multiple submissions called for an immediate (or near term) increase in the \$15.00 per hour range, with some suggesting up to \$16.00 per hour. Various suggestions were at or around \$20.00 per hour, though those tended to be a medium or long term goal. The concept of a “livable income” was part of multiple employee advocates’ submissions and background documents. It is discussed in a subsequent section.

Other Notes from the Public Consultations

Employer organizations noted that the government has various levers – beyond minimum wage regulation – to enhance PEI employees’ disposable incomes. Other groups argued that alternative tools should be considered as means to supplement, but not substitute for minimum wage increases. The idea of raising the basic personal amount (income tax exemption) was noted in various submissions. Some stakeholders acknowledged changes to PEI’s basic personal amount that provide all earners with higher disposable incomes. Still, there were both suggestions for further changes on that front and suggestions for more targeted tax breaks (e.g., a more competitive rate applied to the lowest tax bracket). More targeted tax breaks for low income earners or other low income support measures might get wider endorsement than across the board measures that, as some submitters argued, would prove costly to the provincial treasury, and may benefit higher income earners to a greater degree than low income earners.

Other suggestions that were outside the scope of the board’s mandate included examining a basic income guarantee, the need to support at risk people trying to enter and remain in the workforce (e.g., those struggling with addictions), and education to help people navigate existing social services. Again, such ideas are noted briefly here since minimum wage policy is part of a larger landscape of support for low income workers.

The public consultation process revealed disputed characterizations of minimum wage employees, such as (a) that most minimum wage earners are young people living with their parents or other family members versus (b) the perspective that most low wage workers are not teenagers. The board presents a profile of minimum wage earners in the next section.

Profile of Minimum Wage Earners

The following profile compiled from several sources provides a general description of minimum wage earners in recent years. Those sources include board calculations based on custom tables prepared by PEI’s Director, Economics, Statistics & Federal Fiscal Relations from the Statistics Canada Real Time Remote Access system via Service Canada – Atlantic Region. Please consult original reports or data sources for more details. Additional information is discussed in the section on Minimum Wage and Poverty.

Approximately 5,000 PEI employees have worked for the minimum wage in recent years. Minimum wage earners represented 7.6% of the 67,300 PEI employees in 2019 (Eisen & Palacios, 2021). In terms of total employment, recent figures from the Statistics Canada Labour Force Survey showed PEI had reached a new high for seasonally adjusted employment – 85,600 – in May 2022, according to PEI’s Statistics Bureau (June, 2022).

Women have comprised around 60% of the minimum wage workforce nationally in recent decades (Dionne-Simard & Miller, 2019) and the board observed a similar proportion in recent data for PEI (i.e., since fiscal year 2016-2017).

Based on data presented in Eisen and Palacios (2021, Table A3), 51% of PEI minimum wage employees worked full time and 49% worked part time in 2019. Minimum wage employees comprised 25% of all part time PEI employees and 4.5% of all full time employees.

Several submissions to the board noted that more than half of minimum wage earners in Canada are aged 15-24. Dionne-Simard and Miller (2019) presented results that aligned with those estimates (i.e., 52.3% in 2018). However, Dionne-Simard and Miller observed that the proportion of 15-24 year olds earning minimum wage had dropped considerably – by more than 10 percentage points – from 63.6% in 2008, with corresponding increases in the proportions of older minimum wage earners (nationally). Based on Eisen and Palacios' (2021) Table A3, the estimated proportion of PEI minimum wage employees aged 15-24 was 49%, though calculations performed on data provided to the board suggested that those proportions could be 53% or higher. Young people aged 15-24 seem to make up at least half of PEI's minimum wage workers.

Using 2019 data, Eisen and Palacios (2021) distinguished between minimum wage earners in the 15-19 and 20-24 age groups, which represented 33.3% and 15.7% of PEI minimum wage earners, respectively. Using data provided to the board, our calculations showed that approximately 30% of minimum wage earners were 15-18 years old (since the 2016-2017 fiscal year). The board appreciated the more fine grained categorization of the younger minimum wage employees' ages. The board acknowledges a distinction between minors who would be expected to live with their parents or guardians versus young adults who, as a private citizen noted of her 21 year old, are living with their parents because they cannot afford to live independently. Approximately 70% of PEI minimum wage earners were 19 or older. Almost one quarter (24%) of minimum wage earners were 40 years of age or older, based on board estimates.

Eisen and Palacios (2021) also provided information about the households in which PEI minimum wage earners were living (see their Table A3). Almost half of them (47.1%) were sons, daughters, or other relatives living with family members, but that was approximately six percentage points lower than the Canadian comparator (53.3%, Eisen and Palacios, 2021, p. 7 & Table A1). More PEI minimum wage earners were members of a couple (29.4%) than were single (17.6%). Twice as many single minimum wage earners lived with nonrelatives (11.8%) than lived alone (5.9%).

Nationally, the composition of minimum wage employees has changed over the 1998-2018 period, associated with increases in minimum wages during that time. "Compared with 1998, minimum wage employees in 2018 were relatively more likely to live in urban areas, work in retail trade, be employed in a large firm, work full time and be older than 24" (Dionne-Simard & Miller, 2019, p. 13).

A variety of people constitute the minimum wage workforce in Canada and in PEI.

Jurisdictional Scan

The minimum wage for PEI employees was set at \$13.70 per hour as of 1 April 2022. For employees working in federally regulated workplaces (e.g., banking, interprovincial transportation, Government of Canada) a new federal minimum wage took effect near the end of December 2021. As of 1 April 2022, the minimum wage for federally regulated employees was \$15.55 per hour unless the province or territory where a given employee works has a higher minimum wage.

As of August 2022, the minimum wages in effect in Canadian provinces and territories ranged from \$11.81 per hour in Saskatchewan to \$16.00 per hour in Nunavut. The median minimum wage at the time of this report was \$14.25 per hour. The average (mean) was slightly lower at \$14.12 per hour given the effect of Saskatchewan's relatively low current rate, though that province plans increases of at least \$1 per hour for the next several years until it reaches \$15.00 per hour.

In Atlantic Canada, New Brunswick increased its minimum wage by \$1 per hour on 1 April 2022 to \$12.75 per hour and will increase its minimum wage again by \$1 per hour on 1 October of this year to \$13.75 per hour.

Nova Scotia has outlined a series of minimum wage increases to take effect in April and October of 2022, 2023, and 2024. Currently, Nova Scotia's minimum wage is \$13.35 per hour. It will rise to \$15 per hour by 1 April 2024. Newfoundland and Labrador has outlined a similar series of increases through to October 2023. Newfoundland and Labrador's current minimum wage of \$13.20 per hour will rise to \$15 per hour by 1 October 2023. A list of current and known future minimum wages across Canada is provided at the end of this report.

Beyond the minimum wage rates in other Canadian jurisdictions, the board considered the content of reports by minimum wage review committees and other sources. Along with public input, these sources informed board deliberations, the content of this report, and the board's recommendations for PEI's Minimum Wage Order.

Summary of Research on Minimum Wage Effects

A detailed review of empirical research on minimum wage effects is beyond the board's scope for this report. Still, the board recognises the value of research informed perspectives, and that many stakeholders who participated in this process share that appreciation. For example, an employer advocacy group acknowledged "that some evidence suggests that modest increases in minimum wage can be done without disrupting the labour market." That represents, as noted in a different submission, a fundamental rethinking of the traditional assumption that raising the minimum wage will necessarily lead to reduced employment. The latter submission mentioned specifically the 2021 Nobel Prize in Economic Sciences awarded in part to Guelph, Ontario native Dr. David Card for his contributions to labour economics, including quasi experimental research on minimum wage effects in an American context. In his Nobel Prize Lecture, Card (2021) cautioned against extrapolating too far beyond the data but noted that empirical research on minimum wage has policy implications.

The Expert Panel on Modern Federal Labour Standards (2019) examined the possibility of a minimum wage for workers in federally regulated sectors (see their Chapter 2). The panel's summary of research on minimum wage effects is useful beyond the federal jurisdiction. The panel summarized findings from other contexts, especially the USA and UK, but prioritized Canada research findings. The board presents the following highlights from the expert panel's synthesis of research to date and remains open to new and better information that may emerge in the future.

The expert panel (2019) described classic research by Card and others in the USA that showed no or small disemployment effects as a function of minimum wage changes. Further, the expert panel noted that the Canadian context – with provinces and territories responsible for setting most minimum wages – has provided data particularly well suited to examine minimum wage effects. “The Canadian literature... suggests that disemployment effects are a potential adverse consequence of increases in minimum wages that should be taken into account by policymakers. These impacts are most evident for teenagers and young adults, who constitute a significant proportion of minimum wage employees in many Canadian jurisdictions” (Expert Panel on Modern Federal Labour Standards, 2019, p. 30). The expert panel also noted that adverse employment effects may not occur immediately but may transpire over time as employers adjust. For example, employers in some sectors may be able to acquire or develop labour saving processes or technology. With modest minimum wage increases, employers may adjust prices and monitor consumer reactions to price changes. Firms can also raise their hiring standards and productivity expectations which can reduce opportunities for people with lesser qualifications. That is, the board acknowledges that traditional assumptions of large, direct negative disemployment effects may have been overstated but that minimum wage policy may still have competing beneficial and adverse consequences to balance with respect to employment opportunities.

In terms of spillover effects, “higher minimum wages raise wages of minimum wage workers and also of low wage workers earning more than the minimum wage. The influence of minimum wages on income inequality and poverty may thus extend beyond minimum wage workers to other low wage workers. However, there is no evidence that higher minimum wages influence wage rates of middle income or higher earners” (Expert Panel on Modern Federal Labour Standards, 2019, p. 27). As noted earlier, employer advocates pointed out that any additional raises to non minimum wage workers are costs the employer bears.

The expert panel noted rising inequality in wages and income over the past 40 years in many developed countries. Among other factors, a declining minimum wage in real terms (i.e., providing less purchasing power) is associated with greater inequality whereas a rise in real minimum wage can temper inequality increases, especially among women who make up a larger proportion of the minimum and low wage workforce than do men.

The expert panel's research summary and other sources consulted by the board noted a weak link between minimum wage and poverty measures. The following section summarizes some relevant considerations in that regard.

Minimum Wage and Poverty

The board considered suggestions, noted in a few submissions, that the board set or be provided by the government with poverty reduction targets or goals. Information provided to or obtained by the board suggests that a complex and weak relationship exists between minimum wage rates and measures of poverty. The board recognizes that there are multiple reasons to expect that a higher minimum wage will not necessarily lead to a straightforward reduction in the proportion of people experiencing poverty, including that:

- Some people who live below a poverty or low income threshold are not currently in the workforce and hence do not benefit from a minimum wage increase.
- Some people who earn the minimum wage live in households where the household income already exceeds a given poverty level threshold.
- Minimum wages may have been set so low in many jurisdictions that minimum wage increases have had limited effect on poverty indicators because even the increased rates are subpoverty.

The board recognizes that poverty is a complex social problem that minimum wage increases are unlikely to solve in isolation. Indeed, at many points in the review process participants recognized the need for targeted social support programs to maintain or improve the living conditions of low income workers and their families (e.g., Canada Child Benefit, Child Care Subsidy, dental program, rent subsidies and social housing, to name a few). There were also concerns about avoiding disincentives to work such as having sliding scale levels of support so that potential workers are not dissuaded by the prospect of being suddenly cut off from valuable social supports that are not replicated in prospective employment compensation packages.

The board can and did consider its mandated criteria pertaining to “the necessities of life” [section 5(3)(a)] and “measures of poverty” [section 5(3)(c)] without expecting a straightforward effect on any given poverty indicator. Still, statements that allude to the futility of minimum wage policy as a tool with which to help combat poverty seem premature. The federal expert panel (2019) observed that there is a need to investigate whether “gains on the poverty front can be attributed in part to recent increases in minimum wages” (p. 29).

Organizations representing employers have sometimes pointed to Statistics Canada data indicating that a (very) small proportion of minimum wage earners in Canada live in households below a given low income threshold. That is, employer groups have made arguments aligned with Eisen and Palacios’ (2021, p. 8) conclusion that “a large majority of minimum wage workers live in households that do not fall below the low income cutoff line” (LICO). Still, Eisen and Palacios (2021, p. 5) observed that “[o]ur data show that 20.2 percent of the total population of workers living below the LICO line are minimum wage workers. This is substantially higher than the general population, where only 8.8 percent of workers are minimum wage earners.” The board observed that data for the more modern Market Basket Measure (MBM) – adopted as Canada’s official poverty line in June 2019 – were not available for that Fraser Institute report (Eisen & Palacios, 2021).

Examining Eisen and Palacios' (2021) Appendix Tables A1 (Canada) and A3 (PEI) revealed similar opportunities for improvement on the low income front. Whereas 3.7% of all Canadian employees were members of a low income household (LICO after tax and transfers), the relevant comparator was more than twice as high among minimum wage employees (7.7%). Data for PEI were even more striking. The proportion of all Island employees in low income households (3.8%) was like the Canadian result. However, the percentage of PEI minimum wage workers (18.2%) in below LICO households was well over four times that baseline – the highest proportion among the eight provinces with available data (see Eisen & Palacios, 2021, Table 2, p. 6).

With regards to considering household income in the context of poverty and minimum wage discussions, an employee representative argued that a higher minimum wage can reduce dependency and empower individual employees to make life decisions (e.g., saving or paying for education, leaving abusive situations). Why should the income of one or more other household members impact the minimum rate of pay that an employer is obligated to pay a given employee?

Using poverty measures to inform the setting of a jurisdiction's wage floor is based on the idea that *any person who works full time for a year should earn enough to purchase the necessities of life and enjoy a basic standard of living*. That principle is distinct from any suggestion that minimum wage will necessarily, by itself, have a marked effect on the proportion of people experiencing poverty.

Progress Toward a Predictable Approach to Setting PEI's Minimum Wage

Multiple stakeholders have advocated, this year and in recent years, for PEI to adopt a transparent, predictable approach to set its minimum wage. The board has been considering this concept and its possible forms in consultation with stakeholders. That work continued during the 2022 minimum wage review.

The board understands stakeholders' desire for the board to provide recommendations for a particular target and predictable adjustment mechanisms. Some groups have advocated through this review, and may propose as part of the ongoing Comprehensive Review of the Act, that such processes be enshrined in legislation. The wisdom of a legislated procedure for this issue is unclear. For example, the board has noticed that some proponents of a formula based approach have heralded as examples of more predictable minimum wages jurisdictions that have departed from their formulas. The board suspects that formula departures may reflect the difficulty to identify a simple formula that provides a result perceived to be satisfactory over time. Finding or devising an approach widely accepted among stakeholders could help provide the desired transparency and predictability.

Input on the Board's Proposed Approach based on the Market Based Measure (MBM)

The board's 2020 report introduced the possibility of basing the minimum wage on the MBM. The board had been monitoring the MBM and other low income indicators as part of previous years' deliberations. In July 2020, the Legislative Assembly's Special Committee on Poverty in PEI recommended the MBM for policy and regulatory purposes. As noted above, the MBM was adopted as Canada's official poverty line in June 2019.

The MBM is based on local costs to purchase a specific basket of goods and services that provide a modest standard of living for a reference family. MBM thresholds for different family sizes can be estimated, including for an individual. In its 2021 report, the board outlined the elements of an MBM based formula in some detail and reiterated its call for stakeholder feedback on the idea of an MBM based minimum wage. The board extends special appreciation for the submissions over the past two years that included specific feedback on this proposal, which the board continues to refine and consider. The board also noted that Newfoundland and Labrador's Minimum Wage Review Committee mentioned a similar MBM approach in its May 2022 report. An employee advocacy group's 2022 submission supported an MBM based target, though that group also featured a different "livable income" perspective, discussed in a subsequent section.

An association of firms that employ a considerable proportion of minimum wage workers has, like other employer advocates, called for predictability, clarity, and affordability with respect to the minimum wage. Its representative did not think the formula the board outlined in its 2021 report would provide the desired clarity for its members given complexities associated with applying the formula. The board agreed with those concerns. That does not mean, however, that the board could not use an MBM based (or other) formula to set and explain a target that could then be adjusted annually using a simpler formula, and reset periodically when the MBM is updated.

CPI (or CPI+) Adjustments?

The association that raised concerns about the MBM formula's complexity has, along with other employer advocacy groups, called for minimum wage adjustments based on the (previous year's) Consumer Price Index (CPI). Many advocates presented a CPI based adjustment as a cap (i.e., the maximum) by which the minimum wage could be increased. At least one submission suggested that even a CPI based increase be capped "to protect businesses during periods of high inflation," which the board interpreted as suggesting a CPI increase up to a specific (unspecified) maximum percentage. In contrast, others viewed the CPI as a floor (minimum) for increases until a living wage is reached (see the discussion of the "living wage" below).

Some employee representatives have made similar CPI based adjustment proposals, though there does not appear to be consensus between employer and employee groups on a starting point from which predictable adjustments would be made.

Sometimes stakeholders have pointed to jurisdictions that make (or are supposed to make) annual CPI based adjustments (based on either the national or provincial CPI). The board and other stakeholders noticed, however, that minimum wage review committees in Nova Scotia (December 2021) and Newfoundland and Labrador (May 2022) have recommended a move to adjustments based on CPI+1%. The additional increase above CPI can be used to offset a lag in CPI increases when the previous year's CPI is used to make a minimum wage adjustment (NFLD and Labrador, 2022). Another reason to include an

additional 1% above CPI is to allow minimum wage earners to share in economic growth that exceeds inflation (Nova Scotia, 2021). That practice may align with the sentiment that employers “are not opposed to reasonable minimum wage increases that are predictable and linked to inflation and to growth in the economy.” The board’s proposed MBM based approach had not previously included an element based on real GDP growth.

Stakeholders are encouraged to provide feedback on a CPI + x% approach to minimum wage adjustment during next year’s minimum wage review.

Minimum Wage as a Percentage of Average Earnings

An employer advocacy organization, citing the complex relationship between poverty and the minimum wage, opposes continued inclusion in the Act of poverty measures among the criteria the board must consider when recommending a minimum wage for PEI. That organization acknowledged the board’s current obligation to consider measures of poverty. The previous section on Minimum Wage and Poverty summarizes some relevant considerations on that issue. Moreover, this organization’s recommended approach (discussed below) and the board’s obligation to consider measures of poverty may be compatible, anyway. The board noticed similarities between the proposed approach recommended by this employer advocate and the low income measure (LIM) often used in international low income comparisons. The LIM is an explicitly relative measure that defines being in low income as a function of having an income below a fixed percentage of the typical income level for a relevant comparison group (e.g., a household below 50% of median household income in a jurisdiction). Before tax and after tax versions of the LIM can be considered. The federal expert panel (2019) discussed low pay thresholds higher than 50% of the median (e.g., pp. 32-33).

For the present discussion of a predictable approach, that employer advocate pointed to a Conference Board of Canada Issue Briefing on minimum wage (Mallett, 2022). Among other things, the Conference Board of Canada advocated that jurisdictions adopt simple benchmarks and then “Set It and Forget It,” consistent with feedback the board has received from stakeholders in PEI. The specific suggestion was to set the (adult) minimum wage at 50% of the average hourly wage in each jurisdiction. The board discussed that idea and applied it (and similar approaches) to relevant data. The employer advocate that asked the board to consider this approach suggested that board align practices for setting the wage floor “with wage setting in the private sector and the realities of the labour market...”

The board considered the Conference Board of Canada’s approach (Mallett, 2022) but regarded its suggestion for an adult minimum wage as applicable to all minimum wage workers. The Act requires the board to fix one minimum wage for all employees. Also, the prospect of a set of distinct minimum wages for young people of different ages does not appear to be a near term possibility given that age is a prohibited ground of discrimination under human rights law in PEI (and elsewhere in Canada), even if such practices exist in other countries and form part of our history. In a brief discussion about distinct minimum wages, an employee representative wondered how it could be justified to mandate different wage floors to new employees doing the same job simply because one is, for example, 17 and the other is 21? Again, it is not within the board’s authority to recommend different age based minimum wages.

Returning to the idea of basing the minimum wage on average (mean) or median earnings, the board noticed a similar relative approach explained elsewhere. The federal expert panel (2019) recommend setting the federal minimum wage at 60% of the median full time hourly wage (in Canada, option 1, or in each province, option 2). The panel's estimate was \$15 per hour (option 1) at the time of its report. As per a Government of Canada news release on 14 March 2022, the federal minimum wage came into force on 29 December 2021 at \$15 per hour and was adjusted (automatically) on 1 April 2022 to \$15.55 per hour based on the average annual increase in CPI. In the expert panel's 2019 report, the CPI adjustment was recommended as an adjunct measure in cases where 60% of the median wage did not keep pace with cost of living increases. That is, applying the panel's recommended procedure, a minimum wage would increase as a function of (a) the updated value of 60% of the median wage or (b) the CPI, whichever is higher. Among other things, the panel also recommended using a full 12 months of data to inform adjustments and an October effective date (a date which, apparently, was not adopted federally, at least for 2022). The board had discussions regarding the timing of minimum wage changes both for the current, unusual year and in a more general sense going forward.

The board discussed the potential advantage of tying minimum wage workers' earnings to increases in labour market rates rather than focusing only on meeting basic needs. Conversely, the explicitly relative earnings approach does not deal directly with the cost to maintain a basic standard of living, like the MBM does, so there is no guarantee that a percent of average earnings would meet an MBM threshold. That concern was especially salient to board members given PEI's low average wages compared to the Canadian average. The board compared MBM based minimum wage estimates (based on Statistics Canada Table 11-10-0066-01) to percent of average earnings estimates (based on Statistics Canada Table 14-10-0222-01) at 50%, 55%, and 60% levels for 2015 through 2020. The 60% estimates were closest to the corresponding MBM based estimates for PEI. Stakeholder feedback on any of these ideas, or a combination of approaches, is welcomed. Board discussions about mean versus median measures and data availability are beyond our current scope.

The "Living Wage" as a Predictable Target?

During last year's (2021) consultation process the board received thoughtful feedback from and had discussions with representatives of an employee advocacy group about the board's preliminary MBM approach. Another employee group supported the concept of an MBM based target this year. That approach is consistent with the idea that a person working full time for a year should earn enough to purchase the MBM basket of goods and services that represent a modest standard of living.

More generally, though, various submissions from employees or groups representing employees referred to a distinct "living wage" concept and estimates derived by the Canadian Centre for Policy Alternatives. Employee advocates tended to cite Saulnier's (2020) hourly wage of \$19.30 or offer similar (e.g., \$20/hour) targets. During questioning after an employee advocacy group's 2022 oral submission, there was a brief discussion about the impact of certain assumptions (e.g., hours of work per week) used to derive that estimate.

The board has observed that the estimate provided by Saulnier (2020) is, according to its author, expressly not a recommended target for a mandated minimum wage. That important distinction was apparent to some, but not all, employee advocates. Stakeholders may also want to reflect on the percentage of average weekly earnings that target represents. A 2020 \$19.30 per hour target represented approximately 77% of PEI's 2020 12 month weekly average earnings (\$943.94, board calculations based on Statistics Canada Table 14-10-022-01) for a 37.5 hour work week or approximately 72% for Saulnier's (2020) 35 hour work week. The federal expert panel (2019) observed that the 60% level aligned with a living wage policy in the UK.

The higher than MBM living wage could be a tool for an employer that commits to it as a voluntary standard. It may help the employer compete in the labour market to attract and retain employees. As noted by an employee advocacy group, in some geographic areas a firm can obtain a (voluntary) living wage certification in recognition of its commitment to that ideal. The above MBM living wage seems to provide an aspirational target and opportunity for progressive employers to differentiate themselves from others in the labour market.

As noted in an employer group's submission, its members "support a livable income for their employees" but do not see employers as solely responsible for achieving that end (see also the Public Consultation section of this report).

Feedback on the Board's \$15 per hour Medium Term Target

In its 2021 report the board signaled, as a medium term target, the possibility of a \$15 per hour minimum wage by (i.e., no later than) 1 April 2024. An employer advocacy group commented specifically on that target and timeline and provided poll results from its members for board consideration. Fifty five (55) percent of respondents indicated that such a change would "somewhat" or "severely" impact their business. A breakdown of the frequency with which those response options were endorsed was not provided to the board. Respondents to that organization's poll indicated ways through which businesses may be forced to adjust. Those included price increases to customers ("over half" of respondents), wage increases for other employees to maintain internal equity (38%), consideration of technological options to reduce labour costs, decreasing staffing (17%), reducing hours of operation (14%), or closing the business. The board considered this information and that provided in all submissions.

Other stakeholders provided favourable feedback about the \$15 per hour goal, though many employee representatives recommended a faster timeline to that target (e.g., immediately), a higher minimum wage target, or both. Among those advocating for more ambitious targets (e.g., \$20+/hour), several groups stated they did not expect their more ambitious goal to be enacted immediately.

The board stated in its 2021 report that the medium term \$15 per hour target did not necessarily represent a starting point for CPI based increases thereafter. The present (2022) review has revealed additional considerations for stakeholders and the board to reflect upon in the context of identifying a long term approach or target that is fair and predictable to all parties. The board looks forward to continued engagement on that front through future written submissions, oral presentations, and discussions.

Recommendations

Things have changed – especially with respect to inflation – since the board suggested in its 2021 report a timeline for getting to a \$15 per hour minimum wage by 1 April 2024. The board has now determined that the move to a \$15 per hour minimum wage should be expedited considering current conditions. The board deliberated different options regarding the number, timing, and amount of minimum wage increases to recommend at this time. The board does not recommend a single minimum wage change at the beginning of next April as has become the tradition for the past number of years. High inflation has impacted Islanders, including our minimum wage and other low income employees. In making the following recommendations the board sought to balance providing some notice to employers (vs. an order effective immediately) with pressing cost increases facing employees, especially during the winter heating season. The Board deliberated those and other factors and perspectives before deciding, by a series of votes, to make the following recommendations.

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

- the minimum wage be increased by \$0.80 (to \$14.50/hour) on 1 January 2023;
- the minimum wage be increased by \$0.50 (to \$15.00/hour) on 1 October 2023; and
- 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, lodging and/or meals:

- 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

- Greater Charlottetown Area Chamber of Commerce
- Retail Council of Canada
- Tourism Industry Association of Prince Edward Island
- Canadian Federation of Independent Business
- Official Opposition
- PEI Federation of Labour
- Canadian Union of Public Employees – PEI
- PEI Union of Public Sector Employees
- MacKillop Centre for Social Justice
- United Food and Commercial Workers
- PEI Working Group for a Livable Income
- Restaurants Canada
- Private Citizen – MB
- Private Citizen – D
- Private Citizen – SC
- Private Citizen – RD
- Private Citizen – CD
- Private Citizen – OH
- Private Citizen – AJ
- Private Citizen – AK
- Private Citizen – LC
- Private Citizen – DM
- Private Citizen – R
- Private Citizen – S
- Private Citizen – HL
- Private Citizen – SM
- Private Citizen – TR
- Private Citizen – MR
- Private Citizen – MJ
- Private Citizen – KR
- Private Citizen – MR

Oral Submissions

- Canadian Union of Public Employees – PEI
- PEI Federation of Labour
- Private Citizen – MR

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

\$13.00 per hour effective 1 April 2021

\$13.70 per hour effective 1 April 2022

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 2021):

(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	\$ 4.25 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.

Minimum Wages in Canada

Jurisdiction	Effective Date	Rate per Hour
PE	1 April 2022	\$13.70
NL	1 April 2022	\$13.20
	1 October 2022	\$13.70
	1 April 2023	\$14.50
	1 October 2023	\$15.00
NB	1 April 2022	\$12.75
	1 October 2022	\$13.75
NS	1 April 2022	\$13.35
	1 October 2022	\$13.60
	1 April 2023	\$14.30
	1 October 2023	\$14.65
	1 April 2024	\$15.00
QC	1 May 2022	\$14.25
ON	1 January 2022	\$15.00
	1 October 2022	\$15.50
MB	1 October 2021	\$11.95
	1 October 2022	\$12.35
SK	1 October 2021	\$11.81
	1 October 2022	\$13.00
	1 October 2023	\$14.00
	1 October 2024	\$15.00
AB	1 October 2018	\$15.00
BC	1 June 2021	\$15.20
	1 June 2022	\$15.65
NU	1 April 2020	\$16.00
NT	1 September 2021	\$15.20
YK	1 April 2022	\$15.70
Federal	1 April 2022	\$15.55

Last updated 30.06.22

(Sources: Provincial websites; Government of Canada news release)

References and Resources

The following are some of the resources the board consulted during the 2022 minimum wage review, including ones cited in this report. This non exhaustive list of the board's resources may be useful to readers of this report.

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 URL: <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]. URL: <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. URL: <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. URL: 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. URL: <https://www.conferenceboard.ca/e-library/abstract.aspx?did=11724>

Newfoundland and Labrador Minimum Wage Review Committee (May 2022). *Newfoundland and Labrador Minimum Wage Review Committee Report: Observations and Recommendations*. Province of Newfoundland and Labrador. URL: <https://www.gov.nl.ca/ecc/files/Minimum-wage-Review-Committee-Report-May-2022.pdf>

Nova Scotia Minimum Wage Review Committee (December 2021). *The Nova Scotia Minimum Wage Review Committee Report*. Province of Nova Scotia. ISBN: 978-1-77448-265-0 URL: <https://novascotia.ca/lae/pubs/docs/Minimum-wage-Review-Committee-Report-December-2021.pdf>

PEI Statistics Bureau (July 2022). *Province of Prince Edward Island Forty Eighth Annual Statistical Review 2021*. <https://www.princeedwardisland.ca/en/publication/annual-statistical-review>

Saulnier, C. (November 2020). *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 (2022-03-23). *Table 11-10-0066-01 Market Basket Measure (MBM) thresholds for the reference family by Market Basket Measure region, component and base year*. Extracted data for Prince Edward Island.

Statistics Canada (2022-06-24). *Table 14-10-0222-01 Employment, average hourly and weekly earnings (including overtime), and average weekly hours for the industrial aggregate excluding unclassified businesses, monthly, seasonally adjusted*. Extracted data for Prince Edward Island.

Statistics Canada. Various reports and custom data provided to the board used Statistics Canada data. Descriptions of the poverty/low income indices (i.e., LICO, LIM, MBM) are also available through Statistics Canada or other Government of Canada agencies.