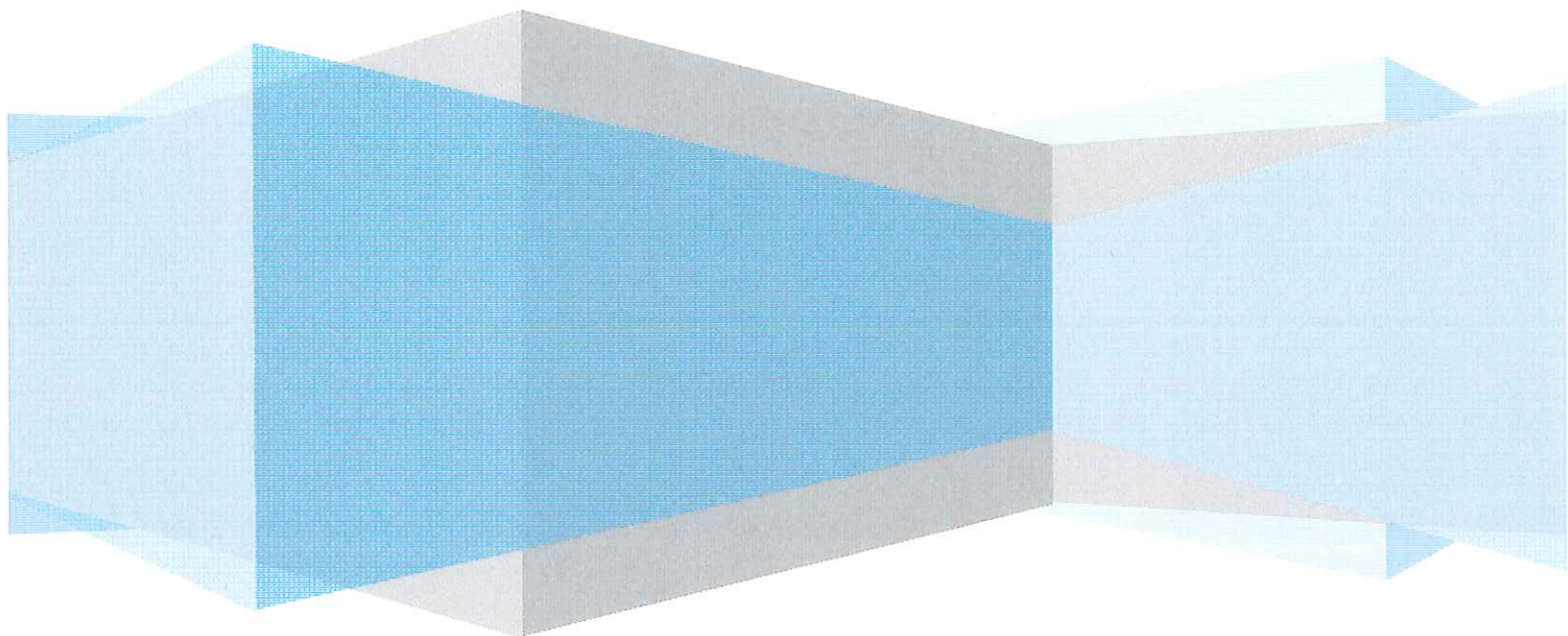


**Prince Edward Island
Employment Standards Board**

2023

**Minimum Wage
Review Report**



Introduction

The Prince Edward Island (PEI) Employment Standards Board (the board) convened on 4 July 2023 to review the Minimum Wage Order following a period of public consultations (described below). This report summarizes the board's 2023 minimum wage review and its recommendations for the minimum wage and other items set out in the *Employment Standards Act* (the Act).

The Act mandates that the board review the Minimum Wage Order at least once per year, as prescribed by sections 5(1), 5(2), and 5(3), 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."

Increasing stakeholders' awareness about the board's Minimum Wage Review Reports seems important. For example, a private citizen's submission requested a report "summarizing the results of each review" that gives "something for Islanders to provide feedback on." Even some organizational stakeholders seem unaware of these reports. Reports for reviews since 2019 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 or contact the Employment Standards Branch for assistance.

Stakeholders are free to provide input as they wish. Still, the board has found it useful to receive specific feedback on topics discussed in the board's reports. Understandably, groups' issues tend to be similar from year to year, but stakeholders who have tried to align their messaging, feedback, or new alternatives with the board's ongoing efforts to address key concerns seem particularly constructive.

In October 2021, an independent panel began a Comprehensive Review of the Act (i.e., *Employment Standards Act*) and the *Youth Employment Act*. As one of the participating stakeholders, the board made submissions to the Comprehensive Review Panel in the first (March 2022) and second (January 2023) stages of that process. The board hopes other stakeholders – including many of the organizations that participated in this Minimum Wage Review – have also participated in the Comprehensive Review. The Comprehensive Review provides a unique forum for making suggestions about the Act, including the minimum wage review process and criteria the board must consider in making its minimum wage recommendation. Consequently, the board does not detail all suggestions of that nature herein. Although this report may briefly mention ideas outside the board's mandate (e.g., taxation policy, social programs), stakeholders may consider alternative channels for communicating those ideas to relevant officials.

Public Consultations for the Minimum Wage Order

Due to extraordinary economic circumstances in the province in 2022, the board conducted that year's review early – i.e., in the summer rather than during the traditional fall period. This year, the board aimed to conduct the minimum wage review in the spring of 2023, given ongoing economic challenges facing many Islanders and businesses. That plan was delayed somewhat due to the 2023 provincial election.

The board requested that written public input be submitted by the 15th of June 2023. The board sent social media notices and placed newspaper advertisements about the review (15 and 18 of April in *The Guardian* and online *Journal-Pioneer*; 19 April in *The Eastern Graphic*, *West Prince Graphic*, and *La Voix Acadienne*). The board worked with stakeholders that needed additional time.

Twelve (12) organizations or groups made written submissions, representing employee (6) and employer (6) perspectives. Eight (8) private citizens sent written responses. Three (3) organizations presented oral submissions. The board values the opinions, arguments, and evidence presented by those who participated in the public consultation process. A list of participants appears near the end of this report.

The board recognizes that stakeholders must be informed about and have sufficient time to participate in the review process. The board discussed conducting future minimum wage reviews in the spring versus the fall. Key labour force and economic data from the previous year will likely be available within the first few months of a new year. A spring (e.g., May) review would allow the board to consider such data in a timely manner, along with stakeholders' submissions. As discussed in more detail later in this report, predictability and sufficient notice are prime concerns for employers. **The board welcomes feedback from stakeholders about the timing of the review process (e.g., spring vs. fall).**

Also, PEI's minimum wage has typically been adjusted once or sometimes twice per year. Some stakeholders expressed their support for continuing the annual reviews of the Minimum Wage Order with regular (e.g., one or two) adjustments per year. The board received limited feedback that more frequent adjustments may be necessary in the future. Stakeholders may wish to provide input on the **number of minimum wage increases per year**.

Inflation Concerns

Participants emphasized PEI's extremely high level of inflation in 2022 and the continuing and compounding inflationary pressures facing Islanders and businesses in early 2023. High (or unstable) prices for essentials such as food, shelter, fuel, and heating oil were prominent concerns among employee advocates, even when overall inflation seemed to be subsiding to some extent during 2023.

The all-items annual average Consumer Price Index (CPI) for PEI rose 8.9% in 2022 with food (9.7%), shelter (12.8%), transportation (13.6%), energy (37.5%), and goods (12.5%) components particularly high (Statistics Canada, 2023, Table 18-10-0005-01). Compared to the same month in the previous year, increases in the CPI all-items index for PEI began to moderate in the early part of 2023 (Jan=7.0%, Feb=6.7%, Mar=3.9%, Apr=3.7%, May=0.7%, June=0.2%, Statistics Canada, 2023, Table 18-10-0004-01). However, several stakeholders noted that price increases have been compounding over time, and high prices remain problematic. Also, the May and June figures involved lower energy prices and do not reflect any impact of the July 2023 federal clean fuel regulations and carbon pricing changes.

In addition to statistical data, the board considered stakeholders' descriptions of the impacts of high inflation on individuals, families, and businesses and the tough choices that many who are struggling have had to make. The economic environment in 2023 remains difficult for many Islanders and businesses.

Submissions included comments and visual depictions of historical minimum increases relative to CPI changes. The board was provided with relevant statistics via the Employment Standards Branch and accessed Statistics Canada data directly.

Themes Related to Poverty, Social Supports, and Livable Income

Poverty, food insecurity, and housing insecurity were some of the serious issues identified through the public consultation process. Surging prices of food, housing, and other essentials impact all Islanders, but employee advocates explained that low-income earners who are already economizing by using cheaper brands or substituting lower-cost products or services have fewer options to deal effectively with economic crises than do higher-income earners. Low-income earners, including PEI minimum wage and other low-income employees, are likely to spend more of their income on essentials. Minimum wage earners also tend to have relatively little bargaining power with employers.

Collectively, employee advocacy and community groups drew upon various sources, including a local survey, PEI's *Poverty Elimination Strategy Act* (2021), research based on Statistics Canada data (e.g., PROOF, 2023), and international human rights considerations. Submissions included extensive discussions about the complexity and prevalence of poverty, related social problems, and their consequences for individuals and society. These included links to adverse health and social consequences. Several stakeholders described the costs to society and government associated with poverty. Some mentioned the potential for a preventative approach to yield substantial cost savings.

Stakeholders also noted that, like poverty-related issues more generally, demographic groups have not experienced the pandemic and recovery equally. Some advocates for employees stated that marginalized groups have paid a steeper price, including people who worked on the front lines during the pandemic.

Stakeholders also offered insights about potential interventions and policies to alleviate serious social problems including via a basic income guarantee, a job guarantee, cost of living supplements, or other social supports. Both employee and employer representatives applauded proactive changes to support low-income earners through taxation policy (e.g., increases to the basic personal exemption), though more tax-bracket changes were recommended in some submissions. Whereas many suggestions are beyond this board's mandate, the input reflected the complexity of poverty and the general recognition that multi-faceted efforts are required to address it. Minimum wage policy is one tool, but the board did not get the impression from this set of submissions that anyone believed minimum wage can alone eradicate poverty.

One employer advocacy organization reiterated its opposition to including poverty indicators among the criteria the board must consider in its minimum wage deliberations. Please see the Minimum Wage and Poverty section in the board's 2022 report for related considerations. For example, the link between minimum wage and poverty is weak. That weak link may not be surprising given that most minimum wage earners do not live in low-income households, and many people experiencing poverty will not benefit from any increase to the minimum wage because they are not currently in the workforce. That employer organization also called on the government to provide or the board to adopt specific poverty reduction targets. An employee advocate noted that the *Poverty Elimination Strategy Act* (2021) includes poverty rate reduction targets for the Government of PEI. Although such targets were not directed to the board specifically nor formed part of the board's 2023 deliberations, the overrepresentation of minimum wage employees in low-income households (e.g., Eisen & Palacios, 2021, Table A3) suggests room for improvement. The board continued to discuss the premise that a person who works full-time for a year should be able to enjoy a basic standard of living. That consideration seems to align with the board's mandated criteria.

Beyond submissions about poverty generally, employee representatives commented on the plight of minimum wage (and other low wage) employees. These included observations from our local context, such as high food bank demand despite record-low unemployment and the opinion that no one could live on PEI's current minimum wage. Employee advocates argued that employees should not have to work (sometimes multiple jobs) to the point of exhaustion to make ends meet, nor turn to food banks or other charitable sources to get enough to eat and sustain a healthy diet. Whereas other sources of income, such as social programs, can supplement employment income, various employee advocates argued that employees should be able to earn a decent living without resorting to community charity or government social programs.

Multiple employer organizations emphasized their members' support for their employees to achieve a livable income that enhances employees' well-being. However, some also noted that it does not necessarily follow that businesses should be solely responsible for mitigating issues (e.g., housing availability and high costs) facing minimum wage earners. For example, one group remarked that a livable income should not be solely achieved "on the backs of businesses." Conversely, some employee advocates argued that social programs should not be used to, as one group described, "let employers off the hook" or serve as a form of corporate welfare to subsidize profits.

Employee advocates provided extensive discussions of "living" or "livable" wage concepts. That included United Nations voluntary initiatives to combat working poverty and promote "a living wage as an essential aspect of decent work" (United Nations Global Compact, no date). A distinction between a statutory wage floor (minimum wage) and a living wage was often recognized. Yet, many employee advocates continue to cite Saulnier's (2020) living wage estimate for Charlottetown. That figure may inform minimum wage deliberations but was not intended as a minimum wage recommendation (Saulnier, 2020). The living wage idea is related to the board's consideration of Canada's official poverty measure as part of its deliberations. That possibility is outlined in more detail later in this report.

The Business Environment

Employer representatives noted difficulties – sometimes extreme difficulties – in recruiting and retaining staff. See also the Labour Force Highlights provided in a subsequent section. Other issues, such as competition beyond PEI, continuing challenges in the geopolitical and business environment internationally, and technological advances including the emergence of generative artificial intelligence did not receive the level of attention that the labour market did in this year's consultation process.

Employers' associations described their members' steep increases in the costs to do business. Businesses have had to deal with higher costs on many fronts (e.g., raw inputs & energy), but wage costs were identified as prime concerns. For example, a national employers' association provided survey results from May 2023 showing that wage costs were their members' greatest concern at that time. Another association provided estimates for board consideration of the average cost to its members and industry of the previously announced 2023 (two-phase) increase to minimum wage (+\$1.30 per hour, total). A separate employer organization noted challenges its members indicated with respect to the minimum wage increase to \$15.00 per hour (effective 1 October 2023). Further, a quarter of the latter organization's survey respondents indicated that an increase beyond \$15.00 per hour would severely impact their businesses.

Increases to minimum wage and other wages result in further costs for employers, such as higher payroll premiums that are calculated as a percentage of wages. Some employers also reported that increases in payroll premium rates will also hit many businesses hard at a time when they are having financial difficulties.

The extent of businesses' financial difficulties was the subject of conflicting perspectives. Employer advocates noted things like business closures and ongoing "cumulative negative effects of the pandemic," including high debt levels, made worse by recent and rapid interest rate increases. Employee advocates provided counterpoints about high corporate profits (e.g., Cochrane, 2022; Competition Bureau of Canada, 2023), yet it did not seem that comments about large corporations (e.g., "capitalizing on chaos") were necessarily appropriate for nor directed to PEI's smaller employers. Not all businesses and industries are in equivalent financial health. The board is required to consider "the concept of a reasonable return on private investment" as part of its deliberations [subsection 5(3)(b)].

Expected revenue recovery (in real, CPI-adjusted terms) following the relaxation of pandemic restrictions has not necessarily materialized, according to some employer representatives. This seems especially true for discretionary purchases, given consumers' difficult situation (discussed earlier). Although the possibility of price increases following a further minimum wage increase was noted (e.g., as indicated by 50% of respondents to a local employer survey), other employer advocates were more concerned about their members' inability to (further) increase prices without negatively affecting demand for their products or services. Some employee representatives noted potential benefits to businesses and governments (e.g., consumption taxes) when minimum wage earners have more money to spend.

An employer representative noted that employer responses to minimum wage increases can vary in form beyond price increases (e.g., reduced employment, automation) and evolve over time periods that make them difficult to track. Also, the recent view that minimum wage increases may not necessarily lead to job losses (e.g., Card's 2021 Nobel Prize) should be considered in terms of Canadian data that are well-suited to examining such effects (Campolieti, 2020; Federal Expert Panel, 2019). A relevant Canadian meta-analysis found a side effect of higher minimum wages in terms of reduced employment for teenagers (Campolieti, 2020; see also Federal Expert Panel, 2019). Alessandrini and Milla (2021) replicated that result and presented other findings in a study focused on minimum wage effects on post-secondary enrolment decisions. Incidentally, some submissions advocated for different minimum wages for youth or students and possibly other employees (e.g., those who earn tips). However, there were also stakeholders strongly opposed to different minimum wages for different groups. The board discussed the potential beneficial and adverse effects of minimum wage increases but not the idea of different minimum wages for different groups because the latter is outside the board's authority.

Employer representatives pointed out that increases in the minimum wage also put upward pressure on other wages to maintain internal equity. Approximately one-third of employer respondents in one local survey indicated they would increase other staff wages following a minimum wage increase. The extent to which such increases pervade the rest of a firm likely depends on its wage structure. Higher minimum wages have been found to extend to other low-wage earners (Federal Expert Panel, 2019). Spillover effects may also help reduce inequality, consistent with the benefits of real minimum wage increases on that front (Federal Expert Panel, 2019).

Both employer and employee groups noted ways that government can help businesses, especially small businesses in struggling sectors. An employer advocate's main request in their 2023 submission was for the government to establish a minimum wage transition program for small businesses to protect employers who are particularly vulnerable in the current context. That submission pointed to similar programs elsewhere in Canada (e.g., MB, NL) that could be considered and adapted. Likewise, employee advocates noted that there are many ways for the government to help small businesses while raising the real value of the minimum wage for employees. They contended that higher minimum wages could help increase worker productivity and promote stability for employees and employers through reduced staff turnover. In turn, that would reduce firms' recruitment and training costs. Promoting "good job" strategies and "high road" management practices were ideas related to that theme suggested by some employee representatives.

Labour Force Highlights and Minimum Wage Earners

Based on Statistics Canada data provided to the board for the most recent fiscal year by PEI's Director of Economics, Statistics & Federal Fiscal Relations, approximately 4,665 Islanders earned the minimum wage (or less). Women comprised 59.5% of that group, mirroring women's composition (approximately 60%) of the minimum wage workforce nationally in recent decades (Dionne-Simard & Miller, 2019).

According to PEI's *Labour Force Survey Annual Report 2022*, employment in the province reached 84,200 last year. By those estimates (i.e., 4,665/84,200), minimum wage earners represented approximately 5.5% of the PEI workforce. By comparison, Eisen and Palacios (2021) estimated that 7.6% of the 67,300 PEI employees in 2019 were minimum wage earners.

PEI led the country in employment growth in 2022 (up 5.4% from 2021). Unemployment was down 2.1 percentage points to 7.6%. That is the lowest annual unemployment rate on record (since 1976), yet it was still the second-highest rate in Canada for 2022. Average hourly wages for PEI (\$26.95) and Canada (\$31.96) and other information can also be found in the *Labour Force Survey Annual Report 2022* prepared by the PEI Statistics Bureau (2023). Some stakeholders noted that PEI's low average wages are disproportionate to its cost of living. The board examines that observation and related issues in more detail later in this report.

The board's *2022 Minimum Wage Review Report* included a profile of minimum wage earners. That profile and the updated summary provided here contextualize varying depictions of minimum wage earners offered by stakeholders participating in this and previous minimum wage reviews (e.g., teenagers living at home vs. a wide range of vulnerable workers). Based on Statistics Canada data provided to the board for the most recent fiscal year, young people aged 15-24 years represented more than half (58.6%) of PEI's minimum wage earners. Less than one-third (29.5%) of all minimum wage earners were aged 15-18. Adults 19 years or older made up 70.5% of PEI's minimum wage workforce. Approximately one-quarter (25.2%) of minimum wage earners were at least 40 years old.

Eisen and Palacios (2021) observed, in line with some employer organizations' arguments, that most minimum wage earners do not live in low-income households (considering 2019 data). Still, as discussed in this board's 2022 report (pp. 9-10), Eisen and Palacios (2021, Appendix Tables A1 and A3) also provide evidence that minimum wage employees were more than twice as likely than were other Canadian employees to live in a low-income household. The overrepresentation of minimum wage employees in low-income households was even more pronounced in PEI (18.2% vs. 3.8%). The board is unaware of a similar analysis using more recent data and Canada's official poverty line (i.e., Market Basket Measure or MBM vs. the Low Income Cut Off).

Jurisdictional Scan

PEI's minimum wage increased from \$13.70 to \$14.50 per hour on 1 January 2023. A further increase to \$15.00 per hour will take effect on 1 October 2023. As of July 2023, the average minimum wage across Canada's provinces and territories was \$15.07 per hour, ranging from \$13.00 (SK) to \$16.77 (YK) per hour. Six (6) provincial/territorial jurisdictions have increases taking effect on 1 October 2023. The average provincial/territorial minimum wage will rise to \$15.43 per hour on that date.

As of 1 October 2023, four (4) jurisdictions (YK, BC, ON, NU) will have minimum wages between \$16.00 and \$16.77 per hour, three (3) jurisdictions' rates (MB, QC, NT) will fall between \$15.20 and \$15.30 per hour, four (4) jurisdictions' minimum wages (AB, NL, NS, PE) will sit at exactly \$15.00 per hour, and two (2) jurisdictions' rates (NB, SK) will fall below \$15.00 per hour. A list of minimum wages by jurisdiction appears near the end of this report.

As of 1 April 2023, the Government of Canada's minimum wage for federally regulated workplaces (e.g., banking, interprovincial transportation, federal government) increased to \$16.65 per hour. That rate applies to federally regulated employees unless the province or territory where an employee usually works has a higher minimum wage.

New Brunswick's minimum wage of \$14.75 per hour was the highest among Atlantic provinces when this report was prepared. The other three Atlantic provinces (PE, NL, NS) had minimum wages of \$14.50 per hour with increases to \$15.00 per hour taking effect on 1 October 2023 in all three provinces.

Ongoing Consideration of a Predictable Approach to Setting PEI's Minimum Wage

A recurring call from employer groups and some employee groups is for the board (or government) to adopt a fair, predictable, and transparent approach to minimum wage setting. Stakeholders have argued that such an approach would allow employers (and employees) to better forecast the likely minimum wage and budget accordingly. This information would assist, among others, seasonal employers that argue they must set prices well in advance of their operations. The basic idea is to identify a target minimum wage, a reasonable schedule to attain it, and a predictable mechanism for subsequent adjustments.

The board noted in its 2022 report that some jurisdictions using a formula-based approach have departed from their chosen formulas. In the 2023 consultation process, some stakeholders clarified that a default minimum wage (adjustment) formula would still be useful even though special adjustments that depart from a given jurisdiction's formula may sometimes be necessary. Requiring a justification for any departure from an accepted formula provides a measure of accountability. A (mandated) return to a formula after a special adjustment provides future clarity and predictability. Stakeholders advised that the board should give ample notice in cases where the board might make a minimum wage recommendation that departs from any formula-based approach the board may adopt or be required to use in the future.

Ample notice (e.g., six months or one year in advance) was a recommendation from several employer groups for a minimum wage set under the current process. During its 2023 minimum wage deliberations, the board prioritized giving stakeholders considerable notice for 2024 to provide some predictability in a dynamic economic environment. This report also outlines considerations the board discussed for a longer-term minimum wage target. However, given the possibility of changes stemming from the Comprehensive Review of the Act, the board has not provided a specific long-term target in this report. Please see the Recommendations section later in this report for the board's recommendations for 2024.

Toward a Minimum Wage Target

The board received **specific suggestions** for the minimum wage (e.g., \$18-\$20 per hour to \$30 per hour – the latter exceeding the average PEI wage), sometimes with supporting rationales or implementation schedules. Employer representatives tend not to make specific dollar value suggestions but have asked that minimum wage increases be affordable. They support reasonable, planned minimum wage increases.

Other stakeholders provided suggestions for methods to identify a prospective minimum wage. An employer organization reiterated its 2022 position about aligning the wage floor with typical wages in the labour market. Under that approach, the minimum wage could be determined as a **percentage of average (or median) wages** in a jurisdiction. That idea is consistent with a method suggested by the Conference Board of Canada (Mallet, 2022). The board's 2022 report discussed that idea in more detail and noted a similar approach used by the Expert Panel on Modern Federal Labour Standards (2019). At least one employee advocacy group mentioned the Low Income Measure (LIM) that uses relative income to identify low-income thresholds (e.g., 50% of median household income). LIM values could be considered for minimum wage setting.

The board was able to replicate the result of the Federal Expert Panel (2019) using 2018 Labour Force Survey (LFS) data for Canada and adapt that method for PEI using LFS data for recent years (2018-2022; Statistics Canada, 2023, Table 14-10-0064-01). For example, the median LFS hourly wage for Canadian full-time employees in 2018 was \$25.00 per hour. 60% of that value is the rate (\$15.00 per hour) that would eventually set the initial minimum wage for employees in the federally regulated sector (effective 29 December 2021 until its planned CPI-based adjustment effective 1 April of each subsequent year). The board also considered estimates based on the average weekly earnings from the Survey of Employment, Payroll, and Hours (SEPH, Statistics Canada, 2023, Table 14-10-0204-01) for a 37.5-hour work week. The board considered values derived from the LFS and SEPH databases using different measures of typical income (i.e., mean or median) and threshold percentages (i.e., 50, 55, 60). **Stakeholders are welcome to provide feedback on setting minimum wage as a percentage of typical PEI wages.**

A concern about adopting a minimum wage setting approach based on relative earnings is that it does not tie directly to the cost to maintain a “suitable standard of living,” or the cost associated with “purchasing the necessities of life, including housing, food, clothing, transportation and health care and supplies” [section 5(3)]. As noted previously and analyzed in more detail in a subsequent section, the relatively low wages in this province compared to its cost of living are factors to consider when evaluating the appropriateness of this approach for PEI.

As discussed previously, employee advocates’ use of “living” or “livable” wage concepts often reference an estimate for Charlottetown that, as noted in this board’s 2022 report, was explicitly not intended to represent a wage floor recommendation (see Saulnier, 2020). Stakeholders may wish to provide feedback on the specific assumptions inherent to that organization’s living wage definition and estimate. A living wage is not universally defined or monetized but “enables workers and their families to meet their basic needs” (United Nations Global Compact, no date). **The board has been seeking feedback over the past several years on a compatible approach** that uses data from Statistics Canada.

The board introduced a possible approach to minimum wage setting in 2020 and elaborated on that approach in 2021. The following represents a summary and update. That approach uses Canada’s official poverty measure that reflects “the cost of a specific basket of goods and services representing a modest, basic standard of living developed by Employment and Social Development Canada (ESDC)” (Statistics Canada, 2021). The Market Basket Measure (MBM) “thresholds represent the costs of specified qualities and quantities of food, clothing, shelter, transportation and other necessities for a reference family of two adults and two children” (Statistics Canada, 2021). A square-root equivalence transformation can be used to estimate MBM thresholds for different family sizes. Essentially, the MBM value for an individual is half of the reference family’s value, based on the board’s application of information provided by Statistics Canada. The board has considered prospective minimum wage rates based on the ability of individuals to support themselves and, similarly, for two adults earning minimum wage to support an MBM reference family.

There are 53 MBM geographic areas across Canada's provinces, including three (3) in PEI. The board must set one minimum wage for all PEI's provincially regulated employees. Consequently, the board examined different ways of blending PEI's three MBM areas' thresholds (e.g., average; highest; and 75th percentile, which in PEI's case is equivalent to the average of the two most expensive areas). Fortunately, PEI's MBM thresholds are more similar to one another than are those in some other provinces (e.g., Vancouver vs. BC, rural). Still, the board now believes the 75th percentile value would be more likely to work across Canadian jurisdictions than the highest MBM threshold, should other jurisdictions wish to consider this approach.

After determining an acceptable blend of MBM thresholds to identify a provincial value and adjusting it for an individual earner, this approach requires a few more calculations. The disposable income represented by the MBM must be converted to a before-tax value using the current taxation policy for a low-income worker. In this regard, changes that allow low-income workers to retain more of their earnings also reduce the minimum wage burden on employers. The MBM-before-tax annual value is then divided by the number of work hours per year to identify a prospective hourly minimum wage. Most recently, the board has been using 1,875 hours per year (37.5 hours per week for 50 weeks per year). Values derived by applying this approach and comparing various assumptions have been useful to the board, in concert with other estimates discussed previously and stakeholders' submissions.

As noted earlier, one employer association opposes the use of poverty indicators in the consideration of the Minimum Wage Order. A different employer advocate pointed out that the board's MBM-based approach would provide less practicality and clarity than they desire since the formula may be difficult for employers to understand and apply. Still, the board believes this approach could help set a target minimum wage that could be adjusted using a more straightforward method and re-visited periodically when the MBM basket is updated. It is tied to the cost of attaining a basic standard of living and is based on data reported by Canada's National Statistical Organization. Once again, **the board urges more stakeholders to provide feedback on deriving the minimum wage from Canada's official poverty line.** Stakeholder groups that have engaged with the board on this issue have provided valuable input.

Subsequent Adjustments to the Minimum Wage

A minimum wage based on relative income (e.g., 60% of median or average wages) could be adjusted based on changes in typical income levels using a relevant online Statistics Canada table. Setting the desired geography and time period within an interactive table is simple. Associated calculations (e.g., multiply by a specified proportion) are manageable. Conversely, as noted above, the MBM-based formula seems less likely for employers (or employees) to apply easily.

A more likely alternative than either of those options is for the board, in consultation with stakeholders, to adopt a particular target based on one of the above methods, a blend of those methods, or other factors. Then, as recommended by most groups that have provided feedback on this issue, subsequent adjustments could be made based on the CPI or some variation thereof (e.g., CPI+1% or CPI+2%). The CPI is an index of pure changes in consumer prices. It is the standard measure of inflation in Canada (see Statistics Canada, 2023, *The Canadian Consumer Price Index Reference Paper* for detailed information).

Advocates for CPI-based adjustments to PEI's minimum wage have noted other Canadian jurisdictions that use formulas involving CPI. The board received suggestions from different groups to use either the provincial or national CPI. Further input is welcomed. An employer's association presented results from its membership survey examining three options it presented. The greatest support (29%) favoured using the previous year's CPI. A three-year (weighted) average CPI to smooth out inflation fluctuations (for employers) received 22% support. Not surprisingly, CPI+1% received the least support among respondents (16%) to that survey. Board members discussed those results and other related considerations. A rationale could be added to explain that the additional cost associated with the CPI+1% method may be compatible with another employer organization's support for reasonable minimum wage increases that reflect both inflation *and a share of growth in the economy*. **The board continues to welcome feedback from stakeholders about adjustment mechanisms for the minimum wage.**

PEI's Average Wages versus MBM Cost of Living

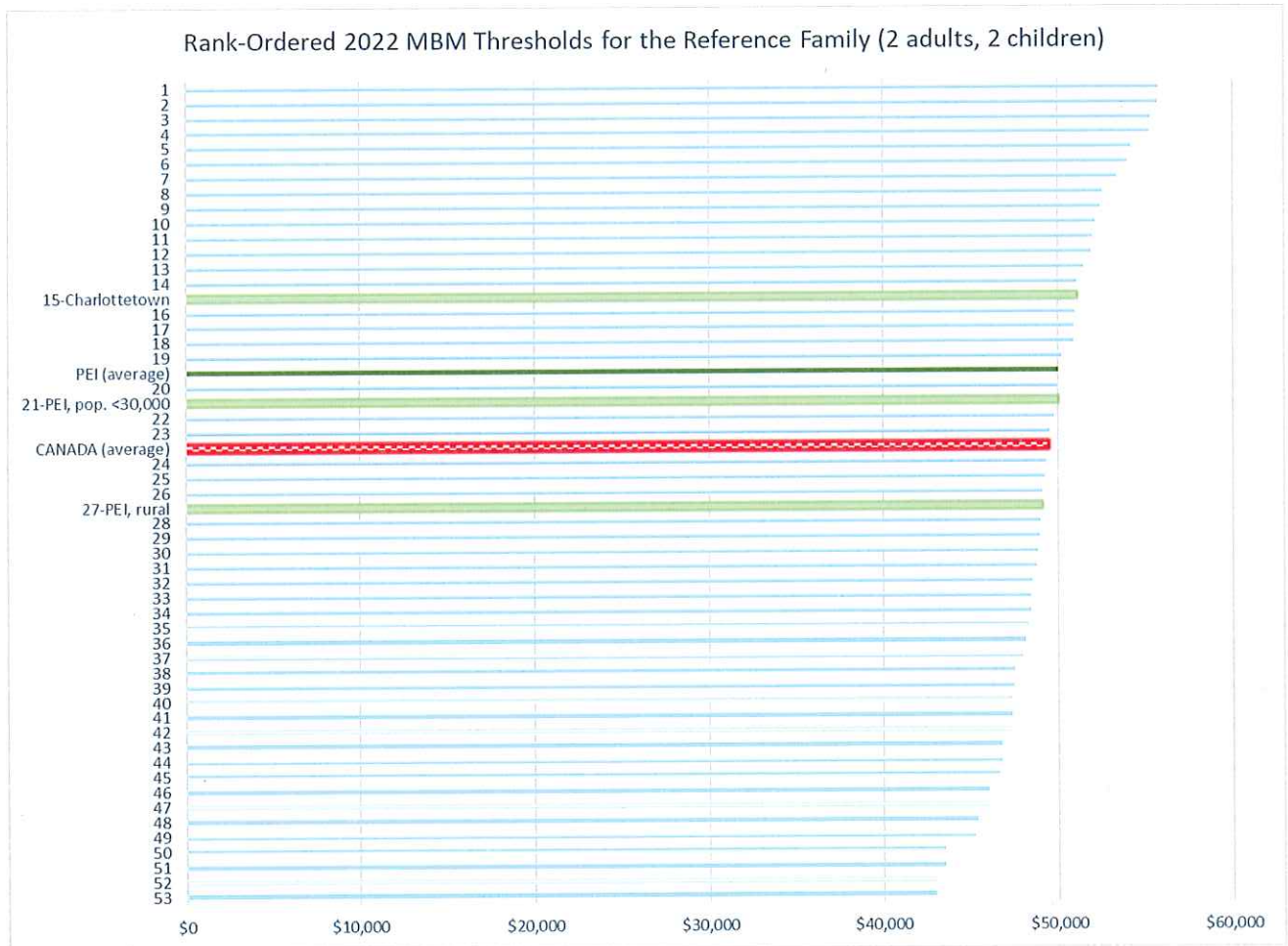
This section provides more detail about the observations regarding PEI's relatively low wages compared to other Canadian jurisdictions. This was argued to be especially concerning given the perception that PEI is not (or is no longer) an inexpensive place to live.

One group suggested that a task force be established to examine the issue of low wages. That suggestion might interest employee and employer stakeholders from the perspectives of compensation fairness, staff recruitment and retention, and so forth. In terms of this board's mandate, these issues are relevant to the consideration of different approaches to setting a minimum wage.

Both LFS and SEPH data from Statistics Canada (2023, Tables 14-10-0064-01 and 14-10-0204-01, respectively) confirm that PEI had relatively low wages in 2022. The LFS median hourly wage for full-time employees ranged from \$24.65 in PEI to \$31.48 in Alberta. In terms of SEPH average weekly earnings for all employees (including overtime), PEI was lowest (\$974.65) and Alberta was highest (\$1,256.76) among the provinces. The corresponding values for Canada were \$29.74 and \$1,165.51.

The board also compared the costs of providing a modest, basic standard of living in PEI to other areas represented by the MBM (explained previously; Statistics Canada Table 11-10-0066-01). Using the MBM reference family of two adults and two children, the average of the 53 MBM thresholds was \$49,356 in 2022. PEI's average was \$50,009. PEI's "rural" MBM area was the lowest of the three Island areas at \$49,056. That was, however, the second highest rural MBM region in Canada, behind only Alberta's. The PEI "population under 30,000" area's threshold was \$49,939, and Charlottetown's was \$51,033. The figure below shows PEI's MBM areas ranked among the 53 MBM areas across Canada's provinces in 2022.

Data from 2018-2022 revealed very similar rank orders even though MBM thresholds increased considerably during that period. In terms of relative MBM costs, PEI's areas have been close to or above the Canadian average in recent years.



The board considered these factors for both its current recommendations and regarding prospective methods for setting a predictable minimum wage target. Based on preliminary calculations, the board estimates that values for PEI may be higher under the MBM approach than under the 60% of LFS median, full-time hourly wage approach outlined by the Federal Expert Panel (2019). That would not necessarily be the case in other provinces.

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 \$14.50 to \$15.00/hour on 1 October 2023 proceed as scheduled
- the minimum wage be increased by \$0.40 (to \$15.40/hour) on 1 April 2024;
- the minimum wage be increased by \$0.60 (to \$16.00/hour) on 1 October 2024; 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

- 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

- PEI Union of Public Sector Employees
- Native Council of PEI
- Restaurants Canada
- Retail Council of Canada
- Canadian Union of Public Employees – PEI
- Canadian Federation of Independent Business
- PEI Federation of Labour
- Tignish Co-operative Assn. Ltd. & Home Hardware Stores (Tignish, Alberton & O’Leary)
- MacKillop Centre for Social Justice
- Greater Charlottetown Area Chamber of Commerce
- Tourism Industry Association of Prince Edward Island
- PEI Working Group for a Livable Income
- Private Citizen – AK
- Private Citizen – BLG
- Private Citizen – BT
- Private Citizen – DM
- Private Citizen – EAG
- Private Citizen – ML
- Private Citizen – SO
- Private Citizen – SW

Oral Submissions

- Canadian Union of Public Employees – PEI
- Restaurants Canada
- PEI Federation of Labour

Minimum Wages in Canada

Jurisdiction	Effective Date	Rate per Hour
PE	1 January 2023	\$14.50
	1 October 2023	\$15.00
NL	1 April 2023	\$14.50
	1 October 2023	\$15.00
NB	1 April 2023	\$14.75
NS	1 April 2023	\$14.50
	1 October 2023	\$15.00
QC	1 May 2023	\$15.25
ON	1 October 2022	\$15.50
	1 October 2023	\$16.55
MB	1 April 2023	\$14.15
	1 October 2023	\$15.30
SK	1 October 2022	\$13.00
	1 October 2023	\$14.00
	1 October 2024	\$15.00
AB	1 October 2018	\$15.00
BC	1 June 2023	\$16.75
NU	1 April 2020	\$16.00
NT	1 September 2021	\$15.20
YK	1 April 2023	\$16.77
Federal	1 April 2023	\$16.65*

Last updated 12.07.23

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 are some of the resources the board consulted during the 2023 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.

- 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/>
- Nova Scotia Minimum Wage Review Committee (2022, December). *The Nova Scotia Minimum Wage Review Committee Report*. Province of Nova Scotia. ISBN: 978-1-77448-423-0 <https://novascotia.ca/lae/pubs/docs/minimum-wage-review-committee-report-december-2022-en.pdf>
- PEI Statistics Bureau (2023, February 3). *Labour Force Survey Annual Report 2022* <https://www.princeedwardisland.ca/en/publication/labour-force-survey-annual-report>

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

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. (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 (2023-06-08). *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 (2023-01-06). *Table 14-10-0064-01 Employee wages by industry, annual*.

Statistics Canada (2023-03-30). *Table 14-10-0204-01 Average weekly earnings by industry, annual*.

Statistics Canada (2023-06-08). *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*.

Statistics Canada (2023-01-17). *Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted*.

Statistics Canada (2023-07-18). *Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted*. Extracted data for Prince Edward Island.

Statistics Canada (2023-02-20). *The Canadian Consumer Price Index Reference Paper*. Catalogue no. 62-553-X. ISBN 978-0-660-29334-9. <https://www150.statcan.gc.ca/n1/en/pub/62-553-x/62-553-x2023001-eng.pdf?st=A3Jp1-DG>

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.

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