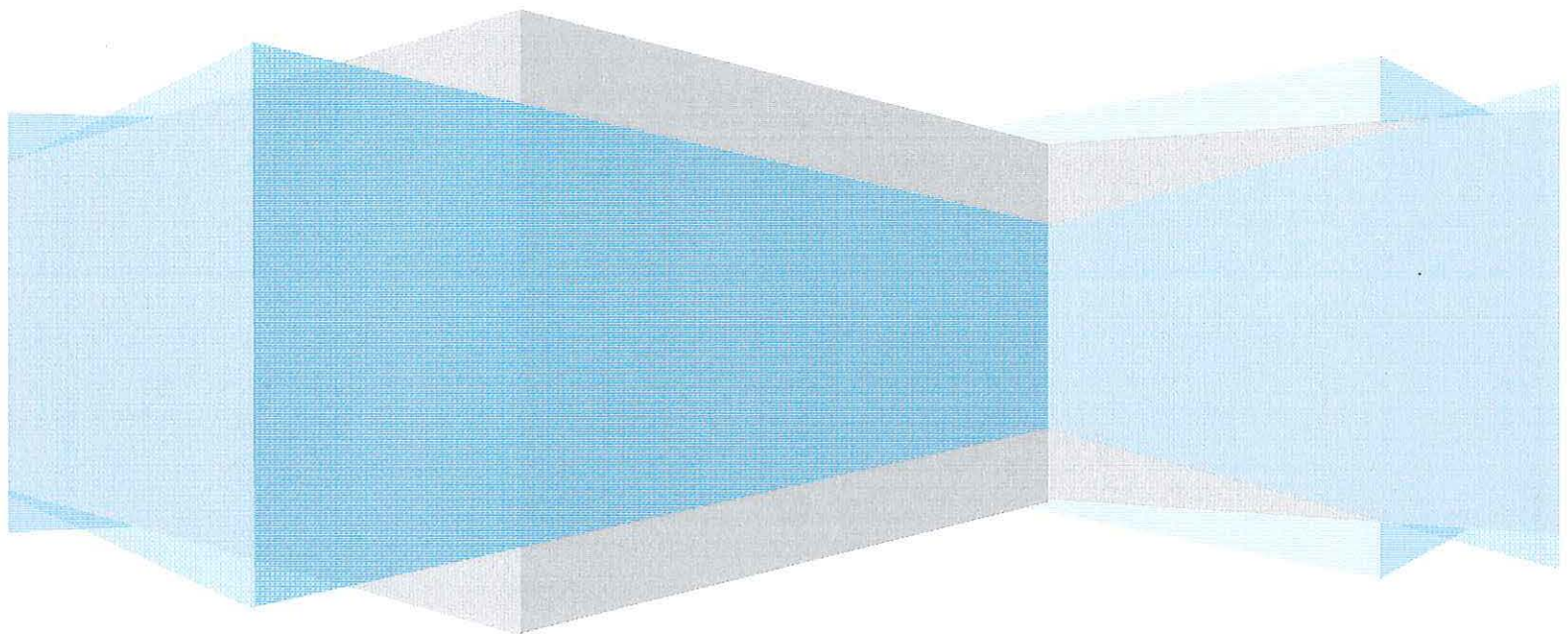


**Prince Edward Island  
Employment Standards Board**

**2021**

**Minimum Wage  
Review Report**



The Prince Edward Island Employment Standards Board (the Board), at its annual meeting on 23 September 2021, reviewed the Minimum Wage Order as prescribed by sections 5(1), 5(2), and 5(3) of the Prince Edward Island *Employment Standards Act* (the Act), as amended in 2019 (Bill No. 104).

The Board “shall meet at least once a year to review the Minimum Wage Order and, in conducting a review, shall solicit written and in-person submissions from the public (s.5.2). Consistent with that statutory mandate, this report summarizes the Board’s 2021 review and provides formal recommendations for the minimum wage and other items set out in the Act.

Under existing legislation, the Board cannot formally recommend specific minimum wage rates for multiple future years. Mandated annual reviews may reveal insights, economic conditions, or unforeseen circumstances that require adjustments to any long-term plan. However, the Board has been working to respect requests from multiple stakeholders for a transparent, predictable approach to setting PEI’s minimum wage. The Board received more such requests during the most recent consultation period. In its 2020 report, the Board outlined one possible approach and requested stakeholder feedback. This report elaborates on that approach and includes a potential minimum wage target to strive toward over the next few years. The Board requests additional feedback on the ideas presented herein. Readers should consider that preliminary plans and suggestions noted in this report do not bind the Board to any target or approach concerning its future, formal recommendations.

The present report includes a summary of the public consultation process and key themes identified through that process. In this report, the Board devotes attention to a predictable, transparent approach to setting the minimum wage. That issue has been significant to stakeholders representing employers, employees, and government in recent years. The Board’s formal recommendations for the coming year are presented near the end of this report.

### **Public Consultation**

Through newspaper notices and social media, the Board requested public input on adjustments to the minimum wage. Eight (8) organizations/businesses and four (4) individuals (see attached list) submitted written responses. Four (4) organizations and one (1) individual presented oral submissions. Board members appreciated those who took the time to participate in the review process, especially because some representatives fit in scheduled presentations among urgent meetings with public health authorities about measures that affected their industries. The Board also considered many social media posts about relevant issues (e.g., responses to media coverage of the 1 April 2021 minimum wage). Board members considered stakeholder views and supporting documentation relevant to the criteria prescribed by section 5(3) of the Act (e.g., cost of living change, economic conditions in the province, and poverty indicators).

Rising costs in 2021 were significant considerations during this year's review. For employees, increased prices for food, housing, and other necessities are particularly concerning. Many employers face additional, likely ongoing costs to do business due to the COVID-19 pandemic (e.g., additional cleaning costs). In some industries, employers also face limited operating capacity (e.g., restaurants and hospitality businesses). The pandemic continues to present uncertainty, and its effects have been uneven across industry sectors and employee demographic groups. Employees have had to adjust, sometimes switching to jobs in different industries. Employers have been facing labour shortages. Stakeholders speculated on possible reasons and implications of these various, dynamic conditions. Although there is general optimism for the future of the Island economy, concerns remain about the pandemic recovery and related issues such as impacts from the eventual end of much-appreciated government financial supports for individuals and businesses during the pandemic. The concept of a "livable income" was part of multiple submissions and background documents.

Along with current local issues and conditions, stakeholder consultations also revealed more long-standing and ever-important considerations for striking a balance in setting a minimum wage. These include possible benefits of a higher minimum wage, such as protection for vulnerable workers and reducing income inequality, including among women, recent immigrants, and other marginalized groups. Possible adverse effects stemming from a higher minimum wage include reduced competitiveness, especially for employers with competitors in lower-wage jurisdictions, and the possibility of reduced employment opportunities or reduced hours due to the adoption of labour-saving technology or other measures. Young and inexperienced workers may be especially affected by such changes. The Board's previous reports list additional relevant factors that were also given full consideration during this year's deliberations.

Stakeholder consultations also revealed other issues beyond minimum wage that government may also wish to consider. The proposed comprehensive review of the *Employment Standards Act* is welcome and seen as overdue by some stakeholders. Multiple stakeholders urge government officials to continue to explore other means to support low-income workers and people seeking to enter or re-enter the workforce (e.g., those struggling with addictions). Employer and employee representatives expressed appreciation for, and anticipation of, taxation changes regarding increases to the basic personal amount that provide earners with higher disposable incomes. Education about and help navigating existing social service systems was noted in some discussions, as was the need for financial literacy education.

In this year's report, the Board wishes to highlight how it might address calls for a transparent, predictable approach to setting a fair minimum wage. Employer stakeholders are not necessarily opposed to reasonable minimum wage increases. However, employers continue to request ample notification of any changes, and numerous stakeholders have advocated for a way to forecast changes to the minimum wage.

## A Transparent Approach and a Preliminary Target for 2024

The Board appreciates stakeholder submissions that provided feedback about the possible approach toward a transparent, predictable minimum wage described in the Board's 2020 report. However, most written submissions and responses during the consultation process revealed that the Board needs to make further efforts to solicit feedback on this plan. Stakeholders need more opportunities for consultation. For example, one employer organization requested in 2021, as its top priority, clarity around the "desired outcome for minimum wage... and... a long-term strategy for minimum wage... as a way to create a transparent, fair, and predictable process." However, that organization did not provide input on the approach the Board outlined in its 2020 report. In this section, the Board has attempted to make this material more salient and respectfully requests that stakeholders share their perspectives on the following approach.

- A target for the minimum wage?

The Act requires the Board to consider "... the cost to an employee of purchasing the necessities of life, including housing, food, clothing, transportation and health care and supplies" (s.5.3.a) and "measures of poverty and the ability to maintain a suitable standard of living" (s.5.3.c). The Board must also consider economic conditions and "the concept of a reasonable return on private investment" (s.5.3.b).

Poverty was a theme raised in multiple submissions and the Board's background documents. The Board recognizes that poverty is a broad social issue that will not be eradicated solely through minimum wage orders. Still, the Board acknowledges the argument that viable employers in this jurisdiction should not be allowed to rely on poverty wages. These considerations have informed the Board's preliminary development of a transparent approach to setting PEI's minimum wage.

As consultations on a transparent, predictable approach continue, the Board wishes to signal the possibility of a \$15/hour minimum wage recommendation to the Government of PEI by 1 April 2024, subject to change as per the mandated annual review process (described above). The Board expects that a series of increases will be needed to progress toward a target based on a transparent formula. The \$15/hour target is projected to narrow the gap between that rate and the formula-based approach described below. Moving too quickly toward a formula-based target could impose an undue burden on employers. Please note that the 2024 \$15/hour target is not intended to signal the start of increases based solely on the Consumer Price Index (CPI) after that. The Board's longer-term target is a function of the following factors.

- The Market Basket Measure (MBM) as a foundation of the minimum wage

The Board's suggested approach to setting a target minimum wage is founded on Statistics Canada's MBM, which includes local costs to provide a modest standard of living. The MBM is increasingly prominent at provincial and national levels. The Legislative Assembly's Special Committee on Poverty in PEI recommended that Statistics Canada's MBM be adopted for policy and regulatory purposes (July 2020). The MBM also plays a central role in defining low income in Canada (*Poverty Reduction Act*, 2019). The Board is not required to apply any specific indicator in setting the minimum wage, but the rationale behind and components of the MBM align with the Board's mandated criteria.

- From three MBM regions to one minimum wage for PEI

Statistics Canada uses three MBM regions for PEI. The Board is required to "fix one minimum wage for all employees" in PEI (s.5.1.a). The Board has considered options for dealing with that discrepancy (e.g., an average of MBM thresholds, population-weighted average MBM). In its 2021 deliberations, the Board adopted the highest MBM threshold in PEI as the potential basis for a minimum wage target.

- Family size

MBM thresholds are based on a family of four (two adults and two children). The Board would adopt a family size of one (i.e., an individual able to support themselves) as the family size to use when setting a statutory minimum wage. A square root equivalence scale can be applied to total MBM threshold values to estimate equivalent thresholds for different family sizes. Statistics Canada sources provide more information on such equivalence calculations. Preliminary consideration by the Board suggests that the equivalent MBM threshold for an individual is half of the MBM threshold for a family of four.

- Adjusting the MBM over time

A minimum wage formula would adopt the most recent version of the MBM, as updated periodically by Statistics Canada. Between MBM reviews, the Board plans to adjust the MBM base-year values using Statistics Canada CPI data, as necessary. Adjustments could include known annual CPI changes (i.e., past years), year-to-date CPI changes during a review period, and forecasted CPI for the year when a specific minimum wage would be in effect (2% may be the default value). Subsequent applications of the formula would include corrections for deviations between estimates and actual CPI values when the latter data become available. For example, if the projected CPI (e.g., 2%) for a given year were too low (e.g., CPI turned out to be 2.2%), the difference (e.g., 0.2%) would be reflected in the following year's calculation. That approach would also apply in cases where the forecasted value was too high. However, the Board would not reduce the minimum wage through that process.

- Accounting for taxes and deductions

The MBM uses disposable income. The reader can consult Statistics Canada sources for more information about how the most recent MBM defines and calculates disposable income. The Board's approach adjusts the MBM threshold to reflect income taxes and other payroll deductions from earnings for the present purpose. The Board's preliminary estimate is that a minimum wage earner would keep approximately 82.7% of their employment income. Consequently, the formula would divide the MBM threshold value by approximately .827 to arrive at the equivalent value before taxes and deductions. The Board would adjust the rate to reflect any changes in taxation policy or rates.

- Expressing the annual income threshold as an hourly rate

A critical consideration when using this approach to setting an hourly minimum wage rate is the number of hours worked per year. The Board has considered various options. The preliminary formula uses 1,875 hours per year (i.e., 37.5 hours per week for 50 weeks).

- Finalizing a formula-based minimum wage

The formula would likely bump the previous result to the nearest \$0.05 as a suggested minimum wage. Some stakeholders have urged the Board to keep or request that government maintain an annual review process even if a transparent formula were to be adopted as a primary consideration. A review process would allow for special adjustments due to unforeseen circumstances and detailed consideration of the assumptions and data applied in a formula for a given year.

### **Recommendations for 1 April 2022**

Rising prices during 2021 have affected employees and employers. The ongoing COVID-19 pandemic continues to present uncertainly, including to employers and employees in hard-hit sectors and demographic groups. A recent labour shortage and employers' market-based responses to attract workers provide further indications of the dynamic nature of the economy and labour market. The increased cost of living for employees and the continued uncertainty facing employers were foremost considerations for the Board. 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 \$0.70 (to \$13.70/hour) on 1 April 2022; and
- the new minimum wage rate 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 (effective 1 April 2022)

- 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

- Charlottetown Chamber of Commerce
- Retail Council of Canada
- PEI Working Group for a Livable Income
- Federation of Labour
- CUPE PEI
- Restaurants Canada
- Union of Public Sector Employees
- Tourist Industry Association of Prince Edward Island
- Private Citizen – MR
- Private Citizen – AK
- Private Citizen – LC
- Private Citizen – NB

## Oral Submissions

- Retail Council of Canada
- Federation of Labour
- CUPE PEI
- Restaurants Canada
- Private Citizen – MR



Minimum Wage		
PE	1 April 2021	\$13.00
NB	1 April 2021	\$11.75
NL	1 April 2021	\$12.50
	1 October 2021	\$12.75
NS	1 April 2021	\$12.95
QC	1 May 2021	\$13.50
ON	1 October 2020	\$14.25
	1 October 2021	\$14.35
MB	1 October 2020	\$11.90
	1 October 2021	\$11.95
SK	1 October 2020	\$11.45
	1 October 2021	\$11.81
AB	1 October 2018	\$15.00
BC	1 June 2021	\$15.20
NU	1 April 2020	\$16.00
NT	1 September 2021	\$15.20
YK	1 April 2021	\$13.85

(Last updated 30.08.21)

Source: Provincial websites

# MINIMUM WAGE ORDER

## PRINCE EDWARD ISLAND EMPLOYMENT STANDARDS ACT



1. Minimum Rates

The Minimum rate of wages for all employees shall be:

\$12.85 per hour effective 1 April 2020

\$13.00 per hour effective 1 April 2021

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.