

**NEWFOUNDLAND AND LABRADOR
MINIMUM WAGE REVIEW
COMMITTEE REPORT**

Observations and Recommendations

May 12, 2022

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The Honourable Bernard Davis
Minister Responsible for Labour
Confederation Building
P.O. Box 8700
Prince Philip Drive
St. John's, NL Canada A1B 4J6

Dear Minister Davis:

The Minimum Wage Review Committee, appointed on January 24, 2022, was requested to review input solicited from stakeholders on the minimum wage, report back with a cohesive set of observations and findings, and provide non-binding recommendations on the current adjustment process for setting minimum wage and the wage rate.

We are pleased to present the 2022 Report of the Minimum Wage Review Committee. The setting of minimum wage in the Province of Newfoundland and Labrador is important in socio-economic and business policy. It has been our privilege to undertake this review and provide our observations and recommendations. We would be pleased to discuss the content of this report with you, at your convenience.

We wish to acknowledge, with thanks, staff at the Newfoundland and Labrador Department of Environment and Climate Change, and many other provincial officials who have provided information at the Committee's request, and who continue to support the Committee's work.

Respectfully submitted by:



Lori Anne Companion
Chairperson



Edwina Bateman, Employer Representative



AnnMarie Boudreau,
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Introduction

The Minister Responsible for Labour announced the appointment of a five-member independent Minimum Wage Review Committee on January 24, 2022, to conduct a review of the minimum wage rate and current adjustment process. The Committee consisted of two employer representatives, two employee representatives, and an independent chairperson.

The Committee was mandated to gather stakeholder input on the minimum wage and provide observations, findings, and non-binding recommendations to the Minister. The Newfoundland and Labrador *Labour Standards Act, 1990* stipulates that a review of regulations respecting the minimum wage payable by an employer to an employee shall be conducted every two years. The last review was completed in January 2020.

As part of the review process, the Minimum Wage Review Committee invited stakeholders and members of the public to provide input into the review, met with numerous stakeholders, and conducted research, to inform their observations and recommendations.

Landscape

The Newfoundland and Labrador *Labour Standards Act, 1990 and Regulations*, establishes the minimum wage rate. It is a basic labour standard that sets the lowest hourly wage that an employer can pay employees. The current minimum wage rate adjustment process uses a formula-based approach linked to the percentage increase of the annual Consumer Price Index (CPI), effective April 1 of each year, as outlined in Section 8 of the *Labour Standards Act, 1990 Regulations*.

As of April 1, 2022, the minimum wage rate in Newfoundland and Labrador is \$13.20 per hour, and the minimum overtime wage rate, which is established in the *Labour Standards Act, 1990* at 1.5 times the minimum wage, is \$19.80 per hour.

Jurisdictional Scan of Minimum Wage Rates

Minimum wage rates across the country range from \$11.81 in Saskatchewan to \$16.00 in Nunavut, with six provinces and territories having reached or surpassed \$15.00 per hour. On April 1, 2022, the federal minimum wage rate was increased from \$15.00 to \$15.55 per hour. In the Atlantic Provinces, the minimum wage rates are \$12.75 in New Brunswick, \$13.35 in Nova Scotia, and \$13.70 in Prince Edward Island. As of October 1, 2022, the New Brunswick minimum wage is scheduled to increase to \$13.75, which in the absence of further increases in this Province, would result in Newfoundland and Labrador having the lowest minimum wage rate in the Atlantic region and the third-lowest of any province or territory.

Provincial Minimum Wage

On February 20, 2018, the Government of Newfoundland and Labrador (Government) announced that future increases to the minimum wage rate would be based on the annual CPI adjustment, which provided employers with predictability for future increases, and provided employees with increases linked to the cost of living. Subsequent to the review in 2020, however, Government announced four increases to the minimum wage from April 2020 to October 2021, in addition to the 2018 formula that increases the minimum wage rate relative to the National CPI. This brought

the Newfoundland and Labrador minimum wage rate in line with the minimum wage rates in Atlantic Canada at that time, moving from \$11.40 prior to April 1, 2020, to \$13.20 by April 1, 2022, as a result of the last annual CPI increase.

The Low Wage Earner Profile

The minimum wage rate impacts all low-wage earners, not just those earning minimum wage. The Committee considered all employees earning \$15.00 per hour or less as low-wage earners. Newfoundland and Labrador's population was 522,453 as of January 1, 2022. Out of the 202,900 persons employed in this province in 2021, approximately 19 per cent (37,700) earn \$15.00 or less per hour, while 7 per cent (13,900 individuals) earn minimum wage.

A breakdown of the low-wage earner shows:

- 57 per cent are female, and 43 percent are male
- 56 per cent of low-wage earners work full-time and 44 percent work part-time
- 48 per cent of low-wage earners are between the ages of 15 and 24
- 47 per cent work in retail and wholesale and 20 percent work in accommodations and food services
- 54 per cent have high school or less and 46 percent have above high school education

Source: Statistics Canada, Labour Force Survey (LFS); Newfoundland & Labrador Statistics Agency, Special Tabulation.

Looking at Low Income and Poverty

In accordance with the Minimum Wage Review Committee's Terms of Reference, consideration was given to the possible impact of minimum wage on provincial poverty reduction strategies, recognizing that poverty reduction demands a holistic approach. The relationship between poverty and minimum wage is complex. Minimum wage cannot be looked at as a stand-alone component of a poverty reduction strategy. The Committee recognizes that an increase in the minimum wage rate could affect other income-tested benefits that individuals may be receiving, such as the Child Care Subsidy Program, Newfoundland and Labrador Prescription Drug Program, Rental Supplements, and the NL Income Supplement. However, it is not easily determined how an increase in minimum wage impacts eligibility for all those programs.

The federal government has chosen the Market Basket Measure (MBM) as Canada's official poverty line. According to the MBM, a family lives in poverty if they cannot afford the cost of a specific basket of goods and services in their community. The calculation is based on the cost of that basket of goods and services individuals and families require to meet their basic needs and to achieve a modest standard of living. If the disposable income, including government transfers, of an individual or family is insufficient to meet that threshold, they are living below the poverty line. For a single individual living in Newfoundland and Labrador, this threshold was \$22,155 in 2020, which the Committee estimates would require about \$27,000 in gross income.

Source: A weighted average of the four regions, as published by Statistics Canada <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110006601>

What has happened since the last report?

Much like the rest of the world, Newfoundland and Labrador has been grappling with the effects of the COVID-19 pandemic since the submission of the last Minimum Wage Report (January 2020). During this period, many individuals, families, and businesses have experienced increased financial burdens and pressures as a direct result of the pandemic.

The Committee repeatedly heard from employers that they are experiencing unprecedented labour and supply shortages; in February 2022, Statistics Canada reported job vacancies in Newfoundland and Labrador increased by 35% from February 2021. Extended lockdowns and disruptions have resulted in months of lost sales and revenue for many businesses throughout Newfoundland and Labrador. Similarly, Newfoundlanders and Labradorians are experiencing the most significant cost of living increases in approximately three decades – resulting in increases to CPI in excess of 6 per cent during March 2022.

Over the last two years, provinces throughout the country have been moving towards a \$15.00 per hour minimum wage. In the fall of 2021, the first-ever Newfoundland and Labrador Health Accord was released, which promoted the movement toward a “living wage”. In addition, Government will be addressing poverty reduction through the development of a comprehensive Social and Economic Well-Being Plan. This approach will look beyond income and will look at overall well-being with a focus on relevant social determinants of health.

In the context of making recommendations, the Committee has carefully analyzed the changes in the landscape since the last review to ensure they were taken into consideration. Based on these factors, the Committee considered the following guiding principles to complete their review:

- Workers earning \$15.00 or less, not just those earning minimum wage, are considered low wage earners;
- Businesses need to be able to plan for changes to the minimum wage rate and they require advance notice for budget purposes;
- No one working full-time, year-round, should have an income below or at the poverty line;
- Least harm to workers so that they are not inadvertently removed or restricted from other government supports necessary to improve health and quality of life.

Methodology

In accordance with the Minimum Wage Review Committee’s Terms of Reference, the Committee conducted a review of the minimum wage rate and the adjustment process. The Committee has considered the following:

- Improving the economic well-being of low-wage earners;
- Minimizing the financial impact on employers who are the most vulnerable to increases to the minimum wage rate;
- Balancing the above through a unified, mindful, and cohesive set of recommendations.

To conduct a thorough review, the Committee considered input from employers, employees, various community stakeholders, including advocacy, labour and employer groups, as well as approaches taken in other Canadian jurisdictions for determining their adjustment process and

minimum wage rate. The possible impacts to poverty reduction strategies and the social determinants of health were also considered. Concerns related to gender, urban/rural balance, race, ethnicity, and the Labrador/Indigenous communities were considered throughout the review as well as the financial implications of the minimum wage rate on businesses.

To ensure members of the public were also able to participate, the Committee worked with engageNL to develop and launch a public survey. The Committee was proactive in engaging targeted stakeholders by requesting participation directly. Participants could choose to share feedback by completing an online questionnaire, participating in a virtual focus group, attend a virtual meeting with the Committee, or provide a written submission.

The Committee received 20 written submissions, 317 employee and 60 employer responses to the online questionnaire, held 7 virtual meetings with Government departments and stakeholders, and held two focus groups, one with employers and one with employees.

The Committee acknowledges the limitations of what could be accomplished within a 90-day timeline by an ad hoc committee.

What We Heard

The Committee reviewed and analyzed all information collected through the engagement process, from which several perspectives and common themes emerged.

Common Themes

Both employer and employee feedback acknowledged that government programming needs to be adaptive to the minimum wage rate in support of the employee and the employer.

Both groups identified that the employer should not be wholly responsible for employees reaching a “living wage.” Government programs should provide additional assistance that would enable a low-wage earner to meet their needs. Currently, access to government programs, such as the NL Prescription Drug Program, Child Care Subsidy Program, NL Housing and Rent Supplement Program, and Income Supplement, would be lost if employees’ wages reach a certain income threshold, creating a disincentive for low-wage workers to work.

Numerous presentations and submissions to the Committee referenced the social determinants of health and the role income and government sponsored programs play in affording individuals the ability to meet their basic needs. The Health Accord, input from the Department of Children, Seniors and Social Development (CSSD), and various other written submissions demonstrated the correlation between income and health and wellness outcomes.

Employer/Business/Association Feedback

There were many common themes in the feedback provided by employers throughout the Committee’s review process. The majority of employers felt strongly that increases to the minimum wage rate remain linked to the annual CPI adjustment and that it be the sole determinant of future minimum wage increases, as it provides predictability and notice for budget planning.

Many business owners identified that increases to the minimum wage are extremely challenging, particularly for smaller businesses which could be forced to shut down, reduce hours for staff, reduce the number of staff, or increase prices due to increased labour costs. It was repeatedly noted that Government should provide support for small businesses, such as providing tax breaks or other assistance to offset the cost of labour. More than 80 per cent of the survey respondents were clear that increases in the minimum wage would have a negative impact on their business.

While many businesses indicated they currently pay above the minimum wage rate, they acknowledged that any increase to the minimum wage rate leads to an overall increase in employee wages, creating a ripple effect and increasing costs for business.

A number of employers reported experiencing challenges in hiring and retaining employees due to the financial support that was made available to individuals by the Federal Government throughout the COVID-19 pandemic. This resulted in employers working more hours themselves, reducing operating hours and profit.

There was a divided opinion whether an increase to the minimum wage would stimulate the economy. Some said it would mean more money being spent in the local economy, while others said it would drive up the cost of basic necessities, therefore, limiting spending. There was consensus among survey respondents that the current business climate in NL was bleak—the cost of living, COVID-19, labour shortages and many other factors are negatively impacting business confidence and making it very challenging to feel inspired or motivated to operate a business.

Employees/Labour/Advocacy Feedback

There was a broad consensus among employees, labour, and advocacy organizations that the minimum wage rate needs to be significantly higher, at least \$15.00 an hour, and on the way to a living wage, with annual cost of living increases. A living wage is seen by many as a means of addressing poverty and homelessness, the social determinants of health, and the negative impacts on women, Indigenous, racialized, youth, workers with disabilities, and other marginalized workers.

In the past, the minimum wage rate has been set far below the poverty line, and increases have not been sufficient to lift workers out of poverty. Consequently, tens of thousands of low-wage earners across the province must rely on food banks, income supports, and/or social housing, in order to support their families and make ends meet.

The social determinants of health have a significantly greater influence on health outcomes than other factors, and income is widely seen as the most important determinant. Income is also the largest contributing factor to food insecurity, another social determinant of health. Increasing the income of low-income households has proven to effectively reduce household food insecurity.

The negative financial impact of the current minimum wage rate on youth and students, in particular the 18-24 age group, was clearly expressed noting that students are not working for pocket money. They are working in predominantly low wage jobs and struggling to afford rising tuition costs and ever-increasing living expenses.

Women constitute the majority of minimum wage earners in Newfoundland and Labrador, and it was reported to the Committee that this province has the highest gender wage gap in Canada. Some respondents indicate that the current minimum wage rate contributes to significant wage gaps for women, gender-diverse, Indigenous, migrants, those with disabilities, and/or racialized workers. Living on minimum wage often means housing instability and food insecurity, as well as being trapped in situations of intimate partner violence. It was noted that a significant increase in the minimum wage rate would directly contribute to increased economic stability and quality of life for these workers and their families.

Many respondents consider the current minimum wage rate to be a poverty wage and that minimum wage workers should be able to provide the necessities for themselves and their families, as well as have something left over at the end of the month. The Committee heard that minimum wage workers cannot get ahead or plan for their future, noting the stress of trying to get by on minimum wage has negative impacts on the physical and mental health of workers.

Committee Discussion

While Newfoundlanders and Labradorians may now be in what some describe as the ‘recovery’ phase of the COVID-19 pandemic, it is clear that the past two years have had a tremendous impact on the Newfoundland and Labrador economy. Both employers and workers have felt the effects of lockdowns, layoffs and price increases, particularly smaller businesses, and minimum to low-wage earners. Employers maintain there is a labour shortage and an inability to find people to work. Employees have indicated jobs are not paying a livable wage and with the increases in the cost of living, it is very challenging financially. These issues were leading considerations for the Committee in this review.

Concerns were expressed that the national CPI was not the best reflection of the inflation experienced locally in Newfoundland and Labrador. The CPI represents changes in prices as experienced by Canadian consumers. It measures price change by comparing, through time, the cost of a fixed basket of goods and services. Feedback provided through the engagement process also addressed the possible disconnect between the actual rate of inflation in the province and the national CPI. The Committee agrees with the feedback received that while using CPI is the appropriate method for calculating the annual cost of living increases, provincial CPI should be used rather than the national.

Aside from annual increases to the minimum wage linked to CPI, the Committee questioned if the current base rate is the correct starting point. Concerns were expressed that those earning minimum wage are living below the poverty line. While the minimum wage rate is not the only determinant of an individual’s or family’s ability to meet their basic needs, the Committee agrees that a full-time minimum wage worker should earn an income above the poverty line, excluding any government transfers or social supports the worker may receive.

The Committee recognizes that any increase to the minimum wage rate cannot happen in isolation. As the minimum wage rate changes, a review of thresholds for social programs to avoid loss of eligibility for these much-needed supports is required. These income-tested programs include, but are not limited to, NL Prescription Drug Program, Child Care Subsidy Program, as

well as rental and income supplements. These benefits and programs could be seen as ways for Government to bridge the gap between minimum wage and a living wage.

Concerns were expressed by employers that increases to minimum wage must be as predictable as possible with appropriate notice to allow time to plan for adjustments. The Committee recognized that bridging the gap between minimum wage and a living wage should not rest solely with the employer. There was significant discussion about how Government can provide transitional support to smaller, vulnerable businesses to lessen the impact of a significant increase to the base minimum wage rate, at a time when costs, in addition to labour, are expected to continue to rise. It was recognized that an increase in the minimum wage rate would also place upward pressure on the wages of those earning close to minimum wage.

As of October 1, 2022, the minimum wage rate in Newfoundland and Labrador will be the lowest in Atlantic Canada. Nova Scotia will move to a \$15.00 minimum wage by April 1, 2024. The Committee recognized that it is not advantageous for Newfoundland and Labrador to have the lowest minimum wage rate in Atlantic Canada – we must be competitive and foster a market that is attractive for Newfoundlanders and Labradorians to stay and/or return, as well as attract newcomers.

The Committee is aware of the limitations of an ad hoc committee working within a 90-day timeline to adequately review the minimum wage rate, consult and work with Government departments and programs impacted by the recommendations. It was recognized that a Standing Minimum Wage Review Committee, tasked with conducting an ongoing review of the minimum wage rate would be beneficial. A standing committee, with members serving for a specified term, but a minimum of two years, would enable ongoing evaluation of minimum wage and changes to policies and programs that affect minimum wage earners, and be prepared to conduct a timely and more in-depth review, taking into consideration factors beyond what the current process and timing permits.

The Committee also notes the difficulties in determining the impact of any changes in the minimum wage rate on eligibility for other government-sponsored programs. An interdepartmental approach which can easily identify the eligibility for government-sponsored programs for low-wage earners and others, as minimum wage and other policy initiatives change would be beneficial in future minimum wage rate assessments.

Recommendations

Based on the comprehensive analysis of stakeholder input and subsequent deliberations, the Committee recommends the following:

Recommendation #1

That the minimum wage rate be adjusted by:

- the percentage change in the annual Provincial Consumer Price Index and to a minimum of \$14.50 per hour on April 1, 2023;
- \$0.50 to \$15.00 per hour on October 1, 2023;

- the percentage change in the annual Provincial Consumer Price Index plus 1% on April 1, 2024, and April 1 for each year thereafter until the next review is completed.

Rationale:

Full-time employees earning minimum wage should, at a minimum, receive an income that exceeds the poverty line. Increases to the base minimum wage rate, over and above the amount provided by the annual CPI increase are deemed necessary to achieve this goal.

The Committee is recommending the first of the above increases should take effect on April 1, 2023, to provide ample notice for employers and Government to plan and allocate budgetary requirements. A full-time worker earning \$15.00 an hour would have an annual income approximately 10 percent above single person equivalency of the weighted average of the Statistics Canada NL Market Basket Measure, excluding government transfers.

The additional 1% along with the CPI increase for April 1, 2024, addresses the lag in CPI increases, as CPI data is based on the previous year's rate of inflation.

Recommendation #2

That Government provide short-term financial support to small employers of 20 employees or less, who may be detrimentally impacted by increases in labour costs.

Rationale:

Employers will have to absorb the increased labour costs resulting from the minimum wage adjustments and will require assistance for a transition period. With the ongoing challenges experienced by smaller employers, it is anticipated that some will not be able to adapt to the additional cost of labour in the short term and will require financial support from Government to bridge the gap. This review took into consideration the potential need for support outside existing programming.

Recommendation #3

That the annual cost-of-living adjustment to the minimum wage rate should be based on the provincial rather than national CPI.

Rationale:

The purpose of the annual CPI Increase is to adjust the minimum wage rate to reflect increases to the cost of living. The provincial CPI will better reflect increases to the cost of living in Newfoundland and Labrador than would the national CPI and reduce any misalignment when national CPI is not fully reflective of provincial costs.

Recommendation #4

That Government, in response to the above recommended increases in the minimum wage rate:

- review the eligibility and income thresholds of social policies and programs;

- update policies and programs to ensure consistent and appropriate eligibility and income thresholds;
- that the review include, but not be limited to, Newfoundland and Labrador Prescription Drug Program, Newfoundland and Labrador Housing programs, Newfoundland and Labrador Income Supplement, and Child Care Subsidy;
- develop an interdepartmental model that will readily identify the impact on low-wage earners for eligibility for government programs, as minimum wage and other social and economic policy initiatives change.

Rationale:

The Minimum Wage Review Committee was tasked to consider the possible impacts of minimum wage on poverty reduction strategies and the social determinants of health. With the above-recommended minimum wage increases, minimum wage earners continue to remain low-wage earners, and continued access to government income-tested social programs are necessary to meet basic needs. It is important to offset any potential negative financial impacts when increasing the minimum wage rate, so as not to create disincentives to work and maintain employee attachment to the labour force.

Recommendation #5

That Government appoint a Standing Minimum Wage Review Committee and the Committee;

- be comprised of two employer representatives, two employee representatives and an independent Chairperson;
- be mandated to advise on all matters related to minimum wage including a review of the minimum wage rate and the adjustment process on an ongoing basis;
- meet quarterly in preparation for the biennial minimum wage review report.

Rationale:

A holistic discussion on minimum wage, particularly in the context of poverty reduction strategies and other important social and policy initiatives, such as the newly released Health Accord, is required. Continual review and monitoring of the minimum wage is required. A Standing Minimum Wage Review Committee, tasked to regularly review factors that both impact, and would be impacted by, changes to the minimum wage, as well as collaborate with other departments and programs including poverty reduction strategies and any future movement towards a living wage.

This approach would improve the institutional knowledge on minimum wage over time, thus improving the continuity and efficiency of the biennial review. An integrated analysis of program policies and development focused on individual and family financial and health well-being, and the minimum wage is necessary to identify potential impacts on individuals and families. In addition, regular monitoring would enable a quick response to market fluctuations, if necessary.

Another benefit to a standing committee would be the ability to consider aspects of the minimum wage rate that require a more detailed and in-depth examination, such as the possibility of a distinct minimum wage rate to reflect the significantly higher cost of living in Labrador. This is

beyond the capacity of an ad hoc Committee due to the limited timeline for completion of their review.

A Standing Minimum Wage Review Committee would also reduce the administrative burden placed on Government departments in setting up a Minimum Wage Review Committee every two years.

Conclusion

The Committee acknowledges that the above recommendations will involve action by a number of government departments. Nonetheless, it is the consensus of the Committee that these recommendations should be considered and acted upon together. Determining an appropriate minimum wage rate for Newfoundland and Labrador cannot be done in isolation from other policy decisions.

Finally, the Committee would like to express its sincere appreciation to employers, employees, community stakeholders and advocacy groups for their valuable contributions to the minimum wage review process. The Committee gave due consideration to the survey responses, focus groups, presentations and submissions received and has strived to reflect all voices in this report.