

NEWFOUNDLAND & LABRADOR
MINIMUM WAGE ADVISORY COMMITTEE
OBSERVATIONS AND FINDINGS
2012

October 29, 2012

Honourable Darin King, M.H.A.
Minister Responsible for the Labour Relations Agency
PO Box 8700
3rd Floor, Beothuck Building
20 Crosbie Place
St. John's, NL
A1B 4J6

Dear Minister King:

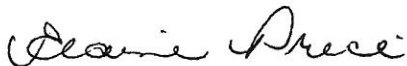
This Committee was mandated to solicit and receive submissions on the minimum wage, to make observations and findings, and to report back to you by mid-fall 2012.

Please find our views enclosed for your consideration. We trust the report will assist Government in its decision-making and we thank you for the opportunity to contribute our perspective on this important issue.

Sincerely,



Blair Patrick, Chair



Elaine Price, Employee Representative



John Peddle, Employer Representative

MANDATE

On August 3rd, 2012, the Honourable Terry French, then Minister Responsible for the Labour Relations Agency, announced the appointment of an advisory committee (Committee) on the minimum wage.

The Committee was constituted with a chairperson, employer member and employee member. Its Terms of Reference directed it to solicit and receive written submissions on the minimum wage from employees, employers, interested stakeholders and members of the public until September 15, 2012, and to deliver its observations and findings to the Minister by mid-fall 2012.

HISTORY AND DEMOGRAPHIC PROFILE

The minimum wage in Newfoundland & Labrador is established under the *Labour Standards Act* and *Labour Standards Regulations*. It is currently set at \$10.00/hr with the minimum overtime wage fixed at 1.5 times that amount, at \$15.00/hr. There are no “differential” minimum wages for specific sectors, occupations or experience levels.

The minimum wage rate has nearly doubled over the past decade. A minimum wage that was \$5.50/hr at the beginning of 2002 now stands at \$10.00/hr. Increases to the minimum wage have typically been preceded by significant periods of notice to stakeholders and the public. The most recent series of increases was announced on June 30, 2008,¹ taking place over the course of 2009 and 2010 and providing two years of predictability on minimum wage levels.

In 2011 there were 19,700 minimum wage earners in Newfoundland & Labrador out of 204,100 total employees.² The so-called “incidence” of persons earning minimum wage rose from 7.8% in 2008 to 11.0% in 2010, before falling back to 9.7% in 2011.³ Among provinces, New Brunswick also had an incidence of 9.7% in 2011 with only Ontario higher at 10.3%.⁴ The Committee notes, however, that an increase in incidence is not necessarily a negative indicator. This Province was among the first jurisdictions in Canada to reach \$10.00/hr in 2010 and the Committee is not surprised that as the minimum wage rose in 2009 and 2010 more people earned it.

The gender distribution of employees in Newfoundland & Labrador was roughly equal in 2011 with women constituting 50.6% of all employees and men accounting for 49.4%.⁵ However, women were the clear majority of those earning minimum wage in this Province, comprising 60.4% of such earners compared to 39.6% for men.⁶ Women are thus significant stakeholders in minimum wage decision-making.

Minimum wage also appears highly relevant to many youth in this Province. In absolute terms there were about 8,500 persons earning minimum wage in each of the 15-24 and 25-54 age categories in 2011.⁷ However, minimum wage earners constituted 31.1% of employees aged 15-24 while they constituted only 6.0% of employees aged 25-54.⁸ A significant proportion of youth are thus directly impacted by the minimum wage.

From a geographic perspective, 55.3% of those earning minimum wage in Newfoundland & Labrador were from rural areas in 2011 while 44.7% were from urban centres.⁹ The numbers were not markedly different five years before with a 50.7%/ 49.3% rural/urban split in 2006.¹⁰

JURISDICTIONAL REVIEW

General Minimum Wage Rates

The current minimum wage of \$10.00/hr is the most common rate in Canada. In Atlantic Canada, New Brunswick and Prince Edward Island are also at \$10.00/hr with Nova Scotia at \$10.15/hr. The Committee notes that when Newfoundland & Labrador reached its current level on July 1, 2010, it had the second highest provincial minimum wage in the country, illustrating how rapidly the jurisdictional picture can change.¹¹

Province/Territory	General Minimum Wage Rate (\$/hr)
Alberta	\$9.75
British Columbia	\$10.25
Manitoba	\$10.25
New Brunswick	\$10.00
Newfoundland and Labrador	\$10.00
Northwest Territories	\$10.00
Nova Scotia	\$10.15
Nunavut	\$11.00
Ontario	\$10.25
Prince Edward Island	\$10.00
Quebec	\$9.90
Saskatchewan	\$9.50 (\$10.00 effective Dec. 1, 2012)
Yukon	\$10.30

Differential Minimum Wage Rates

Roughly half of provinces and territories also have “differential” minimum wage rates which apply based on specific criteria such as occupation, sector or experience level.

These rates are typically lower than the otherwise applicable general rate, such as for those who serve liquor (AB, BC, ON) or earn tips (QC). In some instances, however, the rate may in fact be the same as the prevailing general rate, even though a statute or regulation may nominally establish a separate category. Some differentials are also set by piece-rate, as opposed to hourly, such as payment based on the gross volume or weight of harvested crops (BC, QC).

The issue of a lower minimum wage for liquor servers/tip-earners has seen considerable policy attention, particularly in Western Canada. British Columbia instituted a separate rate for liquor servers in May 2011, which currently sits at \$9.00/hr compared to the general rate of \$10.25/hr. British Columbia also abolished a separate “training wage” at that time.¹² Alberta implemented a differential rate for liquor servers in September 2011, setting it at \$9.05/hr where it will remain until such time as the general rate reaches \$10.05/hr after which a \$1/hr gap will be maintained.¹³

The picture is somewhat different in Atlantic Canada. The Government of New Brunswick initiated public consultations on creating a differential rate for servers earning tips in November 2011.¹⁴ Following those consultations, in February 2012, it announced that it was not proceeding with this special wage rate.¹⁵ At present, no other Atlantic Province has a differential rate for liquor servers or those earning tips.

Province/Territory	“Differential” Minimum Wages ¹⁶
Alberta	Liquor servers; certain salespersons; domestic employees
British Columbia	Liquor servers; certain crop harvesters; live-in camp leaders; live-in home support workers; resident caretakers
Manitoba	Industrial/commercial/institutional sector of construction industry; heavy construction
New Brunswick	Government construction work; employees whose hours of work are unverifiable and who are not strictly employed on a commission basis; residential summer camp employees
Newfoundland and Labrador	N/A
Northwest Territories	N/A
Nova Scotia	Inexperienced employees; construction/maintenance employees; logging/forestry employees
Nunavut	N/A
Ontario	Liquor servers; students; homeworkers; hunting/fishing guides
Prince Edward Island	N/A
Quebec	Certain crop harvesters; employees who usually receive tips; clothing industry employees
Saskatchewan	N/A
Yukon	N/A

Indexation/Adjustment Mechanisms

Government committed in its 2011 Policy Blue Book to convene an advisory committee on the minimum wage in 2012 and every two years thereafter. Further, the *Labour Standards Act* requires the Minister Responsible for the Labour Relations Agency to review the minimum wage within two years of the coming into effect of the minimum wage regulations, or whatever shorter period that the Lieutenant-Governor in Council decides. Most jurisdictions have similar requirements prescribing when, how and by whom the minimum wage is to be reviewed.

There are, however, no legislative requirements in Newfoundland & Labrador directing how the minimum wage should be calculated. By contrast, several jurisdictions have taken steps to link their minimum wage to certain formulas or mechanisms.

Alberta has adopted a policy that it will base its decisions on a simple average of changes to Alberta's annual average weekly earnings and changes to the Consumer Price Index (CPI) in Alberta. The current minimum wage order in the Yukon provides that minimum wage will be adjusted by the annual increase, during the previous calendar year, in the CPI for Whitehorse. Nova Scotia has issued new regulations which index its 2012 minimum wage to the Low Income (Before Tax) Cut-Off (a Statistics Canada measure) and thereafter adjusts it based on annual changes to the CPI for Canada. Finally, Saskatchewan recently confirmed that it is considering indexing its minimum wage.

Province/ Territory	Indexation/Adjustment Mechanisms ¹⁷
Alberta	In June 2011, government announced that it will base future decisions on a simple average of changes to Alberta's annual average weekly earnings and changes to the Consumer Price Index in Alberta. Changes would occur September 1 each year and would be announced with three months notice. ¹⁸
Nova Scotia	<p>A minimum wage review committee conducts annual reviews of the minimum wage and submits a report to the Minister with recommendations. The report and the Minister's response to that report must be made public within specified timeframes. The latest report was issued in January 2012.¹⁹ Government issued new regulations in 2011 that establish a minimum wage indexation mechanism, as follows:</p> <ul style="list-style-type: none"> o Effective April 1, 2012, the rate for experienced employees was set at the hourly wage rate at which an experienced employee who is earning minimum wage for 2000 hours per year will earn income at the Low Income (Before Tax) Cut-Off, adjusted by the projected Consumer Price Index for 2011 and rounded to the nearest \$0.05. The rate for inexperienced employees was set at \$0.50/hr below the rate for experienced employees. o Every April 1 thereafter, the rate for experienced employees would be adjusted by the % change in the projected annual Consumer Price Index (all-items, Canada) for the calendar year immediately preceding the year in which the adjustment occurs, and rounded to the nearest \$0.05. The rate for inexperienced employees would be \$0.50/hr below the rate for experienced employees. o The indexing mechanism cannot result in a decrease to the minimum wage. o The Minister must provide public notice of any adjustments no later than January 31 of each year.
Saskatchewan	A minimum wage board is mandated to review and make recommendations to the Minister on the minimum wage at least once every two years. In February 2011, the board recommended adjusting the minimum wage according to the annual increase in Saskatchewan CPI in a calendar year. ²⁰ In October 2012, government indicated that it will review the hourly minimum wage on a year-to-year basis, and is still actively considering indexing the minimum wage. ²¹
Yukon	An employment standards board may, from time to time, make orders fixing the minimum wage paid by employers to employees, which must be approved by Cabinet. The current order provides that on April 1 of each year, the minimum wage will be adjusted by the annual increase, during the previous calendar year, in the Consumer Price Index for Whitehorse.

PUBLIC AND STAKEHOLDER FEEDBACK

Feedback on the minimum wage was provided by website, e-mail, regular mail and telephone. The views of employees, employers, labour groups, business stakeholders, women's organizations and students were among those received. Two key umbrella stakeholder organizations, the Newfoundland & Labrador Federation of Labour and the Newfoundland & Labrador Employers' Council, appeared before the Committee. There were over 600 responses in total, all of which were reviewed and considered.

Considerable variation existed as to whether and by how much the minimum wage should increase. Various employers were opposed to an increase, citing such factors as the impact of an approximate 67% increase in the minimum wage since 2005 and other cost pressures. Many employees and other stakeholders supported an increase, citing such factors as the rising cost-of-living in the Province and the need to attract and retain workers. There were also differing opinions on the timing of any change. While some called for incremental increases preceded by significant periods of notice, others called for the minimum wage to be increased immediately. Opinion was also divided on whether this Province should depart from its universal minimum wage and implement "differential" wage rates based on sector, occupation or experience level.

There did appear to be agreement among many stakeholders, however, that minimum wage decision-making should be tied to some objective measure. Suggestions included linking the minimum wage to:

- CPI for Newfoundland & Labrador;
- basic CPI items only (food, shelter, clothing & transportation);
- a provincial equivalent of the Bank of Canada Canadian Core Index; or
- increases in the Newfoundland & Labrador average hourly wage.

OBSERVATIONS AND FINDINGS

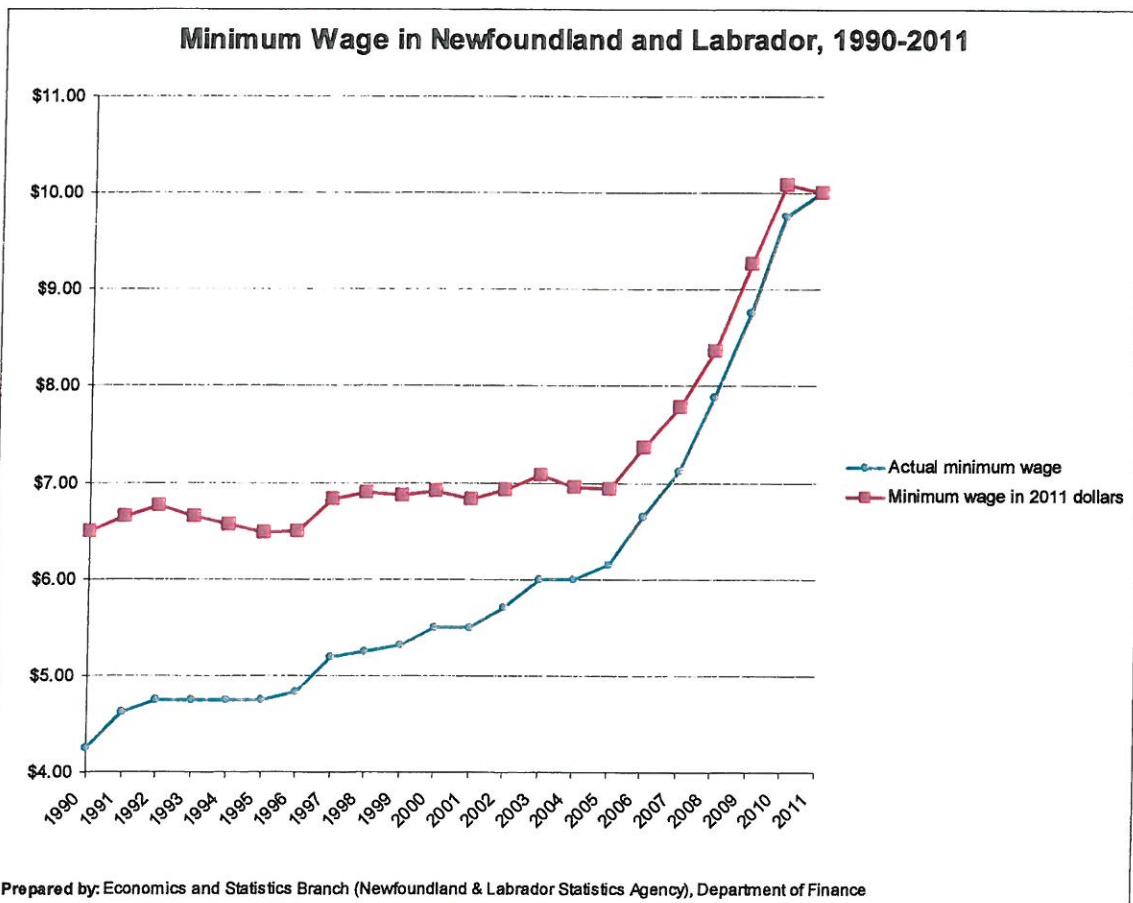
#1 The Committee recommends that the minimum wage be increased in 2013 to reflect the loss of purchasing power in the minimum wage since 2010. The increase should be preceded by at least six months notice to stakeholders and the public.

The last increase to the minimum wage occurred more than two years ago on July 1, 2010. While the \$10/hr minimum wage is still comparable with the rest of the country, other jurisdictions have planned or implemented increases above that threshold. The Committee has weighed the views of stakeholders and recommends an increase to reflect the loss of purchasing power in the minimum wage since 2010. It also recommends that at least six months notice be provided in advance of implementation.

#2 Beginning in 2014, the Committee recommends that the minimum wage be adjusted annually based on the previous year's all-items Consumer Price Index for Newfoundland & Labrador. Adjustments would be announced to the public by January 31 of each year and implemented on May 1 of each year. They would be rounded to the nearest \$0.05.

There were various formulas and mechanisms suggested by those participating in this review. A common theme in many submissions, however, was that inflation should be accounted for in setting the minimum wage.

The chart below shows the minimum wage in both actual and constant dollar (2011) terms, i.e. controlling for inflation. There have been periods where the constant dollar minimum wage has increased, and periods where it has decreased. To see an example of how the real value of minimum wage can erode through inflation, one sees that the actual minimum wage stayed at \$4.75 in the early 1990s and its real value eroded over time.



Perhaps the most common measure of inflation is the CPI, which is currently used for setting the minimum wage in Alberta, Nova Scotia and the Yukon. It is a known quantity to many employers, employees and investors. In this Province, the % change (year-over-year) in the all-items CPI for Newfoundland & Labrador is published by the Newfoundland & Labrador Statistics Agency. In the past decade this measure has ranged from a low of 0.3% to a high of 3.4%.

Rate of Inflation, Percent Change, Year over Year, Consumer Price Index, All-Items, Newfoundland & Labrador (2002=100)	
Year	Annual Change
2002	2.4%
2003	2.9%
2004	1.8%
2005	2.7%
2006	1.8%
2007	1.5%
2008	2.9%
2009	0.3%
2010	2.4%
2011	3.4%

Source: Statistics Canada, Consumer Price Index, CANSIM Table 326-0020
 Prepared by: Economics and Statistics Branch (Newfoundland & Labrador Statistics Agency), Department of Finance

The Committee recommends that beginning in 2014 the minimum wage be adjusted annually based on the previous year's all-items CPI for Newfoundland & Labrador. Annual adjustments are preferable to waiting numerous years between increases which may lead to cumulatively large changes.

The adjustments would be announced to the public by January 31 of each year and implemented on May 1 of each year. They would also be rounded to the nearest \$0.05 (as is the practice in Nova Scotia) which would help simplify payroll calculations. The Committee does not recommend that the mechanism be used to decrease the minimum wage - if deflationary pressures arose Government could address that scenario if and when it occurred.

Linking the minimum wage to this mechanism will provide a measure of stability and predictability to minimum wage policy that will benefit all stakeholders.

ENDNOTES

- ¹ Department of Human Resources, Labour and Employment, Government of Newfoundland and Labrador, News Release, "Government Meets Minimum Wage Commitment" (30 June 2008), online: <http://www.releases.gov.nl.ca/releases/2008/hrle/0630n05.htm>
- ² Statistics Canada, Labour Force Survey. N.B. Statistics Canada collects data on those earning "minimum wage or less" which is described in this report as "minimum wage".
- ³ *Ibid.*
- ⁴ *Ibid.*
- ⁵ *Ibid.*
- ⁶ *Ibid.*
- ⁷ *Ibid.*
- ⁸ *Ibid.*
- ⁹ *Ibid.* N.B. Statistics Canada refers to Census Metropolitan Area/Census Agglomeration (CMA/CA), which is described as "urban" in this report, while non-CMA/CA is described as "rural".
- ¹⁰ *Ibid.*
- ¹¹ Department of Human Resources, Labour and Employment, Government of Newfoundland and Labrador, News Release, "July 1 Marks Achievement of Minimum Wage Commitment" (30 June 2010), online: <http://www.releases.gov.nl.ca/releases/2010/hrle/0630n02.htm>
- ¹² Office of the Premier, Government of British Columbia, News Release, "Premier announces increase to minimum wage" (16 March 2011), online: http://www2.news.gov.bc.ca/news_releases_2009-2013/2011PREM0019-000267.htm
- ¹³ Government of Alberta, News Release, "Alberta's minimum wage to increase in September" (1 June 2011), online: <http://alberta.ca/home/NewsFrame.cfm?ReleaseID=/acn/201106/305954CB2E5ED-A0EB-319C-27D6B1B404F212DF.html>
- ¹⁴ Department of Post-Secondary Education, Training and Labour, Government of New Brunswick, News Release, "Revised/Consultation on tip differential minimum wage" (2 November 2011), online: http://www2.gnb.ca/content/gnb/en/news/news_release.2011.11.1169.html
- ¹⁵ Department of Post-Secondary Education, Training and Labour, Government of New Brunswick, News Release, "Minimum wage to increase to \$10 per hour" (23 February 2012), online: http://www2.gnb.ca/content/gnb/en/news/news_release.2012.02.0138.html
- ¹⁶ The legislation and associated policy material for each jurisdiction should be consulted for details on the applicable rates and qualifying conditions.
- ¹⁷ The legislation and associated policy material for each jurisdiction should be consulted for details on the indexation/adjustment mechanisms.
- ¹⁸ Government of Alberta, News Release, "Alberta's minimum wage to increase in September" (1 June 2011), online: <http://alberta.ca/home/NewsFrame.cfm?ReleaseID=/acn/201106/305954CB2E5ED-A0EB-319C-27D6B1B404F212DF.html>
- ¹⁹ Nova Scotia, *Minimum Wage Review Committee Report* (12 January 2012), online: <http://www.gov.ns.ca/lae/employmentrights/docs/MWRC2012.pdf>
- ²⁰ Saskatchewan, *Saskatchewan Minimum Wage Board Report on Indexation 2011* (28 February 2011), online: <http://www.gov.sk.ca/adx/asp/adxGetMedia.aspx?mediaId=1388&PN=Shared>
- ²¹ Government of Saskatchewan, News Release, "Saskatchewan Minimum Wage Increases to \$10 an Hour on December 1" (1 October 2012), online: <http://gov.sk.ca/news?newsId=78adbfec-66c3-42c4-9e8e-8b1f37b611cb>