

Newfoundland & Labrador Minimum Wage Review Committee

Observations and Recommendations

January 17 2020



January 17, 2020

Honorable Christopher Mitchelmore  
Minister  
Department of Advanced Education, Skills and Labour  
P.O. Box 8700  
St. John's, NL A1B 4J6

Dear Minister Mitchelmore,

On October 16, 2019, you appointed the Minimum Wage Review Committee to solicit stakeholder input on the minimum wage and to report observations and findings and provide recommendations on the current adjustment process for setting the minimum wage and the wage rate.

Please find the enclosed report which outlines findings and our recommendations concerning the future of minimum wage in the province. We hope this report will assist government in their decision making, and we are grateful for the opportunity to contribute our perspectives on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Tessier". The signature is fluid and cursive, written in a professional style.

Stephen Tessier, Chairperson



# Table of Contents

- Mandate ..... 7
- Newfoundland and Labrador Context..... 7
- Jurisdictional Review ..... 10
- What We Heard ..... 12
  - Stakeholder meetings ..... 13
    - Employee ..... 13
    - Employer ..... 16
- Written Submissions ..... 21
  - Employee Position ..... 21
  - Employer Position ..... 24
- Survey Results ..... 26
- Employer Recommendations ..... 30
- Employee Recommendations ..... 35
- Conclusion..... 43
- Annex A: Stakeholders Meeting ..... 46
- Annex B: Index of Reports Received ..... 47
- Annex C: Online Survey Results ..... 48



# Mandate

On October 16, 2019, the Department of Advanced Education Skills and Labour announced the appointment of the Minimum Wage Review Committee to solicit stakeholder input on the minimum wage and to report to observations and findings and provide recommendations on the current adjustment process for setting the minimum wage and the wage rate, by fall of 2019.

To complete this work the Committee completed targeted consultation to solicit input on the minimum wage from employees, employers, and interested stakeholders; and, examined relevant Canadian jurisdictional approaches to the minimum wage adjustment process and rate. The Committee made efforts to give consideration to a number of vulnerable issues. This includes the possible impacts of minimum wage to poverty reduction strategies; gender, urban / rural balance, as well as Labrador/ Indigenous concerns.

## Newfoundland and Labrador Context

The minimum wage rate is the lowest wage an employer can pay to an employee in Newfoundland and Labrador. The minimum wage rate is established under the *Labour Standards Act, 1990* and *Regulations*. Currently the minimum wage in the province is \$11.40 per hour, with the minimum overtime rate set at \$17.10. This is the second lowest minimum wage in the country and the lowest in the Atlantic region. There is only one minimum wage in the province. In some other Canadian jurisdictions there are “differential” minimum wages established based on industries, age or level of job experience. On February 20, 2018, government announced that future increases to the minimum wage would take effect April 1 of each year, and would be based on

the percentage change in the National Consumer Price Index (CPI). Linking the minimum wage rate provided business with a predictable indicator of future increases to the minimum wage, while also providing employees with regular increases that were in keeping with increases to the cost of living.

The population of Newfoundland and Labrador was 525,604 in July 2018. The Newfoundland and Labrador Statistics Agency (NLSA) compiled data from the Labour Force Survey of Statistics Canada and reports that in 2018 there were 205,900 workers in the province, 13,200 work for minimum wage (6.4 per cent). 6,000 (46 per cent) minimum wage earners are male, and 7,200 (54 per cent) are female. 48 per cent of these workers work full-time and 52 per cent work part-time. Sales and accommodation/ food service industry are the largest employers of minimum wage workers; 24 per cent work in accommodations and food service work, while 46 per cent work in the wholesale and retail industry. A summary of minimum wage earners by age can be found in the table below.

<b>Labour force survey estimates (LFS), minimum wage earners by selected LFS characteristics for Newfoundland and Labrador (000's)</b>			
	<b>Total, all wages</b>	<b>Minimum wage or less</b>	<b>\$15.00 or less</b>
<b>15 years and over</b>	205.9	13.2	53.4
<b>15 to 19 years</b>	9.2	4.1	8.4
<b>20 to 24 years</b>	16.4	3.2	9.9
<b>25 to 34 years</b>	42.0	1.9	9.1
<b>35 to 44 years</b>	45.7	1.3	7.1
<b>45 to 54 years</b>	51.6	1.3	7.4
<b>55 to 64 years</b>	34.5	1.2	8.8
<b>No degree, certificate or diploma</b>	19.6	3.3	9.8
<b>High school graduate</b>	37.2	4.3	16.8
<b>At least some post-secondary</b>	149.2	5.6	26.7
<b>Some post-secondary</b>	9.3	1.4	4.7
<b>Postsecondary certificate or diploma</b>	93.8	3.0	16.9



University degree	46.1	1.2	5.2
Full-time employees	173.6	6.4	35.0
Part-time employees	32.3	6.8	18.4
Member of couple	131.1	3.8	22.6
Spouse not employed	31.3	0.9	6.7
Youngest child less than 18 years	9.5	x	1.6
No children or youngest child 18 years and older	21.7	0.7	5.1
Spouse employed	99.7	2.9	15.9
Spouse making minimum wage or less	2.8	x	x
Spouse making greater than minimum wage	89.5	2.7	14.2
Spouse self-employed	7.5	x	1.3
Head of family, no spouse present	13.8	0.8	4.2
Youngest child less than 18 years	7.0	x	2.1
No children or youngest child 18 years and older	6.8	x	2.1
Son or daughter	34.3	6.9	18.7
15 to 19 years in school	4.5	2.2	4.2
15 to 19 years not in school	4.4	1.8	3.9
20 to 24 years in school	2.5	x	1.8
20 to 24 years not in school	7.3	1.5	4.0
25 years and over in school	x	x	x
25 years and over not in school	15.0	0.8	4.6
Living unattached	26.5	1.6	7.7
Living alone	17.9	x	3.9
15 to 24 years	1.4	x	x
15 to 34 years	5.9	x	1.6
35 years and over	12.0	x	2.2
25 to 54 years	11.7	x	1.8
55 years and over	4.8	x	1.5
Living with non-relatives	8.6	1.1	3.8
15 to 24 years	2.4	x	1.7
15 to 34 years	6.0	1.0	3.2
35 years and over	2.6	x	x
25 to 54 years	5.7	x	1.9
55 years and over	x	x	x

Notes:1. Beginning January 1997, information is collected on the usual wages or salary of employees at their main job. Respondents are asked to report their wage/salary before taxes and other deductions, and include tips and commissions. Weekly and hourly wages/salary are calculated in conjunction with usual paid work hours per week. 2. x denotes suppressed to meet the confidentiality requirements of the Statistics Act

A complete profile of minimum wage workers in the province can be found at:

<https://www.stats.gov.nl.ca/Statistics/Statistics.aspx?Topic=minimumwage>

# Jurisdictional Review

Minimum wage in Canada ranges from \$11.32 in Saskatchewan to \$15.00 in Alberta. Currently Newfoundland and Labrador has the second lowest minimum wage in the country and the lowest in the Atlantic region. See a table of basic minimum wage across jurisdictions below:

**Table 1**

Minimum Wage in Canada				
Province	Basic Wage Rate	Setting Mechanism	Differential Wages	Notes
AB	\$15.00	Review Committee	Students: \$13.00/hr	This student rate applies to the first 28 hours worked in a week when school is in session. Students must be paid the general minimum wage of \$15/hour for any hours exceeding 28 hours in one week.
			Salespersons: \$598/week	
			Domestic Workers: \$2,848/month	
BC	\$13.85	Review Committee	Liquor Servers: \$12.70/hr	Full details on the various minimum wage in BC can be found at: <a href="https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/wages/minimum-wage">https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/wages/minimum-wage</a>  BC has announced it is repealing the liquor server wage  <a href="https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/forms-resources/igm/esr-part-4-section-18-1">https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/forms-resources/igm/esr-part-4-section-18-1</a>
			Live-in camp leaders: \$110.87/day	
			Live-in home workers: \$113.50/day	
			Resident Caretakers: \$831.45/ month plus \$33.32/suite	
MN	\$11.65	Indexed to provincial CPI	N/A	
NB	\$11.50	Indexed to provincial CPI	Categories of employees in government construction work (road, bridge and building construction) and; Counselors and program staff at residential summer camps.	There are a number of dependent conditions for each of the differential wage rates. They can be found in the New Brunswick Employment Standards Regulations.

NL	\$11.40	Indexed to National CPI	N/A	
NWT	\$13.46	Review Committee	N/A	
NS	\$11.55	Indexed to National CPI	Inexperienced employees \$11.05/hr	Nova Scotia indexed their minimum wage to the National CPI in 2008. However, their 2018 Minimum Wage Review recommended additional increases.
NV	\$13.00	Review Committee	N/A	
ON	\$14.00	Review Committee	Students: \$13.15/ hour Liquor servers: \$12.20/ hour Hunting, fishing and wilderness guides: \$70.00 for less than 5 days Home Workers: \$15.40	Details on the various minimum wage rates in Ontario can be found at <a href="https://www.ontario.ca/document/your-guide-employment-standards-act-0/minimum-wage">https://www.ontario.ca/document/your-guide-employment-standards-act-0/minimum-wage</a>
PEI	\$12.25	Review Committee	N/A	
QB	\$12.50	Indexed to the average hourly wage	Gratuity Earners: \$10.05	
SK	\$11.32	Indexed to the average hourly wage/ CPI	N/A	
YK	\$12.71	Indexed to Whitehorse CPI	N/A	

Alberta increased minimum wage to \$15.00 per hour on October 1, 2018. Alberta also announced on May 27, 2019 a student under 18, minimum wage of \$13.00 per hour to come into effect in June 2019. British Columbia Fair Wages Commission has also established a pathway to a general minimum wage of at least \$15.20 per hour by 2021. BC also has different minimum wages for liquor servers, live-in camp leasers, live-in home support workers, and hand harvested crops. PEI Announced that minimum wage will increase by 60 cents to \$12.85 per hour on April 1, 2020.

Nova Scotia increased its minimum wage rate to \$11.55 per hour, based on the recommendations of its Minimum Wage Review Committee. Minimum wage in Nova Scotia will also rise to \$12.10 in April 2020 and \$12.65 in April 2021. The increases taking place in 2020 and 2021 are happening outside the method used in that province since 2008, which makes adjustments based on the percentage change in the National CPI. Starting April 1, 2022, the minimum wage rate will again be adjusted annually using the methods established in 2008. Ontario's minimum wage increased from \$11.60 to \$14.00 an hour on January 1, 2018 with the planned increase to \$15.00 per hour in 2019 cancelled, following Ontario's change in government. The minimum wage in Saskatchewan is indexed. This means the minimum wage rate is calculated using changes in the Consumer Price Index (CPI), a collection of goods and services typically purchased by households, and the Average Hourly Wage in Saskatchewan for the previous year. This approach helps provide security for minimum wage earners and ensure predictability for business owners in the province

## **What We Heard**

The Minimum Wage Review Committee conducted targeted stakeholder engagement with advocates for both employers and employees. To ensure an avenue for public input the committee utilized the Government of Newfoundland and Labrador's platform EngageNL to solicit online feedback. The online questionnaire ran from November 15, 2019 until December 2, 2019 and also invited the public to make written submissions to [minimumwagereveiw@gov.nl.ca](mailto:minimumwagereveiw@gov.nl.ca).

The committee received 40 written submissions from the public; 14 of these submissions were from employees or groups representing employees; 13 were from employers or employer

associations and 12 from community or advocacy groups. The committee also held 11 in person meetings with a variety of stakeholders including community groups, employer advocates, and employee groups.

**Stakeholder meetings**

Employee

During a presentation from Common Front the committee was shown detailed, arguments to consider when developing recommendations. Much of the information echoed what other organizations had to say about poverty reduction, gender and equity. Topics they presented included:

<b>Topic</b>	<b>Outcome of Minimum Wage Increase</b>
<b>Health Impacts</b>	<ul style="list-style-type: none"> <li>– Higher income can reduce unmet health needs.</li> <li>– Higher minimum wages reduces prevalence of smoking in low income earners</li> <li>– \$1 per hour minimum wage hike would reduce cases of child neglect by 10 per cent. increasing minimum wage correlated with a reduction in infant low birth weights as well as neonatal mortality.</li> <li>– The Canadian Institute for Health Information (CIHI) in 2015 identified labour market policies, including the minimum wage, as a key poverty reduction measure that will reduce income and health inequalities.</li> </ul>
<b>Effects on Employment</b>	<ul style="list-style-type: none"> <li>– Studies have shown that minimum wage increases do not produce negative effects on employment. This has been shown in Alberta and Ontario.</li> <li>– Alberta had a job growth in 2016 and 2018 after the implementation of a \$15 min wage.</li> <li>– 60,000 new jobs were added to the economy in 2018 in Ontario. 14,000 of those jobs were in the food and service industry.</li> <li>– Increase in minimum wage increases purchasing power of workers which puts more money back into the economy.</li> </ul>

	<ul style="list-style-type: none"> <li>– There is no proven relationship between minimum wage increases and restaurant closures.</li> <li>– Higher wages reduces employee turnover, which is a significant driver of costs for businesses at all levels.</li> <li>– Business owners may have to put out more money when minimum wage rises, but they</li> <li>– get far more in return in the form of higher profit revenue.</li> </ul>
<b>Tool For Good Governance</b>	<ul style="list-style-type: none"> <li>– Indexation by itself is inadequate as a fiscal adjustment mechanism for the simple fact that indexing a starting low wage means minimum wage increases will never bridge the gap between this province’s sub-optimal minimum wage base and wages in other provinces.</li> <li>– When NL minimum wages were one of the highest in the country, it was not the result of a strong economy; it was the catalytic factor that contributed to producing a strong economy.</li> </ul>

**Newfoundland and Labrador Federation of Labour (NLFL):**

The Newfoundland and Labrador Federation of Labour presented to the committee and provided a written submission that included a summary of the presentation and feedback on minimum wage in the province.

NLFL feels indexing the current minimum wage to inflation would keep minimum wage inadequate for thousands of workers. The current minimum wage adjustment process and rate are not relevant and not responsive to the needs of low-wage employees in this province. They also indicated; Tax credits would be a poor substitute for a minimum wage. The Canada Worker Benefit (CWB) is an improved version of the Working Income Tax Benefit. It is a tax credit “intended to supplement the earnings of low income workers.”<sup>11</sup> In contrast to a minimum wage increase, the government would cover the cost rather than the employer.

NLFL feels there are economic benefits to increasing minimum wage. Increase in the minimum wage to \$15 - for all workers in Newfoundland and Labrador - would provide low wage workers on the order of \$100 million per year to spend in the local economy. Minimum workers commented to NLFL that an increase to \$15 would improve their quality of life.

In these meetings, many of the groups indicated that the timeline for the minimum wage review did not give them adequate time to prepare fulsome presentations or submissions. Often the minimum wage is discussed in terms of low-wage earners and poverty. While stakeholders recognized that increasing minimum wage could impact poverty for the younger demographic it would have unforeseen negative impacts on the older demographic. It was often cited that minimum wage alone cannot fix poverty and other initiatives such as tax reform could have the same effect. Employer stakeholders wished to see the current formula for establishing the minimum wage left unchanged. They feel that indexing the minimum wage to an indicator of inflation such as the CPI gives a level of predictability to business that allows them to plan for the future. Some indicated that any increase in minimum wage above the historical percentage change in CPI would be very difficult for them to accommodate and could lead to job loss or the closure of their business.

Employee groups feel that indexing the minimum wage in 2018 was premature as they feel this locked the province in a poverty wage. They also feel that indexing means the gap between poverty and a living wage will never be closed. Other employee and community groups provided studies that they feel prove that increases to minimum wage do not have an impact on employment. While business pointed to studies showing a direct decline in youth employment. Some other groups cautioned that any change to minimum wage should not be made lightly as changes to minimum wage could have effects for social programming and economy.

## Employer

The committee heard from several business stakeholders and held meetings with business groups. There were common themes that came out of the conversations and presentations from businesses. Newfoundland and Labrador are experiencing a weaker economy and increased expenses. Tourism numbers and flights in and out of the province have decreased. The Newfoundland and Labrador Liquor Corporation (NLC) reports decreased sales. Other sectors such as housing, car sales, have decreased. The groups we met with expressed concern. These business groups agree with an annual increase to the minimum wage rate however stress the need for a predictable, stable methodology to do so like indexing it nation CPI, that already exists in legislation. Below is a summary of what we heard from the provinces Business Groups.

The committee met with the Employers' Council Newfoundland and Labrador they report that; employers feel there is no evidence to support deviating from the government's 2018 policy of setting minimum wage based on the economic measure of the CPI. Linking to CPI is a sound policy and based on the support and recommendation of both business and labour and is designed to minimize the negative impacts of minimum wage increases. Deviation from this policy will mean greater negative impacts on minimum wage-earners. It will also send a negative message to local small business owners who are already struggling with difficult economic and business conditions. The Employer's Council felt that government must maintain its current formula for determining minimum wage increases based on national CPI. They also advocate for the removal section 30 from the *Labour Standards Act*, which requires a review of the minimum wage every two years. Removing section 30 will protect business confidence in government and provide credibility to the current minimum wage setting policy. The Employers' Council supports the establishment of a Liquor Server Wage as exists in many other jurisdictions. They feel this



policy recognizes the significant income earned from tips and helps small, locally owned bars and restaurants compete. They Stress that a significant notice period by provided for any increase, to allow businesses time to adjust.

“Hospitality Newfoundland and Labrador echoed many of the same sentiments. They understand that as the cost of living increases, our province needs to remain competitive if we are to retain the workers we already have. They feel that any future increases must be gradual and based upon economic conditions, allowing businesses ample time to plan and adjust accordingly. These types of adjustments unfortunately often include increased prices of products and services, as well as a reduced workforce; severely impacting operators’ abilities to do business and deliver on our province’s brand promise with respect to the tourism industry. Hospitality NL supports keeping minimum wage rate tied to the minimum wage rate, adjusting to the percentage change in the National Consumer Price Index (CPI). They also support repeal of Section 30. Hospitality NL supports implementing a “Liquor Server Wage”

St John’s Board of Trade, feels that having the minimum wage in Newfoundland and Labrador tied to CPI allows the highly political issue of minimum wage to be above the politics of the province to a large extent. Moreover, an increase in the minimum wage that is not tied to CPI - particularly a 32 per cent jump from the current minimum wage - would have a negative economic impact on all Newfoundlanders and Labradoreans, including the most vulnerable groups which an increase in the minimum wage is intended to help the most. For these reasons, we believe that a minimum wage should not be implemented in Newfoundland and Labrador and that the province should remained tied to CPI. The St. John’s Board of Trade would also like to see a Liquor Servers Wage introduced. Taking constrains off of employers with tight margins will allow

both the employer and the employee to flourish as the employer will be able to provide more employment.

Restaurants Canada stated the foodservice industry is labour intensive with over a third of sales going to salaries and wages. It is of the largest private sector employers in the province. Approximately 23 per cent of minimum wage earners are employed in the industry with a vast majority being youth and a significant portion earning gratuities. While the industry is large it has performed poorly in recent years with the lowest growth rate in the country. The industry is low margin with an average pre-tax profit of just 4.1 per cent. Restaurants Canada supports Atlantic approach of April 1<sup>st</sup> implementation dates. Any future increase should be based on objective economic indicator such as Consumer Price Increase (CPI) as it is incremental, transparent, predictable and depoliticized. They feel attempting to link minimum wage to a poverty measure is not practical. They also feel that poverty is a family measure, minimum wage is individual. They recommend cap be introduced to protect businesses during periods of high inflation or low economic activity periods. They support Introduce a Liquor Server Wage is a lower minimum wage for only those who serve beverage alcohol. Restants Canada also supports the Introduction of a lower wage for inexperienced workers, for the first 500 hours of employment. This would recognize the high cost of training inexperienced workers, is the same principle as an apprentice wage, could be put in place by freezing inexperienced workers at current rate. Restaurants also Canada recommends increasing the Basic Personal Tax Exemption. They feel that reducing poverty requires a complex, long-term, multi-pronged approach

Canadian Federation of Independent Business (CFIB), supports keeping minimum wage increases tied to national inflation. They feel that we should undertake a comprehensive, independent review (e.g. Auditor General) on NL's Poverty Reduction Strategy. They suggest

reform tax credits targeted to low-income earners and enhance the Newfoundland and Labrador Child Benefit and Newfoundland and Labrador Income Supplement. – Effective use of the Low-Income Tax Reduction program. – Increase the value of the Education Tax Credit. Implement a training tax credit for small businesses to hire and train youth and inexperienced workers and older workers – Small business owners have a role to play in connecting workers to the labour force and government must recognize “on-the-job” training

Retail Council of Canada recommends the Government of Newfoundland and Labrador should provide long term stability to employers and workers by implementing a CPI driven minimum wage policy. This policy framework, once established, should be enshrined in legislation, requiring any future government to maintain the policy and its key principles before considering any increase in the minimum wage. They recommend any proposal to increase the minimum wage should recognize the cost to employers to train new employees for entry-level positions. In recognition of these costs, the Government of Newfoundland and Labrador should introduce an appropriate inexperienced minimum wage differential. In the interest of harmonizing with existing best practices, the government should consider harmonizing with the current inexperienced minimum wage framework for Nova Scotia. They also feel Atlantic Provinces should harmonize their minimum wage frameworks but should not move to a common minimum wage for the Atlantic Region.

RCC Recommends Newfoundland and Labrador Government wants to affect positive change in the lives of lower income earners, it should continue with its recent, proactive approaches like raising the basic personal / spousal exemptions before a person pays income tax.

The Atlantic Chamber of Commerce (ACC), with the support of chambers of commerce and boards of trade across the province, urge the province maintain a commitment using the Consumer Price Index as a guide to minimum wage increases. Maintaining the connection between minimum wages and CPI removes the potential of political influence on a predominantly economic issue. It moderates the impact on employment at SMEs which are the bulk of NL businesses. It allows businesses to set wages in relation to competitive realities and compete to attract and retain productive employees. It avoids the potential for imposing cost of living increases on those least able to accommodate them.

Department of Finance reported a number of potential impacts of a \$15 minimum wage. Low wage earners could see an additional \$5,400 in gross pay for a minimum wage worker working full-time and an additional \$2,700 in gross pay for a minimum wage worker working part-time. Net disposable income after taxes would be less. The incidences of minimum wage will likely increase sharply similar to incidences when the minimum wage went from \$8 (2008) to \$10 (2010). However, younger employees may face some challenges, based on employment elasticities there could be a reduction in Teen (15-19) employment of by 900 or roughly 10 per cent. Teen employment in Alberta declined 17per cent from 2014 to 2018 as the minimum wage was raised by 47 per cent from \$10.20 to \$15. Impacts to business could see their wages costs increase by \$290 million. Approximately 70 per cent of minimum wage workers work in Wholesale Trade, Retail Trade or Accommodation and Food Services industries. Some low wage (\$15 or less per hour) workers work in export industries like fish processing. Exports industries are generally price takers and cannot pass on higher labour costs. If local industries selling to NL consumers were to pass on the extra costs of a \$15 minimum wage it would add a cumulative 1.2 percentage points to NL inflation over the 2020 to 2023 period.

A \$15 minimum wage by 2023 could reduce the real purchasing power of NL consumers by 1.2 percentage points. Fixed income individuals and families not working for minimum wage are negatively impacted by higher inflation, this includes at risk groups such as seniors. Census 2016 figures indicate approximately 54,000 individuals age 15 and over in the province were in poverty, according to the Market Basket Measure (MBM) definition. 18,760 or 35 per cent of those reported working in the reference year and 4,310 of those were working full-year full-time. Analysis from the Canadian Income Survey for 2017 indicates approximately 14 per cent of individuals aged 16 and over in poverty (MBM) were earning \$15 or less/hr. This means the majority (more than 80 per cent) of people in poverty would be negatively impacted as the cost of living increases and only a small portion will see positive impact from increased wages.

A complete listing of stakeholder meetings can be found in annex A.

## **Written Submissions**

### Employee Position

### **Indigenous Perspectives**

A submission by First Light - St. John's Native Friendship Centre focused on poverty among indigenous people in our province. Their submission included researched information that gave the committee context of the impact of minimum wage on indigenous people in Newfoundland and Labrador. It is important to note that consideration of indigenous concerns was listed in the terms of reference for the committee. First Light's full submission can be found in Annex B.

### **Immigration and Racial Perspectives**

Immigration plays a large role in the recruitment and retention of population in Newfoundland and Labrador. Citing several significant and detailed Canadian and Provincial studies, the Anti Racism Coalition of Newfoundland and Labrador indicated that they feel, it is imperative to ensure the safety, health and success of every individual in Newfoundland and Labrador. The the Anti-Racism Coalition of Newfoundland and Labrador feels that a “living wage” is essential to dismantle racial and income inequalities in our communities.

### **Gender lens**

Gender consideration is one of the directions given to the committee in the terms of reference. The committee received feedback on minimum wage in relation to gender from several organizations:

First Light, St. John’s Native Centre stated “Indigenous women are under-represented in professional and management positions, and are over represented in jobs involving service, sales, and manual labour. Workers in these jobs overwhelmingly make up the majority of minimum wage earners in Newfoundland and Labrador and across the country. Furthermore, Indigenous women experience the wage gap in different ways compared to the national average for women workers, earning less than non-Indigenous male and female workers.”

First light feels that increasing the minimum wage would improve the lives of these women.

St. John’s Status of Women Council indicated “A \$15.00 minimum wage is a critical step toward fair pay and will help close the gender wage gap because women are the majority of workers who will see their pay go up. A more informed gender-approach to setting the

minimum wage includes consideration of women's roles in the workforce and the gendered effects of labour, employment and social programs (including child and elder care) on low wage work."

## **Poverty Reduction**

Written submissions to the committee received from organizations, individuals and employers in favour of increasing the minimum wage cited poverty reduction as a key reason. MUNSU stated that the current minimum wage model is not working. They advocate for investment in the long-term social and economic stability by giving minimum wage workers more security. Income inequality is associated with worse outcomes for child well-being, violence, and physical and mental health problems. This inequality could lead to increased usage of social safety nets, emergency services, and increased healthcare costs. Canadian Postmasters and Assistants Association feels government would see a decrease in the number of people needing assistance each month and the numbers of people who rely on food banks with an increase to \$ 15.00 minimum wage.

A submission from the Eastern Health Board of Trustees provided the committee with researched and in-depth information on the direct linkage between the determinants of health and income. Particular points that were brought forward include:

- "We can potentially reduce health care costs by ensuring all Canadians have access to care and maintain good health."
- The Winnipeg Regional Health Authority (2017) highlights that "the lowest income group in Canada accounts for 60 per cent (\$3.7 billion) of the health care costs of socio-economic health inequalities."

- It is widely acknowledged that increases in minimum wages lift the earnings of employed low-wage workers, although there is less agreement about the effects on poverty and employment.
- Also, while there have been critics of minimum wage increases as a poverty reduction tool, much of this is due to the minimum wage being set so far below the poverty line that past increases have not been large enough to lift full-time workers out of poverty.

### Employer Position

There has been much economic research into the impact and a multitude of studies to any support any position. However, employers feel the preponderance of evidence indicates that minimum wage increases reduce employment levels of the minimum wage earner. The goals of eliminating poverty and bettering the lives of individuals at the low end of the income scale are emotional for everyone, including business owners. However, the negative impacts on minimum wage earners are well studied and well understood.

Employers have stated Minimum wage increases have historically been political decisions. Arbitrary minimum wage increases are not sound economic decisions, even if those advocating for economic improvement believe they are. Setting a minimum wage based on arbitrary political rationale completely ignores the different economic and regulatory conditions faced by businesses in each province. The minimum wage rate and process should not be considered in isolation. Factors such as tax policy, workers' compensation rates, transportation costs, labour market availability, social policy, consumer and business confidence, and predominate industries can be vastly different between jurisdictions. Ignoring these real factors impacting businesses could result in damaging policy decisions.



Employers feel that for years, businesses in this province have gone through periods of no increases followed by periods of rapid increases. Minimum wage increases have resulted in lower business margins and reduced employment at all pay levels in an organization. In the last consultation on minimum wage, business groups supported tying future minimum wage increases to the National Consumer Price Index (CPI). Employers supported this position because it creates a transparent and consistent minimum wage setting process. The businesses most impacted by this decision are small and locally owned. Many of them operate in rural areas of our province far removed from the economic conditions of the North East Avalon. These businesses will be negatively impacted by minimum wage increases that exceed economic inflation. With increased costs to labour, products and operating costs and a slow economy small business in Newfoundland and Labrador have been struggling.

## **Conclusion**

The industries that are cited by the government that have some employees at the minimum wage rate are wholesalers, retailers (46 per cent) accommodation and food services industries (24 per cent ). This 70 per cent represents 9240 employees (4.5 per cent of persons working). These industries are also the backbone of rural Newfoundland and Labrador and are already being marginalized by the sluggish economy and exorbitant costs. They are located in every nook and cranny in our province and in many cases are the only employers. These are small businesses and are the backbone of the economy.

Businesses and small business owners of Newfoundland and Labrador value their employees and their contributions to the business' overall success. There is no doubt that the minimum wage earners of our province should earn a reasonable wage. However, a 32 per cent increase in a 3-

year period is not sustainable for small businesses. Increasing the minimum wage to \$15 by 2023 will have immense negative impacts as discussed above. The probable outcomes would include a reduction in overall employment as small businesses are forced to reduce labour costs, an increase in wages costs for businesses by \$290 million, a reduction in the real purchasing power of all NL consumers by 1.2 per cent , additional inflation, negative impacts for Newfoundlanders living on a fixed income, an erosion of living standards for all Newfoundlanders and Labradorians, among other negative outcomes. Furthermore, inevitable higher levels of unemployment would increase the burden on the already strained provincial government income support system.

Small business owners are not advocating for a wage-freeze, but rather advocating for government to take alternative measures to increase the income of low-earning workers without annihilating small businesses. That is, government should: repeal section 30 of the labour standards act; maintain its current formula for determining minimum wage increases based on federal CPI, increasing yearly on April 1; introduce new minimum wage categories; and increase the yearly basic exemption for low income earners.

An index of written submissions reviewed by the committee can be found in Annex B

## **Survey Results**

The minimum wage review questionnaire was open to the public from November 15, 2019 until December 2, 2019. During this time the committee received 1541 responses, 1350 (88 per cent) from employees and 191 (12 per cent) from employers. The survey summary results can be found in Annex C.

The majority (790 or 59 per cent) of employee respondents were earning above \$13.00 an hour and 299 (22 per cent) earned between \$11.40 and \$13.00 an hour. 735 (54 per cent) of employee respondents were their primary income earner for their household. Many only work one job (18 per cent). 72 per cent of employee respondents were from the Avalon Peninsula. Many of the employee respondents (26 per cent) were between the ages of 31 to 40 years of age. The largest proportions of respondents were employed in; retail 227 (17 per cent), health care and social assistance 174 (13 per cent), and 155 (11 per cent) educational services, while 344 (25 per cent). 1193 of the 1350 (88 per cent) of respondents do not earn gratuities and 1118 (83 per cent) do not receive any kind of income support. The majority (81 per cent) of employee respondents believe raising minimum wage would stimulate the economy. When asked the range which minimum wage should fall 569 (42 per cent) indicated above \$15.00 and 483 (36 per cent) responded between \$14.01 and \$15.00.

Overall the survey's qualitative results pointed to a number of themes. Employers feel that small-medium businesses cannot sustain increases to minimum wage. Many suggested that targeted tax reductions/incentives will be more effective than increasing minimum wage, while balancing inflationary impacts. Businesses indicated, utilization of a two-tier compensation scale to distinguish between entry level and more experienced minimum wage earners will be required. This will create challenges for employers and will require time to implement. Earnings should be equated to skill level.

Employees outline a number of opinions. The respondent group pointed to decreased resilience and mental and physical health deterioration. Many feel that investments in post-secondary education and training are required to build capacity and improve standard of living. Results indicated that employees who answered the survey felt the National CPI is an inadequate tool to

drive decisions on minimum wage rates. As they feel CPI fails to account for local/regional/provincial demographics and related heating, housing, transportation and nutrition costs. They felt that the adoption of a living wage versus minimum wage will improve the standard of living for residents. While not directly tied to the minimum wage employees spoke about trends effecting them such as; out migration rising as residents are seeking employment outside of the province; and over reliance on the oil and gas industry tends to influence costs of living and standards. Many employees felt that they were unable to afford basic necessities which leads to making choices between paying rent and heat bills versus purchasing nutritious foods.

Several common themes emerged from both employer and employee data sets, including: Consideration should be given to increasing personal tax exemption rates; this strategy may be more effective than increasing minimum wage. The cost of goods and services will increase if the minimum wage increases. Local businesses are struggling to sustain themselves. An increase to minimum wage will result in closures of businesses or increased operating costs that will be transferred to the client or consumer. Government should intervene through investments in enhanced social programming and educational outcomes to decrease poverty rates. Increases to minimum wage will enhance employee quality of life, decrease absenteeism, minimize reliance on the healthcare system and reduce dependence on income support systems.

The following eight quotes were submitted as part of the survey to provide the qualitative context of both employers and employees in the province. Four were selected by the employer representative on the committee, and four were selected by the employee: representative.

## **Employer Selected Quotes**

“I feel the minimum wage is already too high. Businesses routinely pay above the minimum wage already. The wages ought to be determined by businesses, not by government. A blanket minimum wage for the province makes no sense. There is no reason for a minimum wage in rural areas to be the same as that in urban areas. Why should a shop in St. Albans or St. Anthony pay the same minimum wage as a shop in St. John’s. Economic stresses are already dictating the wages in various areas across the province and a blanket minimum wage across the province will not serve all areas the same. The best approach is to leave the minimum wage to each individual business and allow local competitions to dictate the wages paid in each area. I oppose any increases to a minimum wage at this time. The lowest tier workers would be better served by tax relief through less deductions and more credits.”- Business owner

“All of my staff will expect a wage increase proportional to the lift between the old and new minimum wage. The cost will be much larger than moving only the below \$15 employees. An employee currently at \$12 will expect to move to \$15.60 (as old pay was .60 above minimum wage). An employee currently at \$15 will expect to move to \$18.60, to match the pay rate that were 'above' minimum wage.”- Business owner

“An increase in minimum wage would put a strain on our business because we cannot pass the extra expense on to our customers. Food cost, electricity and general operating expenses are already at a maximum for an industry that has little to no profit margin. An increase in minimum wage would be detrimental to our business and could quite possibly cause us to close our establishment.” – Business owner

“As a non-profit, we have one part-time employee who is currently paid \$15 per hour. If the minimum wage were to increase to \$15 per hour, our non-profit organization would struggle to accommodate the wave of effect the increase on minimum wage would have. Our member businesses have expressed it would put financial pressure on their small businesses, therefore causing potential negative consequences” – Business owner

### **Employee Selected Quotes**

"I am in a generation where you cannot get any work except minimum wage part-time work. If there were higher wages, I would not have to choose between putting food on the table or buying a new coat I need or putting gas in a car. There is ZERO quality of life here. You can never be comfortable living as you are always doing without. If the wages were higher, we would be happier, we would care about our jobs more. It is a snowball effect, you help your workers and they will help you in so many ways." -Employee

“A 15-dollar minimum wage increase would mean the world to me. I moved here from out of province for out of school and I had no idea how much car insurance and simple stuff like vegetables would cost me. Even while trying to avoid going out to eat or with friends I still find myself racking up credit card debt. I'm supplemented by student loans so I make do but I'm worried about what happens when I graduate in a year and have more expenses. I will likely have to move somewhere with a higher minimum wage. It is already difficult on my coworkers who work full time to make ends meet. Rent here is reasonable but all the other costs make it near impossible. I need my car to get to work but my insurance is 650 dollars a month as a new driver with no accidents. Even if I got a job closer to me, when it snows it becomes very difficult to get to the grocery store as there are none in my area and transit is not sufficient to take me anywhere.”  
- Employee

"Minimum wage workers are not in a position to save money. All money goes back into the economy quickly and more people can afford my services." –Business owner

"Help bring people out of poverty; improve health outcomes; decrease dependence on social programs, and increase people's spending power." –Business owner

## **Employer Recommendations**

### **1. Repeal Section 30 of the Labour Standards Act**

The government should remove section 30 from the Labour Standards Act, which requires a review of the minimum wage every two years. Removing section 30 will protect business confidence in government and provide credibility to the current minimum wage setting policy.

### **2. The government should maintain its current formula for determining minimum wage increases based on federal CPI, increasing yearly on April 1**

Employers have demonstrated that they are not opposed to increases and this is the route that ensures minimum wage earners keep on pace with inflationary measures while at the same time, giving both employers and employees certainty surrounding the future of increases. Business is asking that we maintain the current model for determining minimum wage increases. If we continue linking minimum wage to CPI in April 2020 minimum wage will go up by \$.25 (projected national CPI for 2020) to \$11.65 it will cost business \$13 million not counting wage increases to other employees not earning minimum wage. As per the information provided to the minimum wage committee by the Provincial Department of

Finance, an \$.85 increase in minimum wage will cost business \$44 million not counting the domino effect of other wage increases.

### **3. Introduce New Minimum Wage Categories**

Introduce a Liquor Server Wage to recognize the significant income earned by liquor servers from gratuities. The Liquor Server Wage would be established by freezing minimum wage for liquor servers at the current rate until there is a \$1.50 differential created. At this point it would increase at the rate of national CPI.

Introduce a Training Wage to recognize the high cost of training new employees, similar to an apprentice wage. The Training Wage would be established by freezing the wage for new employees at the current rate until a \$1.00 differential is created. The Training Wage would then increase at the same rate as the national CPI. The Training Wage would apply to inexperienced new hires for the first 500 hours of employment.

An observation presented by, Department of Finance; showed in a 2014 research paper, Morley Gunderson concluded “Canadian evidence has shown that a 10 per cent increase in the minimum wage would lead to a 3 per cent - 6 per cent reduction in the employment of teens. Increasing minimum wages results in greater unemployment, and unemployment reduces total family income, pushing more families into poverty or making those who were already poor, worse off.”

Department of Finance also reported In 2010, there were 22,200 people making minimum wage; in 2019, there were 13,200 people making minimum wage; the number of people making minimum wage has decreased by 9000 or 40.5 per cent. Minimum wage has gone up 20 per cent in those same 9 years.



#### 4. Increase the Yearly Basic Exemption for Low Income Earners

Small businesses in the province truly value their employees. Furthermore, they would like for their employees to have more disposable income. Employers recommends government increase the yearly basic exemption for those individuals earning less than \$25,000. Between \$25,000 and \$36,000 the exemption amount would be progressively clawed back until the current level is reached.

#### Recommendations to off-set costs to Business

- Remove or Reduce the 15 per cent provincial retail sales tax on business insurance
- Remove or Increase the threshold for HAPSET
- Any increase to minimum wage & the domino extra revenue; make it neutral to business.
- Give business the ability to bank over time, in agreement with employees
- Give business compensation for collecting provincial portion of hst. Today 90 per cent + transactions are paid for by credit card & credit card processing fees have gone up dramatically over the last few years, it has put an extra burden on small business.

Impacts of Minimum Wage Options by 2023			
Option	Increased Wage Costs (\$M)	Employment Losses (Person years)*	Extra Inflation**
\$12.25 in 2021	44	135	0.2 per cent
\$12.85 in 2021	113	345	0.5 per cent
\$15.00 in 2023	290	889	1.2 per cent

## Assumptions

- \$12.25 in 2021 – Minimum wage is increased to \$11.80 April 1, 2020, \$12.25 on April 1, 2021 and indexed to Canadian CPI for all years thereafter
- \$12.85 in 2021 – Minimum wage is increased to \$12.40 April 1, 2020, \$12.85 April 1, 2021 and indexing thereafter
- \$15 in 2023 – Minimum wage is increased to \$12.25 April 1, 2020, \$13.25 April 1, 2021, \$14.25 April 1, 2022 & and \$15 April 1, 2023. Indexing thereafter
- Employment impacts are calculated for teen employment as per the mid-point of Gunderson's 3 to 6 per cent reduction for every 10 per cent increase in the minimum wage
- Inflation based on the assumptions that industries selling to local NL markets eventually pass on extra wage costs to NL customers
- Wage cost assume low wage employment distribution shifts up proportionally with increases in the minimum wage

\* Note person years show, but number of individuals impacted could be larger due to part-year nature of some employment

\*\* Inflation impacts all NL consumers, including many individuals with low incomes that are fixed, e.g. low-income seniors

Source: Newfoundland and Labrador Department of Finance

# Employee Recommendations

**Recommendation: Increase minimum wage to \$15 over a 2 year period and attach increases to CPI thereafter.**

The current 2019 minimum wage of \$11.40 is a poverty wage. A 40-hour week would earn a minimum wage worker \$23,712 annually, guaranteeing these workers remain part of the working poor. For many of these workers this means making use of food banks and other social services.

The Canadian Centre for Policy Alternatives (CCPA) has calculated the living wage for St. John's to be \$18.85 per hour. Such a wage would enable affected families to escape poverty, lessen their financial stress, increase the possibilities for a healthier lifestyle, and allow for active participation in social, cultural and civic life.

A \$15 minimum wage over 2 years is such a step and is achievable. It is important to recognize that each wage increase will benefit local economies as lower-income families are more likely to spend their money in local retailers and food establishments.

Employees are recommending the following:

Increase the minimum wage on April 1, 2020 to \$12.50 (Note: this is below the PEI April 1 minimum wage of \$12.85). Then follow this with six month increments of 50 cents.

Oct, 2020 - \$13.00

Apr, 2021 - \$13.50

Oct, 2021 - \$14.00

Apr, 2022 - \$14.50

Oct, 2022 - \$15.00

When you consider the annual CPI increase, the \$1 increase will be closer to 70 cents. Employee groups recommend that following the final October 2022 increase, the province should review and determine how best to proceed.

This province has the lowest personal income tax rates in Atlantic Canada, along with the highest rate for workers compensation. Not only will this help those tens of thousands who are condemned to live a life of poverty, it will ultimately benefit the Newfoundland and Labrador economy.

In 2014, Seattle, Washington was one of the first North American jurisdictions to adopt a \$15 minimum wage. In the first three years Seattle has seen the local economy thrive with reduced unemployment. One of the industries to grow the fastest was restaurants. See the attached graph:



<http://murray.seattle.gov/mayor-murray-marks-3-year-anniversary-15-minimum-wage/>

As Seattle Mayor stated, 'When we passed the \$15 minimum wage, we were warned the economy would tank, jobs would dry up, and employers would flee. Today, Seattle's economy is the strongest it has ever been, unemployment is at a historically low rate, and employers are competing for employees. Raising the minimum wage was not just the right thing to do, but the smart thing to do.'

Further to this, a recent study showed that "The effect of a US\$1 increase in the minimum wage ranged from a 3.4 per cent decrease (95 per cent CI 0.4 to 6.4) to a 5.9 per cent decrease (95 per cent CI 1.4 to 10.2) in the suicide rate among adults aged 18–64 years with a high school education or less. We detected significant effect modification by unemployment rate, with the largest effects of minimum wage on reducing suicides observed at higher unemployment levels.

Conclusion Minimum wage increases appear to reduce the suicide rate among those with a high school education or less, and may reduce disparities between socioeconomic groups. Effects appear greatest during periods of high unemployment."

<https://jech.bmj.com/content/early/2020/01/03/jech-2019-212981>

**Recommendation: Unequivocally against implementation of a two-tier wage system of any kind for minimum wage earners (Inexperienced or tipped server) or ensure that there is one minimum wage for all workers regardless of age / experience / type of work.**

Youth unemployment rate 15-19 years of age - 22.4 per cent

Minimum wage workers 15 - 19 - 31.1 per cent

Minimum wage workers over 20 years - 68.9 per cent

59.4 per cent of all MW workers are women

65.7 per cent of all MW workers are employed in sales and service - (food accommodation and retail sectors)

Human labour has inherent value regardless of skill or age. A two-tiered wage system pits workers against each other and also favours certain industries. Two tiered wages also mean that workers are often reliant on consumers to reach a living wage and/or government programs, which is costly.

In the case of a “liquor server wage”, workers who are employed in the restaurant industry, where the serving of alcohol is a small part of their work can be classified as “liquor servers” and allow employers to pay them even less. More workers are open to even more exploitation by employers.

Employees feel it is discriminatory to pay one person less than another based on age or experience, especially since many of those less experienced in the workforce tend to be women, people with disabilities, immigrants and other minorities, and the majority of minimum wage workers are women, making it a gender issue. The reasoning often given by employers and the business community is that workers that serve liquor make enough in tips to meet or exceed the minimum wage. While there is no data currently on the demographic of liquor servers in Newfoundland and Labrador, an independent paper from Ontario showed that almost three quarters of liquor servers are women. “The policy rationale for a lower liquor servers’ minimum wage is that they earn enough in tips to meet or exceed the general minimum wage so that a lower rate is justified. This conclusion is somewhat challenged by the conclusion of commissioned research that 20 per cent of liquor servers earn less than the general minimum wage after tips.”([https://files.ontario.ca/books/mol\\_changing\\_workplace\\_report\\_eng\\_2\\_0.pdf](https://files.ontario.ca/books/mol_changing_workplace_report_eng_2_0.pdf))

Using tips as a portion of income is essentially forcing the public to pay a portion of a worker's wages, which puts more money in the pocket of business, increases income and gender inequality and poverty. It also runs counter to the broader goals of several public policy initiatives of government.

Research indicates that having a separate, lower minimum wage for tipped workers perpetuates racial and gender inequities, and results in worse economic outcomes for tipped workers. Forcing service workers to rely on tips for their wages creates tremendous instability in income flows, making it more difficult to budget or absorb financial shocks. Furthermore, research has also shown that the practice of tipping is often discriminatory, with white service workers receiving larger tips than black service workers for the same quality of service (Lynn et al. 2008).

Multiple mandated wages based on differences of work experience could lead to undervaluation of particular skills, deepened income inequality for overqualified workers, and reduced benefit from programs such as Employment Insurance and the Canada Pension Plan. Eventual results could include outmigration of skilled citizens, delayed transitions into adulthood, deeper debt burdens for student loans, fewer male partners benefiting from parental leaves, reduced general access to parental leaves, and loss of parents and caregivers as members of the paid workforce. Multiple mandated wages based on whether or not a worker earns gratuities could lead to increased risk of poverty for low/paid service sector workers, reduced benefits from EI and CPP, discriminatory effects for older workers or less attractive workers. These results could mean that workers who earn gratuities effectively doubly subsidize employers by their labour.<sup>1</sup>

---

<sup>1</sup> <sup>1</sup> PEI Advisory Council Status of Women. Submission to the Standing Committee on Community and Intergovernmental Affairs Consultation on Different Minimum\*Wage Rates, March 2010. [http://www.gov.pe.ca/photos/original/acsw\\_two\\_tier.pdf](http://www.gov.pe.ca/photos/original/acsw_two_tier.pdf)

A discriminatory wage based on age would potentially impact over 4000 youth, in a province that struggles to retain and attract young people - essentially telling them that your work is valued less because of your age. The key problem is that youth minimum wages strongly encourage employers to fire workers as they age, given that these existing workers will then be more costly compared to going out and hiring more young workers—generally described as a “substitute effect.”<sup>2</sup>

One empirical study analyzing the impact of Denmark’s youth wage differential, found that the employment rate craters for young people once they graduate to the universal wage, by approximately 33 per cent. The study found that “Data on flows into and out of employment show that the drop in employment is driven almost entirely by job loss when individuals turn 18 years old.” That higher rate of unemployment persisted past the age 20 mark. In Denmark’s case, the youth minimum wage led to significantly poorer outcomes for workers aged 18-24—just as these workers enter adulthood. There is significant evidence that unemployment and job loss at this time in a worker’s life creates a “scarring effect,” which drastically worsens their future employment prospects and lifetime earnings.<sup>3</sup>

---

<sup>2</sup> PEI Advisory Council Status of Women. Submission to the Standing Committee on Community and Intergovernmental Affairs Consultation on Different Minimum\*Wage Rates, March 2010. [http://www.gov.pe.ca/photos/original/acsw\\_two\\_tier.pdf](http://www.gov.pe.ca/photos/original/acsw_two_tier.pdf)

<sup>3</sup> Kreiner et al. Do Lower Minimum Wages for Young Workers Raise their Employment? Evidence from a Danish Discontinuity. June 4, 2017. [https://cepr.org/sites/default/files/3564\\_KREINER\\_per\\_cent\\_20- per\\_cent\\_20Do\\_per\\_cent\\_20Lower\\_per\\_cent\\_20Minimum\\_per\\_cent\\_20Wages\\_per\\_cent\\_20for\\_per\\_cent\\_20Young\\_per\\_cent\\_20Workers\\_per\\_cent\\_20Raise\\_per\\_cent\\_20their\\_per\\_cent\\_20Em-employment\\_0.pdf](https://cepr.org/sites/default/files/3564_KREINER_per_cent_20-_per_cent_20Do_per_cent_20Lower_per_cent_20Minimum_per_cent_20Wages_per_cent_20for_per_cent_20Young_per_cent_20Workers_per_cent_20Raise_per_cent_20their_per_cent_20Em-employment_0.pdf)



**Recommendation: Amend the Labour Standards Act to enforce a fully funded standing committee on minimum wage, leaving the review every 2 years. That the committee be comprised of 5 persons:**

- 2 Employee Representatives (1 low wage employee, 1 Labour organization representative)
- 2 Employer Representatives (1 Business owner, 1 Employer organization representative)
- An independent chair recommended jointly by labour and employer representatives

Minimum wage is a huge topic that affects many stakeholders. Having a standing committee that meets regularly and has continuous dialogue with stakeholders would make the process more transparent and predictable. It would also take the time restricted pressure off of the committee members. Expecting volunteers to take their own time to participate in the committee without compensation puts an unreasonable demand on their lives. Paying for work time loss would not only recognize the significance of the role but also allow for more marginalized workers to sit on the committee (i.e. a minimum or low wage worker).

Minimum wage needs to be viewed as a major public policy tool that can be part of a broader solution to addressing gender and income inequality as well as poverty. It can also complement other public policy frameworks that endeavor to address issues around newcomer retention and attraction, youth retention, economic growth, labour market participation as well as other economic, social and labour market issues.

A standing committee shows that government sees the role and value of minimum wage policy in society, and also takes it seriously rather than simply ticking a box on legislation. It would also set the tone for building a more progressive labour standards system in the province. It also shows those with a vested interest and the voting public that government has an enhanced understanding

of the importance of meaningful public engagement on this issue - it sends a positive message and increases the possibility of crafting good collaboratively built public policy

**Recommendation: Any decision made by government on minimum wage must understand the impact on marginalized genders, indigenous people and on population health and well-being.**

Raising the minimum wage each year by the federal CPI rate only serves to perpetuate poverty, increase inequality and increase the demands for social and health services such as, income support programs, subsidized housing, food banks and hospital use.

Raising the minimum wage substantially would significantly address gender and indigenous inequality. 66 per cent of the 13,000 minimum wage workers in our province are women, many have children to support. Raising the minimum would not only reduce the gender wage gap it would also help reduce the province's 20 per cent child poverty rate.

In their submission to the Minimum Wage Review Committee the St. John's Native Friendship Centre -First Light was clear, raising the minimum wage is a "crucial step in dismantling the pervasive marginalization" of indigenous people. This is especially true for indigenous women who predominantly find themselves in service and sales jobs that pay a low-income wage. As First Light explained, "Increasing the minimum wage to a living wage would directly contribute to economic stability and quality of life of Indigenous workers and their families in the province and would particularly reduce harm and violence by giving Indigenous women more economic power and independence."

It is critical we recognize that women, Indigenous and other marginalized groups would benefit the most from a \$15 minimum wage. It is also important that we understand the positive outcomes that follow, namely social integration, better health outcomes, a reduction in government services, and more equality.

## **Conclusion**

In conclusion, as Independent Chair, I believe that the Minimum wage could be seen as a “blunt instrument” and is one of many options to help fight poverty and low income. Minimum wage should not be used as the only tool and it needs to be considered along with social programs to achieve results in the fight against poverty. While raising the minimum wage has many benefits, it has to be balanced with the negative effects as well. I recommend that government should not interfere with the relationship between employee and employer with regards to wages, unless it is prepared to help offset the added expenses incurred by the Employer to deliver higher wages base on a government policy. An unpredicted hike in the minimum wage should be balanced with incentives to small business, such as wage subsidies to offset increases, or removal of some taxes on mandatory items such as wages (HAPSET) or business insurance.

The minimum wage should be tied to a measurable marker such as federal or provincial Consumer price index and remove all politics out of the process. In my observations, government should consider the striking of a standing committee made up of employees, employers and other stakeholders representatives to meet on a regular basis to review the minimum wage and

determine the more effective ways and means of lifting the most affected by low wages out of poverty.

Minimum wage is the lowest legislated amount that can be paid from an employer to an employee it should not be used as a benchmark for living standards. It should also not be used to relieve social and economic issues caused by forces outside of the relationship of employer / employee.

I agree with the assessment that an increase in minimum wage means business will have to pay increased wages. The majority will be paid by businesses in the Wholesale and Retail Trade and Accommodation and Food Services industries. There is a possibility that any increase could have a negative impact on the employment levels of teens (15-19) which would be concerning given the provincial demographics.

Increases should be predictable and any intended increase over 30 per cent should be strategically planned for over a long term, within six to eight years. A minimum wage increase will improve the incomes of a small number of individuals and families in poverty but the majority (80 per cent or more) will be negatively impacted due to an increase in the cost of living.

All presentations we heard have expressed a desire to find a way to lift people from poverty and all want to pay a good wage to their employees and workers. Both sides want to be fair and all wanted to see their employees and workers to succeed and live a good life.

I heard from low wage earners that they feel pressure and stress from their current economic situation. Their experiences should not be dismissed out of hand and more must be done to help these marginalized individuals and their families. While the income base is a fundamental factor, their costs must also be considered and government can take steps to mitigate these costs.

However, policy to achieve a fair wage should not be born solely by business. Government should consider a strong policy framework on housing cost reductions, affordable day care, offsetting the cost of goods delivered to the province, especially food and necessities of life.

Finally, there has to be predictability to help the employee and the employer know what the rate of pay will be over the next number of years. With that said, government should consider leaving minimum wage at its current rate for April 1<sup>st</sup>, 2020, tied to the CPI index. Whatever the mechanism the government decides either to set minimum wage indexed to CPI, or a working group to consider a fulsome approach. Government must ensure that the people of the province can plan, and that whatever the decision on minimum wage might be, it is tied to facts and the economic indicators and not emotion and speculation.

# **Annex A: Stakeholders Meeting**

Department of Finance - NL Statistic Agency

Department of Finance - Taxation

Office of the Status of Women

Department of Children, Seniors and Social Development – Poverty Reduction

Department of Children, Seniors and Social Development - Disability Policy Office

Restaurants Canada

The St. John's Board of Trade

Hospitality NL

Newfoundland and Labrador Federation of Labour

The Employers Council of NL

Atlantic Chamber of Commerce

## Annex B: Index of Reports Received

Report	Date Received
The Atlantic Chamber of Commerce (ACC)	November 18, 2019
The Fish, Food, and Allied Workers Union (FFAW-Unifor)	November 20, 2019
Broadening Horizons	November 20, 2019
Restaurants Canada	November 20, 2019
Retail Council of Canada (RCC)	November 20, 2019
Canadian Federation of Independent Business	November 25, 2019
Newfoundland and Labrador Federation of Labour	November 26, 2019
Canadian Postmasters And Assistants Association	November 27, 2019
The St. John's Status of Women Council (SJSWC)	November 28, 2019
Common Front NL	November 29, 2019
Unifor	December 2, 2019
Newfoundland and Labrador Association of Social Workers	December 2, 2019
Transition House Association of Newfoundland and Labrador	December 2, 2019
Eastern Health Board of Trustees	December 2, 2019
Public Service Alliance of Canada	December 2, 2019
Memorial University of Newfoundland Student Union	December 2, 2019
First Light	December 9, 2019
Atlantic Canada Regional Council of Carpenters Millwrights and Allied Workers	December 9, 2019
Royal Newfoundland Constabulary Association	January 5, 2020
Newfoundland and Labrador Employer's Council	January 8, 2020
Hospitality Newfoundland & Labrador	January 9, 2020

The Committee received numerous responses from individuals and independent business as well. To protect the privacy of those individuals they are not listed in this report.

## **Annex C: Online Survey Results**



The background of the page features a complex network diagram. It consists of numerous purple circles of varying sizes, representing nodes, which are interconnected by thin, light purple lines. The lines form a web-like structure that spans the entire page, with some nodes being more prominent than others. The overall aesthetic is clean and modern, with a focus on connectivity and structure.

# **Minimum Wage Review**

**End-of-Project Summary Report**

**Presented to The Independent  
Minimum Wage Committee**

Public Engagement and Planning Division  
December, 2019

# Summary Report

## Background

On September 5, 2019, the Minister of Advanced Education, Skills and Labour (AESL) announced the appointment of an Independent Minimum Wage Committee to solicit targeted stakeholder input and report to the Minister with observations, findings and recommendations on the current adjustment process for setting the minimum wage and the wage rate.

The minimum wage rate is a basic labour standard that establishes the lowest hourly wage that an employer can pay to an employee. This requirement is mandated by law in the **Labour Standards Act** (the Act). Currently, the minimum wage rate in Newfoundland and Labrador is \$11.40 per hour, and the minimum overtime wage rate, which is established at 1.5 times the minimum wage, is \$17.10 per hour.

In February 2018, the Provincial Government announced that future minimum wage increases would be based on increases to the National Consumer Price Index (CPI).

## Methodology and Approach

The Independent Minimum Wage Review Committee employed an online questionnaire on the Public Engagement and Planning Division's (PEP) engageNL platform. PEP provided guidance to the Committee regarding question design, administration and monitoring of the online questionnaire and data analysis.

Respondents were asked to identify if they were an employee or an employer at the beginning of the questionnaire, which determined the questions they were asked for the remainder of the questionnaire.

Respondents were asked their opinions on a range of topics listed below:

- Support for or against an increase in minimum wage.
- Impact of minimum wage increase on businesses and the economy.
- Impact of minimum wage increase on cost of living, standard of living and poverty rates.
- National Consumer Price Index as a tool to determine minimum wage.
- Universal Basic Income as an alternative to minimum wage.
- Increasing disposable income.

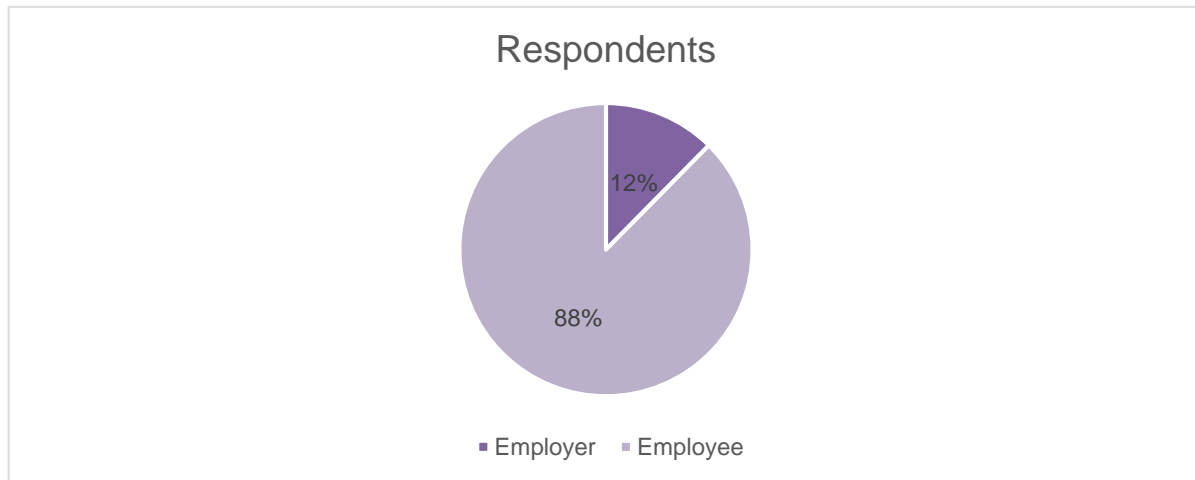
The questionnaire was posted on engageNL on November 15, 2019 and the public had until December 2, 2019 to complete the questionnaire. In total, 1540 questionnaires were completed. The public was also provided the opportunity to complete the questionnaire in an alternate format (i.e., hard copy) and provide written submissions directly to the Independent Minimum Wage Review Committee.

## Privacy

In accordance with the **Access to Information and Protection of Privacy Act, 2015**, a privacy notice concerning the collection and protection of personal information was posted on the online engagement portal (engageNL).

## Overview of Participants

Respondents were asked to identify if they were an employer or an employee. The breakdown is as follows:



### Employer:

The total number of employers who responded to the questionnaire was 191 (12.40 per cent of total respondents) with 92 per cent of those currently operating/managing an active business. Over half (56 per cent) of the employers operated businesses in the Avalon-St. John's Metro region, with all regions having some representation. The respondents represented many sectors, but the majority were attached to the retail sector (19.9 per cent), followed by health care and social assistance (12.04 per cent) and food services (10.47 per cent). Nearly 25 per cent of respondents selected other industry including but not limited to non-for-profit, financial services, cannabis production and legal services. Of interest, there were no respondents from the mining, quarrying and oil and gas extraction category.

Of 191 respondents, 51.30 per cent maintained their employees are paid either minimum wage (11.51 per cent), between \$11.41 and \$14.99 per hour (20.07 per cent) or between \$15 and \$19.99 per hour (19.72 per cent). 43 per cent reported their staff are not paid these wages, but there was no opportunity to indicate actual paid wages. The remaining 6 per cent fell under the unsure/unknown or not currently managing employee categories.

### Employee:

The total number of employees who responded to the questionnaire was 1349 (87.60 per cent of total respondents). The majority of respondents reported earnings above \$13 per hour (58.49 per cent), followed by \$11.40-13.00 per hour (22.16 per cent). The highest response rate was

received by respondents employed on the Avalon – St. John’s Metro region (65.01 per cent), followed by representatives from all regions of the province. Respondents represented all sectors in the employee category. Retail held the highest number (16.83 per cent), followed by health care and social assistance (12.90 per cent), educational services (11.49 per cent), and public administration (10.01 per cent). 25.48 per cent selected other industry. Examples include non-for-profit, justice, religious organization and commercial diving.

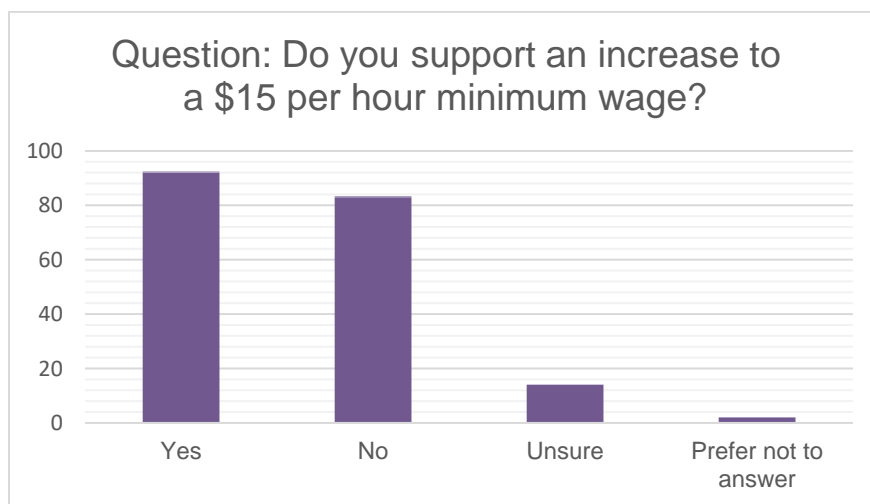
Most respondents were between the ages of 31 and 40 (25.87 per cent), are the primary income earner for their household (54.41 per cent), do not work multiple jobs (78.28 per cent), or do not receive any other sources of income (82.80 per cent).

Please refer to the “Summary of Close Ended Questions Tab” in the excel spreadsheet provided for a more detailed breakdown of specific questions that were asked in the questionnaire.

## Overview of Results

### Employers

Although 48.17 per cent of employers viewed an increase to the minimum wage rate as positive, 18.32 to 35.60 per cent contended the impact on business would be slightly negative to very negative. Consequently, employers expressed that minimum wage increases would lead to increased prices (21.35 per cent), reduced hours for employees (17.57 per cent) and staff reductions (16.22 per cent). 43.46 per cent viewed increased wages as negative, but 20.94 per cent believed the impact on business would be positive.



When asked about the impact an increased wage would have on the cost of living, respondents were divided: 34.55 per cent felt favourably and 39.27 per cent believed it would have a negative impact.

Concerning the standard of living for workers, the majority of employers felt an increased minimum wage would be very positive (36.13 per cent), slightly positive (21.47 per cent) or neutral (25.65 per cent). On the topic of poverty reduction, 39.79 per cent of employers

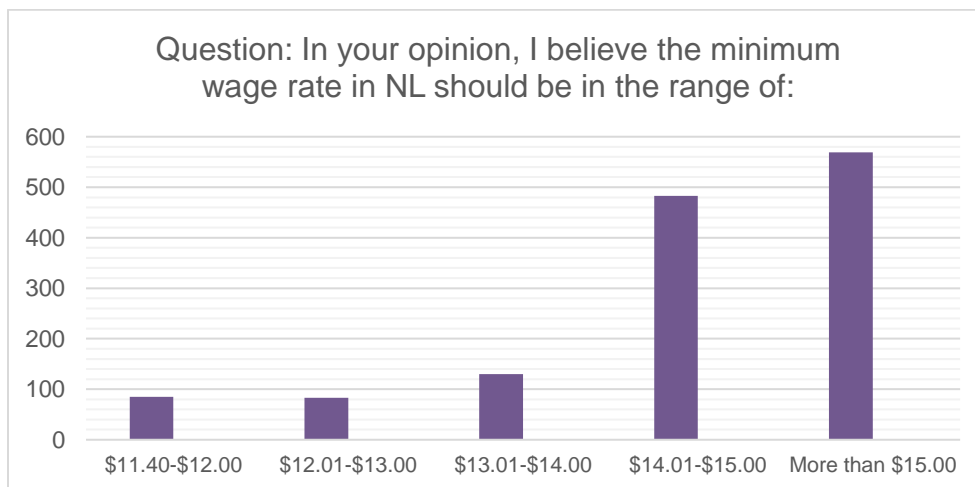
maintained a reduction would occur, whereas 31.47 per cent claimed it would have no impact whatsoever.

Employers were asked to respond to their outlook on the current business environment: 33.51 per cent held a slightly negative view and 26.18 per cent had a slightly positive perspective. Although wide consensus was reached on the best way to increase disposable income – by reducing income taxes – converse results emerged on whether or not an increased minimum wage would help stimulate the economy. In response to this question, 43.46 per cent argued against and 42.41 per cent felt it would.

Employers were surveyed on compensation models and their utility over increased minimum wage rates. Results were mixed as 35.08 per cent were unsure, 30.37 per cent were proponents of a Universal Basic Income and 28.80 per cent opposed a Universal Basic Income model. Lastly, 39.79 per cent of respondents were in favour of utilizing the National CPI to inform minimum wage rates.

### Employees

Employees were asked to indicate what they felt the minimum wage rate should be. 42.18 per cent called for wages higher than \$15 per hour, while 35.73 per cent felt it should fall between \$14.01-\$15.00 per hour (see table below).



When considering the cost of living, 59.53 per cent of employee respondents felt an increase in minimum wage would have a positive impact. With regards to the standard of living for workers, the majority of employees felt it would be very positive (63.90 per cent) and slightly positive (22.61 per cent) if the minimum wage was increased. Employees also felt that raising the minimum wage would reduce poverty rates (73.31 per cent).

On the topic of the current business environment, employee respondents reported a neutral position (27.21 per cent) or slightly negative (25.87 per cent). The majority of employees (80.21 per cent) felt that raising the minimum wage would help stimulate the economy. In addition, this cohort contended the best way to increase disposable income was to increase the minimum wage.

There was little consensus when considering another type of pay system such as a Universal Basic Income. Responses included unsure (34.40 per cent), yes (31.88 per cent) and no (31.28 per cent). Further, 46.11 per cent were opposed to the adoption of the National CPI as a method of determining the minimum wage.

Please refer to the “Summary of Close Ended Questions Tab” in the Excel spreadsheet provided for a more detailed breakdown of specific questions that were asked in the questionnaire.

#### **Themes:**

##### **Employer:**

- Small-medium businesses cannot sustain increases to minimum wage.
- Targeted tax reductions/incentives will be more effective than increasing minimum wage, while balancing inflationary impacts.
- Utilization of a two-tier compensation scale to distinguish between entry level and more experienced minimum wage earners will be required. This will create challenges for employers and will require time to implement. Earnings should be equated to skill level.

##### **Employee:**

- Decreased resilience and mental and physical health deterioration were reported consistently among employee data set.
- Investments in post-secondary education and training are required to build capacity and improve standard of living.
- The National CPI is an inadequate tool to drive decisions on minimum wage rates. It fails to account for local/regional/provincial demographics and related heating, housing, transportation and nutrition costs.
- Adoption of a living wage versus minimum wage will improve the standard of living for residents.
- Out migration trends are rising as residents are seeking employment outside of the province.
- Over reliance on the oil and gas industry tends to influence costs of living and standards.
- Unable to afford basic necessities which leads to making choices between paying rent and heat bills versus purchasing nutritious foods.

#### **Several common themes emerged from both employer and employee data sets, including:**

- Consideration should be given to increasing personal tax exemption rates; this strategy may be more effective than increasing minimum wage.
- The cost of goods and services will increase if the minimum wage increases.
- Local businesses are struggling to sustain themselves. An increase to minimum wage will result in closures of businesses or increased operating costs that will be transferred to the client or consumer.

- Government should intervene through investments in enhanced social programming and educational outcomes to decrease poverty rates.
- Increases to minimum wage will enhance employee quality of life, decrease absenteeism, minimize reliance on the healthcare system and reduce dependence on income support systems.

### Other Documents

To conclude its role in this engagement project, the PEP is providing the following documents to the Independent Minimum Wage Committee for internal use.

1. End-of-Project Summary Report;
2. Final Data File (excel format) containing the raw questionnaire data as submitted by respondents and reviewed for spelling/grammar and privacy.

Should the committee have any questions regarding the information contained in this report please contact Nina Mitchelmore, Regional Partnership Planner, Public Engagement and Planning Division at 457-7699 or [ninamitchelmore@gov.nl.ca](mailto:ninamitchelmore@gov.nl.ca).