



**GREATER CHARLOTTETOWN AREA
CHAMBER OF COMMERCE**

PROVINCE OF PRINCE EDWARD ISLAND
MINIMUM WAGE REVIEW

SUBMITTED TO
Employment Standards Board
September 14, 2018



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Donald MacCormac, Chair
Attn: Hazel Walsh
Employment Standards Board
P.O. Box 2000
Charlottetown, PE C1A 7N8

Re: Request for Submissions regarding the Prince Edward Island Minimum Wage Review

Dear Mr. MacCormac,

On behalf of the Greater Charlottetown Area Chamber of Commerce, thank you for the opportunity to share the views of our close to 1,000 members regarding the minimum wage system on Prince Edward Island.

Over the past year we witnessed positive change regarding the timing of minimum wage announcements and support for employees through increases to the basic personal amount. The Chamber applauds these decisions and believes through a continued constructive dialogue, PEI's minimum wage system can strike an appropriate balance between the needs of employers and employees.

The Chamber acknowledges that PEI's overall economy is performing well. According to the latest Atlantic Currents report from the Atlantic Provinces Economic Council, PEI continues to lead the region on many economic indicators in the first half of 2018 compared to our Atlantic counterparts¹. However, when considering changes to the minimum wage, it is important to understand that while the economy is stronger than previous years, business owners face competitive disadvantages. For example, PEI has the second-highest small business tax rate and the highest corporate tax rate in Canada². Commercial property taxes are second highest in the country³ and businesses may soon have to pay a new tax on carbon. Add to this the highest minimum wage rate in the region⁴ and one may better understand why, despite recent economic growth, compounding costs are impacting employers' ability to reinvest profits into their business and employees.

A minimum wage rate that is predictable, fair, and transparent can assist in creating a system that meets the needs of business owners and employees. By contrast, when a minimum wage increase fails to meet these criteria, businesses are unable to budget for increased labour costs and have to find new ways to

¹ <https://www.apec-econ.ca/publications/view/?do-load=1&publication.id=367&site.page.id=51002>

² <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-tax-rates.html>

³ https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/e-brief_269%20web.pdf

⁴ <https://www.retailcouncil.org/quickfacts/minimum-wage-by-province>



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make up for unforeseen expenditures. Often these measures are less favourable for the employees to which the minimum wage increase was intended to help. Such measures include:

1. **Increased prices.** In some cases, business operators can pass extra costs onto the customer – for others, it is not as easy. Smartphones have resulted in a growing expectation that local retailers should match the prices of major online retailers and box stores such as Amazon, or risk losing a customer’s business. In other cases, prices are set far in advance and businesses do not have the ability to adjust them. The tourism industry, for example, has a short window to generate revenue and prices are promoted well in advance of the summer season. This makes it almost impossible to pass the extra cost onto the consumer.
2. **Absorb the added cost out of the businesses’ profits.** While some businesses may be able to absorb costs from profits, the majority of users of minimum wage labour are in retail and food service. These industries already operate on razor-thin margins (below 3%)⁵. There is little room to incur any extra expenses in these businesses, especially if they were not budgeted for.
3. **Consider ways to reduce the costs of labour by making due with less staff, or finding alternative ways to serve customers.** There are signs of this in retail stores across Prince Edward Island with self-serve check-outs in lieu of hired staff. Members indicate that while they prefer to have staff serve their customers, rising labour costs force them to consider new ways to keep expenses down.
4. **Change jurisdiction or close business.** In some cases, a business is not able to apply any of the above options to cover extra labour costs. If so, they may have no choice but to move to a jurisdiction which they can afford to operate in or close their doors altogether.

Even with the challenges noted, the Chamber supports a living wage for employees. We acknowledge that some evidence suggests modest increases in the minimum wage can be done without disrupting labour markets, but government need to be cautious about impacting competitiveness. To achieve this, the process for increasing minimum wage must be predictable, transparent and fair. These principles reflect the views of our members as expressed in surveys and roundtable discussions. As such, we make the following recommendations with these themes as the focus.

Predictability: Employers want a process that provides predictability so they can plan, grow, and invest with confidence.

Chamber members welcomed an almost five-month notice of the increase to minimum wage in the fall of 2017 and appreciates that government considered our previous recommendations to do so. The Chamber would like to emphasize the importance of mandating this practice, as it allows businesses to factor adjustments into their annual financial planning.

⁵ Canadian Chamber 5 Minutes for Business: The Explosive Debate around Minimum Wage



The Chamber acknowledges that a predictable minimum wage also helps employers adapt to the “floor wage ripple effect”. That is, when the minimum wage goes up, so do the wages of those making just above the minimum amount. While the Chamber does not oppose paying a fair wage to all employees, it is important government recognize that an increase affects more than just minimum wage employees’ labour costs.

- **Recommendation 1:** *The Chamber recommends the provincial government mandate that notice of a new minimum wage rate be given no later than six months prior to a scheduled increase, but suggests that, ideally, the amount of the minimum wage increase should be announced one year in advance.*

Fairness: Employers want a process that considers the impact on both employers and employees.

As Table 1 shows, in October 1982, mandated minimum wage increases fell behind the consumer price index (CPI), which is an indicator of changes in consumer prices for goods and services in the province. This remained the case until April 2006. After this time, minimum wage increases in the province mostly aligned with CPI until October 2008. Since October 2008, PEI’s minimum wage has increased at a much higher rate than CPI. From then until now, the minimum wage has increased by 44%⁶, while the CPI only rose 13%⁷. This has put extra pressures on employers whom, due to competition, must maintain low prices despite the rising costs of doing business.

- **Recommendation 2:** *The Chamber recommends the provincial government tie future minimum wage increases to the previous year’s Consumer Price Index (CPI).*

Table 1 - PEI minimum wage increase vs CPI⁸



⁶ https://www.princeedwardisland.ca/sites/default/files/publications/minimum_wage_history_0.pdf

⁷ <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000501>

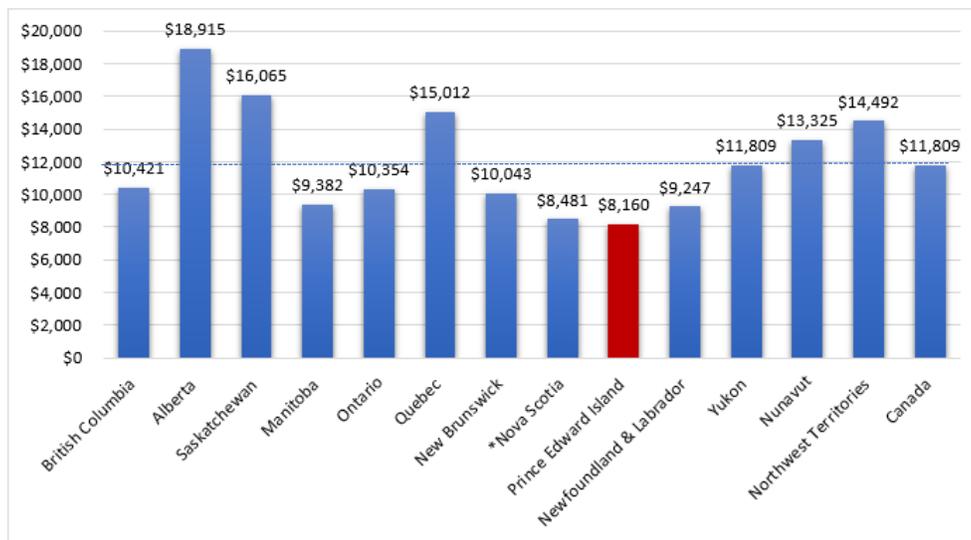
⁸ <https://www.cbc.ca/news/canada/prince-edward-island/pei-minimum-wage-numbers-1.4479258>



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The Chamber also encourages government to continue to consider alternative methods to improve the situation for employees. As of January 2018, the national average for the basic personal amount was \$11,977. Table 2 shows as of January 2018 PEI's basic personal amount was the lowest in the country. The Chamber welcomes the provincial government's 2018 budget announcement to increase the basic personal amount by \$1000 over the next two years. However, even with this decision, the province's basic personal amount remains one of the lowest in the country, thus there is room for further increases.

Table 2 – Basic Personal Amount by province as of January 2018⁹



It is also important to note that PEI remains one of the only provinces which does not automatically increase the basic personal amount at the rate of inflation. To ensure continued fairness for employees, when the basic personal amount surpasses the national average, it should then be tied to the CPI.

- **Recommendation 3:** *The Chamber recommends the provincial government increase PEI's basic personal amount to at least the Canadian average and ties subsequent increases to the basic personal amount to the Consumer Price Index.*
- **Recommendation 4:** *The Chamber recommends the provincial government put in place annual indexing of personal income tax brackets to remove the hidden tax hike that minimum wage earners experience every year due to inflation and the low basic personal amount.*

⁹ http://www1.adp.ca/YE/EN_Tax_Changes.pdf

**Employees in Nova Scotia with annual taxable income from all sources less than \$75,000 can complete TD1NS-WS to determine if they are eligible for any portion of the supplementary \$3000 basic personal amount introduced for 2018 tax year. To take advantage of the higher basic personal amount "at source" a completed TD1NS should be submitted to Payroll for submission to the payroll system.*



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Transparency: Employers require a process that is open and understandable.

It is critical that minimum wage increases are carried out in a manner that is open and engages all impacted parties. A way to achieve this is by putting in place a strategy that identifies and makes public any plans to support the minimum wage system on a long-term basis.

- ***Recommendation 5:*** *The Chamber recommends the provincial government develop a long-term strategy for minimum wage as a way to create a process that is open and transparent. This strategy should include a thorough review of the methodology for determining minimum wage, open consultation with community stakeholders, and explore alternative models and best practices in other jurisdictions.*

Overall, employers want a process that is fair, predictable, transparent and ensures PEI's competitiveness. Decisions around minimum wage should consider the financial restrictions already placed on employers and not discourage investment, economic growth, or job creation. Thank you for your consideration of the views of our members on this important business and community issue.

Respectfully submitted,

Penny Walsh McGuire
CEO, GCACC