

# PROVINCE OF PRINCE EDWARD ISLAND **MINIMUM WAGE REVIEW**

Submission to the PEI Employment Standards Board  
June 15, 2023



## SENT TO

Wayne Vessey, Chair of the PEI Employment Standards Board

ATTN: Hazel Walsh

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VIA EMAIL

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

# INTRODUCTION

On behalf of our over 1,150 members, the Greater Charlottetown Area Chamber of Commerce welcomes the opportunity to share views and suggestions on the minimum wage system in Prince Edward Island.

Our members support a livable income for their employees. As a Chamber, we acknowledge that some evidence suggests that modest increases in minimum wage can be done without disrupting the labour market, however, government needs to be cautious about impacting businesses' competitiveness.

While we understand the need for modest increases to minimum wage are necessary, we believe there are levers the provincial government can pull or alternatives the provincial government can pursue, so employees gain access to a livable income and businesses do not become less competitive. The provincial government needs to be mindful that simply raising minimum wage without such additional levers could risk furthering high inflation, as wages impact business' prices. Decisions around minimum wage should also consider the financial restrictions already placed on employers and not discourage investment, economic growth, or job creation.

The Chamber has long advocated for a **transparent, fair, and predictable** minimum wage system so that both business owners and their employees can succeed and prosper.

## Our recommendations are as follows:

1. That the provincial government mandate that a notice of a minimum wage rate change be given no later than six months before a scheduled increase.
2. That the provincial government set its desired minimum wage target, and once the target is achieved, begin to tie future minimum wage increases to the Consumer Price Index.
3. That the provincial government tie subsequent Basic Personal Amount increases to the Consumer Price Index.
4. That the provincial government implement a more competitive rate for its lowest tax bracket.
5. That the provincial government implement a personal income tax indexing system to prevent inflationary bracket creep.

## TRANSPARENCY AND PREDICTABILITY

Island employers and employees require an open and transparent minimum wage process. In particular, predictability. This allows both employers and their staff to properly plan, grow, and invest with confidence.

**Recommendation: That the provincial government mandate that a notice of a minimum wage rate change be given no later than six months before a scheduled increase.**

Our Chamber appreciates that in recent years, the Government of PEI has given notices of minimum wage increases approximately three to five months in advance. Most recently, we appreciate that our members were given an approximately three-month notice at the end of September that minimum wage was increasing to \$14.50/hour on January 1, 2023, and a year's notice that the wage would increase to \$15/hour in October 2023. The Chamber would like to emphasize the importance of mandating this practice, as it allows businesses to factor adjustments into their annual financial planning.

As in past Minimum Wage Review submissions, our Chamber continues to recommend that the government give employers ample warning of any increases to minimum wage, and we thank the Employment Standards Board for continuing to recommend “the new schedule of minimum wage rates be announced to the public as soon as possible” in its reports<sup>1</sup>. We ask that the Board continue to recommend this, and that the government implement that a notice of a minimum wage rate change be given **no later than six months** (though ideally one year in advance) before a scheduled increase to allow business owners to better prepare for an increased minimum wage and adjust budgets and pricing accordingly.

For example, Nova Scotia is actively in its path to increase minimum wage to \$15/hour by October 2023 over four stages that span 6 months each<sup>2</sup>. Similarly, Saskatchewan has released a timeline<sup>3</sup> of its minimum wage increases two years in advance, from \$13/hour in October 2022 to \$14/hour in October 2023 and finally to \$15/hour in October 2024.

It is important to note that according to a survey of our membership, the majority of respondents pay above minimum wage to their staff. When minimum wage increases, many of

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<sup>1</sup>[https://www.princeedwardisland.ca/sites/default/files/publications/2022\\_minimum\\_wage\\_recommendation\\_signed.pdf](https://www.princeedwardisland.ca/sites/default/files/publications/2022_minimum_wage_recommendation_signed.pdf)

<sup>2</sup> <https://novascotia.ca/lae/employmentrights/minimumwage.asp>

<sup>3</sup> <https://www.saskatchewan.ca/business/employment-standards/payment-of-wages-and-payroll-administration/minimum-wage-and-reporting-for-duty-pay#:~:text=Effective%20October%201%2C%202022%2C%20the,will%20be%20%2415.00%20per%20hour.>

these businesses also increase other wages within the organization to remain a competitive workplace or to maintain internal equity.

## FAIRNESS

Island employers require a minimum wage process that considers the impacts on their business. With small businesses also facing higher costs, our Chamber encourages the government to find the appropriate balance to employee needs and ensure long-term growth of the business community. We believe there are additional ways the provincial government could support a liveable income without solely relying on the backs of businesses.

We also encourage government to continue to consider additional levers to improve the situation for employees.

Our Chamber appreciates that in its 2020 minimum wage review report, the Employment Standards Board recommended the province “continue to explore other means, beyond the minimum wage, to support low-income workers (e.g., tax policy such as Basic Personal Exemption, targeted support programs)”<sup>4</sup>. We ask that the Board recommend this again in their 2023 report and continue to urge the province to explore additional levers, such as through the implementation of the recommendations below.

### **Recommendation: That the provincial government set its desired minimum wage target, and once the target is achieved, begin to tie future minimum wage increases to the Consumer Price Index.**

In its 2022 minimum wage review report, the Employment Standards Board stated that many groups recommended minimum wage increases be tied to CPI increases but “there does not appear to be consensus between employer and employee groups on a starting point from which predictable adjustments would be made”<sup>5</sup>.

Our Chamber recommends the province first state what its minimum wage base target goal is – whether it is \$15/hour in October or another number – and then once it reaches that hourly wage, to tie future increases to the Consumer Price Index.

In Atlantic Canada, New Brunswick<sup>6</sup> and Newfoundland and Labrador<sup>7</sup> currently legislate adjusting minimum wage increases based on the annual CPI percentage in April.

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<sup>4</sup> <https://www.princeedwardisland.ca/en/publication/2020-employment-standards-board-minimum-wage-review-report>

<sup>5</sup> <https://www.princeedwardisland.ca/en/publication/2022-employment-standards-board-minimum-wage-review-recommendation>

<sup>6</sup> [https://www.canlii.org/en/nb/laws/regu/nb-reg-2022-15/latest/nb-reg-2022-15.html#:~:text=5The%20maximum%20number%20of,is%2044%20hours%20per%20week.&text=\(b\)%20from%20October%201%2C,%2C%20inclusive%2C%20%2413.75%20per%20hour.](https://www.canlii.org/en/nb/laws/regu/nb-reg-2022-15/latest/nb-reg-2022-15.html#:~:text=5The%20maximum%20number%20of,is%2044%20hours%20per%20week.&text=(b)%20from%20October%201%2C,%2C%20inclusive%2C%20%2413.75%20per%20hour.)

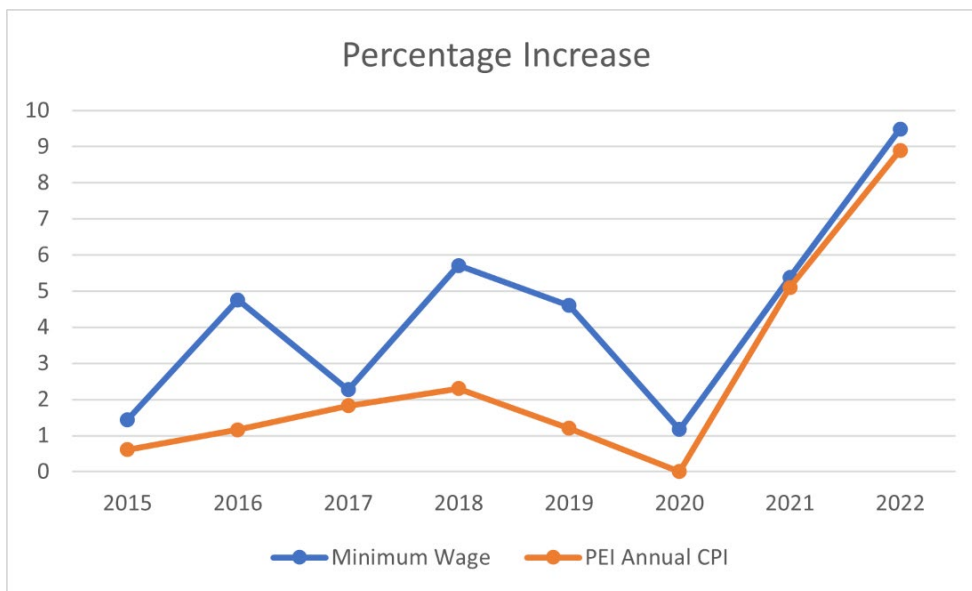
<sup>7</sup> [https://www.gov.nl.ca/ecc/files/Publications\\_Labour\\_Relations\\_At\\_Work\\_Updates\\_October-2022.pdf](https://www.gov.nl.ca/ecc/files/Publications_Labour_Relations_At_Work_Updates_October-2022.pdf)

## Minimum Wage Increases Compared To CPI Increases

This year, PEI's minimum wage was increased by a total of \$1.30 (9.49%) from \$13.70 to \$15/hour. This includes two increases – including rising \$0.80 in January to \$14.50/hour and with minimum wage set to rise to \$15/hour in October<sup>8</sup>.

PEI's annual CPI for 2022 also saw a higher increase this year (8.9%)<sup>9</sup> as the Island's economy began to feel the impacts of inflation and higher prices driven by supply distribution delays, higher fuel and gasoline prices, higher food prices, and world events.

However, as seen in the chart below<sup>10</sup>, yearly increases for PEI's minimum wage have amounted to higher percentages (in some cases much higher percentages, such as prior to 2020)<sup>11</sup> when compared to increases in PEI's annual CPI.



A minimum wage increase that is considerably higher than CPI is a significant expense for businesses. Adding increased payroll costs for businesses such as Employment Insurance, Workers Compensation, Canada Pension Plan, which are calculated as a percentage of wages, can quickly create further financial strain in addition to the wage increase itself.

As a result of these observations, our Chamber recommends that the provincial government set their desired minimum wage outcome they wish to reach (i.e., target benchmark wage), and

<sup>8</sup> <https://charlottetownchamber.com/chamber-responds-to-province-of-peis-minimum-wage-increase-2/>

<sup>9</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501&pickMembers%5B0%5D=1.5&cubeTimeFrame.startYear=2011&cubeTimeFrame.endYear=2022&referencePeriods=20110101%2C20220101>

<sup>10</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501&pickMembers%5B0%5D=1.5&cubeTimeFrame.startYear=2011&cubeTimeFrame.endYear=2022&referencePeriods=20110101%2C20220101>

<sup>11</sup> [https://www.princeedwardisland.ca/sites/default/files/publications/minimum\\_wage\\_history.pdf](https://www.princeedwardisland.ca/sites/default/files/publications/minimum_wage_history.pdf)

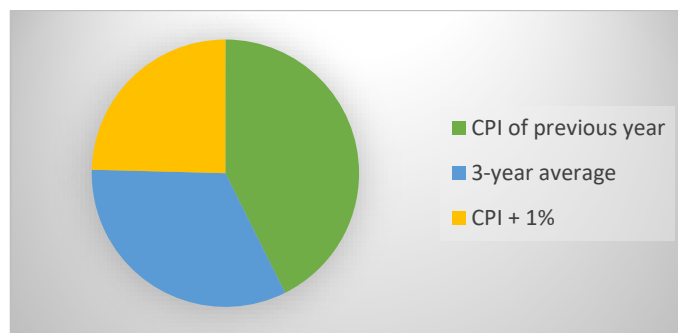
then begin to tie future minimum wage increases to the Consumer Price Index to ensure a fair and easily understood increase.

We also recommend, similar to the Newfoundland and Labrador’s minimum wage review committee, that the annual CPI adjustment to minimum wage be based on provincial rather than national CPI to reflect increases to the cost of living on PEI.

### **Different Methods To Tie Minimum Wage To CPI**

There are multiple ways to tie minimum wage increases to the Consumer Price Index.

This month, we conducted a survey on our membership on the topic of minimum wage, and while respondents of this poll favour tying minimum wage to CPI, they are split on the best method to do so.



*(Chart of method preference from those who support tying minimum wage to CPI, GCACC survey)*

### ***Increases tied to prior year’s CPI***

The highest percentage of poll respondents – at **29%** - support future minimum wage increases being tied to the prior year’s Consumer Price Index.

As mentioned above, in Atlantic Canada, New Brunswick and Newfoundland currently use this method. Many other jurisdictions – such as Saskatchewan, Yukon, Northwest Territories, Manitoba, and Ontario – also index minimum wage according to the Consumer Price Index of the previous year.

### ***3-year weighted average/fixed scale indexing***

About **22%** of poll respondents – the next highest percent – are in favour of future minimum wage increases being tied to a weighted 3-year average of CPI.



In this method, instead of tying minimum wage to the annual CPI, a three-year average of CPI is calculated and minimum wage is increased accordingly. This can be useful in creating a more stable environment, as it smooths out short-term fluctuations in inflation. Given how volatile inflation has been over the last two years, members of our Chamber's Advocacy Committee also showed support for this method.

### **CPI + 1%**

In the PEI Employment Standards Board's 2022 minimum wage review report, the Board encourages stakeholders to provide feedback on a CPI + x% approach to minimum wage adjustment. As noted in the Board report, Newfoundland's 2022 minimum wage review committee<sup>12</sup> have recommended a move to adjustments based on CPI + 1%. Additionally, starting April 2024<sup>13</sup>, Nova Scotia's minimum wage will be adjusted annually by the projected annual CPI percentage change for the previous calendar year, plus an additional 1%.

Our Chamber polled our membership on this CPI + 1% adjustment in response to the Employment Standard Board's request for feedback on the model. This method received the least support from poll respondents compared to the other methods mentioned.

**16.30%** of poll respondents support minimum wage increases being tied to CPI + 1%.

### **Recommendation: That the provincial government tie subsequent Basic Personal Amount increases to the Consumer Price Index.**

Our Chamber welcomes the 2023-24 provincial operating budget announcement that the Basic Personal Amount (BPA) will increase to \$12,750 in 2023 and \$13,500 in 2024. Over the last year, in submissions and meetings with the government, as well as in our 2022 Minimum Wage Review submission, we have continually asked for the Basic Personal Amount to rise to at least \$13,000 by 2024 to better align with other provinces and to allow Islanders to keep more of their hard-earned money.

We recommended once the Basic Personal Amount reaches \$13,500 in 2024 that the provincial government tie subsequent increases to the Consumer Price Index to ensure our Basic Personal Amount keeps pace with inflation and the cost of living, and to improve labour competitiveness for Prince Edward Island.

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<sup>12</sup><https://novascotia.ca/news/release/?id=20230203001#:~:text=starting%20April%201%2C%202024%2C%20the,wage%20will%20increase%20to%20%2415.25%2C>

<sup>13</sup><https://novascotia.ca/news/release/?id=20230203001#:~:text=starting%20April%201%2C%202024%2C%20the,wage%20will%20increase%20to%20%2415.25%2C>

It is also important to note that PEI remains one of the only provinces which does not automatically increase the BPA at the rate of inflation, resulting in our province continually playing “catch up”.

For example, since 2017, Manitoba has been indexing its BPA (and personal income tax brackets). For 2023, Manitoba has increased its BPA to \$15,000 from \$10,145 due to such indexing. Compared to its 2022 BPA, the tax savings from the 2023 Manitoba BPA will be up to \$524 more for an individual, or up \$1,048 for a two-income family<sup>14</sup>.

To ensure fairness for employee, when the BPA reaches \$13,500, we recommend the province commit to adjusting annually to inflation.

**Recommendation: That the provincial government implement a more competitive rate for its lowest tax bracket.**

Over the last few years, our Chamber has advocated for the province to re-evaluate the provincial income tax bracket model to be more competitive and leave more money in the pockets of Islanders, especially low-income Islanders.

We appreciate that the 2023 provincial operating budget introduces a new five-bracket tax system in 2024<sup>15</sup>, which puts our province on par for the number of brackets in the rest of Atlantic Canada. However, this new bracket system will see our province continue to tax our lowest-income earners at the highest rate in the region<sup>16</sup> at 9.65%.

Tax Rate Comparison in Atlantic Canada

<i>Province</i>	<i>Lowest Tax Bracket</i>	<i>Tax Rate</i>
Prince Edward Island	\$31,984 in 2023, \$32,656 in 2024	9.8% in 2023, <b>9.65%</b> in 2024
New Brunswick	\$47,715	9.4%
Newfoundland and Labrador	\$41,457	8.7%
Nova Scotia	\$29,590	8.79%

<sup>14</sup> <https://www.gov.mb.ca/budget2023/tax-measures.html#:~:text=Effective%20for%20the%202023%20tax,the%20indexed%20amount%20of%20%2410%2C855>.

<sup>15</sup> <https://www.princeedwardisland.ca/en/information/finance/provincial-budget-operating-budget>

<sup>16</sup> <https://www.canada.ca/en/revenue-agency/services/tax/individuals/frequently-asked-questions-individuals/canadian-income-tax-rates-individuals-current-previous-years.html>

Provincial tax rates have a direct cash flow impact on employees. For example, a lower-income employee earning \$28,275 (\$14.50/hour, 37.5 hours per week) before taxes would take home more money in all other Atlantic provinces than in PEI. This directly impacts the labour competitiveness of our province.

As a result of these findings, our Chamber recommends the province apply a more competitive rate to its lowest tax bracket to better align with our neighbouring provinces and as an additional avenue to support a livable income for Islanders.

**Recommendation: That the provincial government implement a personal income tax indexing system to prevent inflationary bracket creep.**

Every province, besides PEI and Nova Scotia, currently indexes income tax to the rate of inflation. This means a pay raise that just keeps up with the cost of living does not bump taxpayers into a higher bracket, known as “bracket creep”, and see the wage increase taxed at a higher rate due to the bracket creep.

According to the Canadian Taxpayers Federation, if PEI’s personal income tax brackets had been indexed since they were last changed in 2008, a taxpayer earning \$50,000 this year would be paying nearly \$300 less in income taxes<sup>17</sup>.

We encourage PEI to follow in the steps of our neighbouring provinces, like Newfoundland and New Brunswick, which index personal income tax. For example, in 2022, Newfoundland’s lowest tax bracket was 8.7% for \$39,147 or less. In 2023, due to indexing for inflation, Newfoundland’s lowest tax bracket is now 8.7% for the \$41,457 or less<sup>18</sup>. Likewise, over the last year New Brunswick has indexed its bracket cut-off points due to inflation, for example going from a 9.4% rate for \$44,887 or less in its lowest bracket to now 9.4% for \$47,715 or less<sup>19</sup>.

Our Chamber acknowledges that in her budget address, PEI Finance Minister Jill Burridge stated the province is committed to reviewing personal income tax on an annual basis<sup>20</sup>. However, we ask the province to commit to annually indexing personal income tax brackets to remove the hidden tax hikes that result from inflation.

Not automatically adjusting income tax brackets to the rate of inflation can also result in extra administrative burden for the province due to manually reviewing and adjusting tax brackets frequently.

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<sup>17</sup> <https://www.taxpayer.com/media/CTF%20PEI%20Pre-budget%20Submission%202023.pdf>

<sup>18</sup> <https://www.taxtips.ca/taxrates/nl.htm>

<sup>19</sup> <https://www.taxtips.ca/taxrates/nb.htm>

<sup>20</sup> <https://www.princeedwardisland.ca/en/information/budget-address-2023-0>

# CHAMBER MINIMUM WAGE SURVEY RESULTS

This month, our Chamber conducted a poll of our membership on the topic of minimum wage. We received responses from a variety of sectors, including: retail, food and beverage, tourism, manufacturing, construction, not-for-profits, professional services, and more.

**Over 75%** of poll respondents were the owners or CEOs of their business. Respondents had anywhere from one employee all the way up to over 500 employees – though **the majority** of respondents have between one to five employees.

**Over 67%** of respondents said all their staff is paid higher than minimum wage, while almost **11%** said less than ten percent of their staff is paid minimum wage. **Over 15%** of respondents said more than ten percent of their staff is paid minimum wage.

In response to minimum wage increasing to \$15/hour in October, respondents are making the following changes:

- **Almost 33%** of respondents are increasing other staff wages to maintain internal equity.
- **Just over 26%** of respondents are increasing pricing.
- **Over 15%** are decreasing staffing.

About **26%** of respondents say it will **severely impact** their business if the minimum wage were to increase above \$15/hour, while **34%** say it would **somewhat impact** their business.

If minimum wage were to increase **above** \$15/hour, respondents say they would make the following challenges:

- **Almost 50%** would increase pricing.
- **35%** of respondents would increase other staff wages to maintain internal equity.
- **15%** would decrease staffing.
- **Over 13%** would reduce hours of operation.
- **Three respondents** said they would have to close their business due to the costs.
- **17%** said they would make no change (respondents mainly were in the professional services sector).

## SUMMARY

Our Chamber emphasizes that we support the well-being and fair compensation of our employees across all member businesses, and that these workers are crucial drivers of our local economy and growth. We also understand that our member businesses need to plan for adjustments in employment, business costs, pricing, and other factors.

It is **key** that the government and private sector work together from a planning and implementation perspective for the best and most sustainable long-term results. An **open and transparent minimum wage process** will allow business owners and the provincial government to work together towards the same objectives.

A **six-month minimum notice** to changes to minimum wage is key for businesses to plan, and in many cases, adjust immediately to cover costs. As seen in our survey results, businesses may need to raise other wages to remain competitive and to maintain internal equity with employees who make more than minimum wage. Additionally, businesses may have to increase prices to cover the cost of the increase and need time to assess and do so.

**Setting a desired minimum wage target, then tying subsequent increases to the Consumer Price Index** also provides more predictability and transparency, for employers and employees alike.

Our Chamber advocates for a comprehensive approach that address the underlying issues affecting affordability, such as examining our tax system, and additional tools the government can use to assist Islanders with a livable income.

To do this, we recommend **implementing a more competitive rate for PEI's lowest tax bracket** so minimum wage workers stop being taxed at the highest rate for the lowest bracket across Atlantic Canada. The government can also support affordability and PEI becoming a more competitive place to live and work through **indexing personal income tax and subsequent Basic Personal Amount increases** with inflation.

In conclusion, decisions on changes to the minimum wage should consider both the financial implications on employees, the current economic conditions, and employers' monetary restrictions. We stress again the importance of working together towards sustainable solutions and the importance of the government using additional levers, such as those recommended in this submission, to support Islanders.

Thank you for your consideration of the recommendations of our Chamber on this important business and community issue.