

November
2018

The Nova Scotia
Minimum Wage
Review Committee
Report



Honourable Labi Kousoulis
Minister of Labour and Advanced Education
1505 Barrington Street
Halifax, NS B3J 2T8

Dear Minister Kousoulis:

In the Minimum Wage Review Committee's January 2018 report, in addition to recommending an increase to the minimum wage rate based on the formula set out in the minimum wage regulations, we recommended the Committee conduct a further review of the rate and approach to setting the minimum wage rate.

This is to advise that the Committee has now completed its review. Based on our review, the Committee is recommending that minimum wage increase by approximately \$0.55 each year (\$0.30 adjustment plus projected inflation of \$0.25) over the next three years (April 2019 to April 2021) and that effective April 1, 2022, the rate be adjusted with inflation.

Please find our report attached, which includes the rationale for the recommended adjustments to the minimum wage and the data used to calculate the adjustments. The report also includes a dissenting recommendation from a member of the Committee.

We wish to acknowledge, with thanks, staff at the Nova Scotia Department of Labour and Advanced Education who continue to support the Committee's work.

Respectfully submitted by:

Original signed by

Collette Robert, Employee Representative

Original signed by

Joe MacDonald, Employer Representative

Original signed by

Danny Cavanagh, Employee Representative

Original signed by

Andrew Rash, Employer Representative

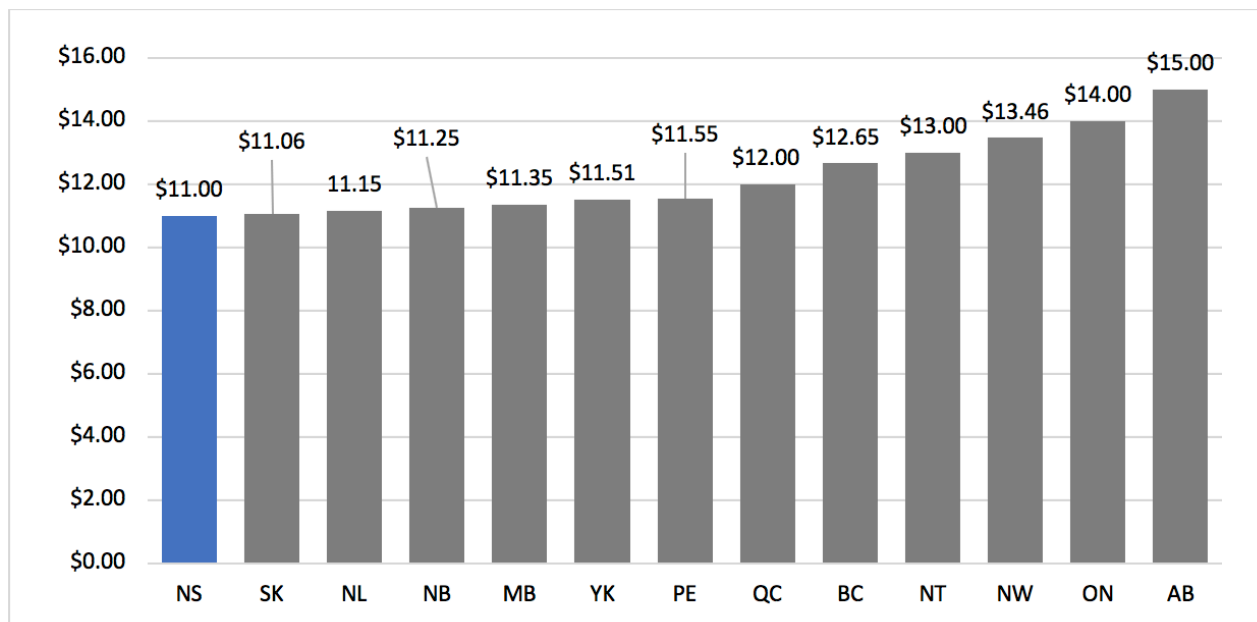
Background Information

Nova Scotia's minimum wage is set by regulations, which provide a mechanism for adjusting the minimum wage by the annual national inflation rate (Consumer Price Index or CPI). The Minimum Wage Review Committee is mandated, under the Nova Scotia Labour Standards Code, to conduct an annual review of the minimum wage and submit a report to the Minister setting out its recommendations.

Profile of Minimum Wage Earners

According to Statistics Canada, during the period of April 2016 to March 2017, 6.6% of employees in Nova Scotia earned minimum wage. Minimum wage earners work throughout the Province. They work primarily in retail trade, followed by food and accommodation industries. Most are under the age of 25 and most work part-time.

Minimum Wage Rate (General) across Canada as of October 1, 2018



Inexperienced Minimum Wage Rate

In addition to the general minimum wage rate, Nova Scotia also has an "inexperienced" minimum wage rate. The Nova Scotia Minimum Wage Order (General) sets the inexperienced minimum wage rate at \$0.50 less than the general minimum wage rate. The inexperienced minimum wage rate is currently \$10.50 per hour. Employers can pay an employee the inexperienced rate only if the employee has worked for the employer for less than three months and the employee has less than three months' total experience with the kind of work the employee is employed to do.

Setting the Minimum Wage at Statistics Canada's Low Income Cut Off (LICO)

History of Setting the Minimum Wage Rate at LICO

In their January 17, 2008 report, the Minimum Wage Review Committee recommended a series of scheduled increases to the minimum wage. The scheduled increases were based on the Committee's opinion that Statistics Canada's Low Income Cut Off (LICO) was a rational measure at which to set the minimum wage.

LICO lines are calculated in relation to the expenditure of an average person or family on the essentials of food, clothing and shelter. If a family is required to spend 20% more of its total income on essentials than the average Canadian family, then it falls beneath the LICO line and is considered low income. LICO lines are calculated and reported for individuals and families of different sizes, living in communities of different sizes ranging from rural to large urban areas.

The Committee's January 17, 2008 report recommended the use of a LICO line for a community with a population of 30,000 to 99,999 people, representing a city the size of Sydney, Nova Scotia. The scheduled increases in the minimum wage were designed so that a full-time employee earning minimum wage and working 2000 hours per year (40 hours per week x 50 weeks) would reach LICO by October 2010. The Committee further recommended that, once LICO was met, the minimum wage should be maintained at LICO by indexing it to CPI.

The recommendations from the Committee's January 17, 2008 report were implemented. Since 2011, the minimum wage regulations have prescribed a formula for adjusting the minimum wage annually based on projected percentage changes in national CPI. The Committee's annual reviews have consisted of monitoring economic conditions in Nova Scotia and applying the formula.

Revisiting the Minimum Wage Rate and the Formula for Adjusting the Rate

Several years have passed since the minimum wage rate was set at LICO and indexed to CPI. As noted in their January 26, 2018 report, the Committee recommended that a further review of the minimum wage – including the current rate and formula used to set the minimum wage – be conducted. The recommendations made at the end of this report are the result of this further review.

As noted above, the formula for setting and maintaining the minimum wage rate recommended by previous Committee members was designed so that a full-time employee earning minimum wage and working 2000 hours per year (40 hours per week x 50 weeks) would be at LICO. In reviewing this approach, the Committee discussed whether minimum wage was accurately set at LICO as data shows an average work week for full-time employees is about 37 hours¹, not 40, which amounts to 1850 hours of work per year instead of 2000.

¹Data Source: Statistics Canada - Labour Force Survey

Average hours worked by full-time workers ages 15 to 24 in sales and service occupations: 2004 - 37.36 hours, 2005 - 37.89 hours, 2006 - 37.81 hours, 2007 - 37.29 hours, 2008 - 36.81 hours, 2009 - 36.96 hours, 2010 - 37.40 hours, 2011 - 37.02 hours, 2012 - 37.22 hours, 2013 - 36.83 hours, 2014 - 36.82 hours, 2015 - 36.82 hours, 2016 - 36.27 hours, 2017 - 36.59 hours

The Committee concluded that an individual earning minimum wage and working 37 hours per week does not in fact reach LICO for a community the size of Sydney. Further, an individual working 37 hours per week 50 weeks of the year would have to earn \$11.90 per hour to reach LICO today, which is \$0.90 more than the current minimum wage rate of \$11.00 per hour.

Minimum wage has been set at LICO and indexed to inflation since 2012. The below table shows what the minimum wage rate would have been during that same period if it had been set at LICO based on 1850 hours of work per week instead of 2000.

Comparison of LICO 2000 and LICO 1850 from 2012 to 2018

Year	LICO 2000	LICO 1850
2012	\$10.15	\$10.95
2013	\$10.30	\$11.15
2014	\$10.40	\$11.25
2015	\$10.60	\$11.45
2016	\$10.70	\$11.55
2017	\$10.85	\$11.75
2018	\$11.00	\$11.90

The Committee believes LICO is still a rational approach to establishing a fair minimum wage for employees; however, it believes the calculations for setting the rate at LICO should properly reflect accurate data regarding an average work week. The Committee discussed an approach to adjusting the minimum wage rate to ensure it is set at LICO based on the average number of hours full-time employees work each year (1850). This approach is outlined below.

Setting Minimum Wage at LICO Based on 1850 Hours of Work

Minimum wage is currently \$11.00 per hour. Following the formula set out in the minimum wage regulations, it is to be adjusted for 2019 by the projected percentage change in the national CPI for the 2018 calendar year. Based on the first 7 months of 2018, inflation is at 2.1%, however, the Bank of Canada is forecasting it could be slightly higher by the end of the year. In their July 2018 Monetary Policy Report, the Bank of Canada projects CPI inflation of 2.4%, 2.2% and 2.1% for the 2018, 2019, and 2020 calendar years, respectively. Rounding it to the nearest \$0.05 in accordance with the formula currently set out in the minimum wage regulations would result in an increase of \$0.25 to the minimum wage in April 2019, April 2020, and April 2021. Note that these are projections provided here for illustrative purposes and that the true future values of CPI inflation and the minimum wage as determined by either formula will likely differ from these values.

If the minimum wage is increased by \$0.25 each year (to keep pace with the projected inflation) and also increased by an additional \$0.30 per year (to catch up to the rate that an individual must earn in order to reach LICO when working 1850 hours per year), then individuals earning minimum wage and working 1850 hours per year will be able to reach LICO by 2021. The below table shows how minimum wage could be set at LICO 1850 by April 1, 2021. It also shows the difference between the increases required to get to LICO 1850 by 2021 and what the minimum wage rate would be over this same period if the current formula is maintained. Note that the LICO 1850 projections also assume CPI inflation will follow the Bank of Canada's projections and as a result, the final number in 2021 will likely differ, depending on the actual value of inflation over the next three years.

Comparison of LICO 2000 and LICO 1850 from 2018 to 2021

Year	LICO 2000 (status quo)	LICO 1850 (by 2021)	Bank of Canada projected CPI inflation
2018	\$11.00	\$11.00	2.4%
2019	\$11.25	\$11.55	2.2%
2020	\$11.50	\$12.10	2.1%
2021	\$11.75	\$12.65	

LICO 2000 (status quo): projected inflation of \$0.25 per year.

Moving to LICO 1850 by 2021: projected inflation of \$0.25 per year + adjustment of \$0.30 per year over 3 years.

Recommendations of the Committee (Collette Robert, Danny Cavanagh, Joe MacDonald)

- The Committee recommends that minimum wage be set at LICO based on 1850 hours of work by increasing the experienced minimum wage rate by \$0.55 per year for the next three years, resulting in an experienced minimum wage rate of:
 - \$11.55 per hour starting April 1, 2019
 - \$12.10 starting April 1, 2020 and
 - \$12.65 starting April 1, 2021
- The adjustments recommended above are based on projected inflation. As such, the Committee recommends that it monitor the adjustments each year to ensure minimum wage will, in fact, be set at LICO based on 1850 hours in 2021.
- The Committee recommends that, starting April 1, 2022, the minimum wage be maintained at LICO by adjusting it each year based on projected annual CPI.
- The Committee recommends that the inexperienced minimum wage rate continue to be set at \$0.50 less than the experienced minimum wage rate.

Dissenting Recommendation (Andrew Rash)

- The adjustments required to set minimum wage at LICO based on 1850 hours of work should be spread over 5 years, resulting in annual increases to the experienced minimum wage of \$0.43 per year. Based on projected inflation, this results in an experienced minimum wage rate of:
 - \$11.43 per hour starting April 1, 2019
 - \$11.86 starting April 1, 2020
 - \$12.29 starting April 1, 2021
 - \$12.72 starting April 1, 2022 and
 - \$13.15 starting April 1, 2023