

March 13, 2024

**RE: Closing the Gap between a living wage and minimum wages in Newfoundland and Labrador**

We appreciate the opportunity to provide input into the current review of the minimum wage and the process for setting the minimum wage in Newfoundland and Labrador. Our detailed submission outlines reasoning and evidence to support key recommendations to ensure that the minimum wage provides sufficient protection for workers in Newfoundland and Labrador.

Our recommendations are as follows:

**1. Substantially increase the minimum wage to \$20 in three years.**

The base amount of the current minimum wage does not sufficiently reflect the cost of living as captured by the living wage calculations for Newfoundland and Labrador. A plan should be instituted to bring the base to \$20 within the next three years and continue to monitor the gap between it and the living wage – the goal must narrow that gap, not watch it continue to grow. We recommend the following schedule for increases: \$.40 more in 2024 to \$16, \$1.50 in 2025 to \$17.50, \$1.50 in 2026 to \$19, and \$1 in 2027 to \$20.

While the living wage has a regional breakdown, it is critical that the minimum is sufficient to cover the highest costs in the province. As we outline in our report (also enclosed), more could be done to address the regional inequities with investments in public services, affordable housing, affordable transportation and others. We do not recommend regional minimum wage rates, which could intensify the disparities, but rather that the provincial minimum better reflect these differences.

Our plan to increase to \$20 is also to have the minimum wage reach 60% of the average male wage in the province, which in 2022 was \$34.66. This goal aligns with policies to address income inequality and gender and racial inequality. While 7 percent of NL workers work at the minimum wage, another 16 percent work for between \$15 and \$20 an hour. Lifting low-wage workers' wages closer to the average male worker, recognizing that there are disproportionately more women and racialized workers earning below this amount (58 percent of those earning minimum wage are women). Racialized workers in NL earn \$24,200 in median employment income compared to \$32,000 for non-racialized.

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Newfoundland and Labrador has one of the highest gender equity pay gaps in the country at 13 percent. Implementing this plan would signal an important governmental commitment to pay equity.

## **2. Establish a minimum wage formula that better reflects the cost of living and work effort.**

While the minimum wage has been tied to inflation, the National Consumer Price Index does not sufficiently capture provincial, let alone interprovincial differences. Once the wage reaches \$20 or 60% of the average male wage (whichever is higher), we recommend adjusting it using the annual overall Consumer Price Index for Newfoundland Labrador or adjusting it based on the combined CPI food and shelter costs annual provincial average, whichever is higher, plus one percent. The additional percent is to recognize that adjusting for inflation only ensures wages are not eroded but does not provide gains for these workers, which would also be part of narrowing the gap between the minimum and the living wage. Alternatively, once the wage reaches 60% of the average, a formula could be developed that considers costs and the percentage change in the average hourly wage in the NL for the preceding calendar year.

It is time to think more holistically about the minimum wage rate – while building automatic increases into the rate is a good idea, the rate itself is artificially low, and a “reset” is needed to align it with actual living costs in 2024. A minimum wage that leaves full-time adult workers with too little income to cover basic expenses is not doing its job.

## **3. Strengthen all labour standards.**

The minimum wage should cover all workers in the province without exception, and there should be no differential wage for any classification of workers. The minimum wage should be strengthened alongside other labour standards, including provisions for paid sick leave, more paid leave provisions, and removing incentives for hiring part-time or gig workers. In addition, the provincial government should undertake to strengthen related legislation, including extending pay equity to cover the private sector, not just the public sector, and enacting pay transparency legislation.

## **4. Establish a permanent Fair Wages Commission.**

The setting of minimum wages has been highly political, driven by demands from firms that wages be kept low, with governments insisting that they must balance opposing viewpoints. The provincial government should establish a permanent Fair Wages Commission. This Commission would adopt a minimum wage formula like we have laid out here and commit to providing schedules for regular and predictable minimum wage increases. This Commission would have a mandate based on set goals and principles. It would provide opportunities for input from workers earning low wages, labour unions, community organizations, businesses and the general public.

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The Commission should be also resourced to undertake research, consult with the public and develop recommendations, ensuring employment standards keep up with changing labour market conditions, including issues such as “gig” workers, AI, and just transition processes. The Fair Wages Commission could also be a vehicle for investigating employment standards and emerging workplace issues. It would be tasked to provide an annual report to the public on how employment standards and the protection of vulnerable workers are being enforced.

## 5. More Robust Data to Inform Decisions

The government needs more data to make better evidence-based decisions that allows for an intersectional analysis of labour market impacts based on gender and race. As such, there could be more investment in provincial data collection or oversampling of national data as needed, supporting and building on the Community Accounts. The only race-based income and work-related data at a provincial level is from the Census. The labour market survey only provides Atlantic regional data.

In closing, our submission details our reasoning for these five key recommendations. Rapidly increasing costs for necessities of life, combined with governments’ failures to provide public services and programs that help keep life affordable, means workers need to earn substantially more than they did in the past just to make ends meet. Workers in Newfoundland and Labrador face a uniquely large gap between what they need to earn in the form of a living wage and what they currently earn.

We encourage you to close that gap.

Submitted by,  
Christine Saulnier and Russell Williams

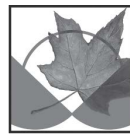
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# Closing the Gap between a living wage and minimum wages in Newfoundland and Labrador

In December 2023, the report Newfoundland and Labrador's 2023 Living Wages: Seeking a Better Deal for Low-Wage Workers was published. **The report calculates Newfoundland and Labrador's 2023 living wage rates by region based on a standard methodology applied in other provinces.** These rates are:

- Central: \$23.95
- Eastern: \$24.20
- Western: \$23.80
- Labrador-Northern Peninsula: \$26.80

Living wage calculations are a powerful tool for assessing the interaction of wages, government transfers and social supports in real households in this province. The Newfoundland and Labrador living wage, expressed as an hourly income, is based on fundamental principles outlined in the Canadian Living Wage Framework. The living wage is designed to:

- Enable working families to escape poverty,
- Foster healthy childhood development,
- Encourage gender equality,
- Alleviate severe financial stress and provide some level of economic security, and,
- Allow active participation in the community's social, cultural, and civic life.

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To do this, the living wage is based on a detailed assessment of the current costs of necessities for an average household (a house with two working adults and two children). Based on those costs, we can assess what the adult members of that household need to receive through labour market income and applicable government support to meet those expenses.

The living wage is an important benchmark highlighting what it means to earn a living that allows people to achieve the goals of the Living Wage Framework. As outlined in the Report, living wage calculations not only highlight the “gap” between what many people working at or near the minimum wage earn when compared to what they need to earn to keep their heads above water, it also highlights a range of shortcomings in public policy that widen this gap: either anti-poverty measures with thresholds and eligibility requirements that mean low-income workers are excluded or the lack of access to public programs that would reduce the living wage (affordable childcare and access to public transit, for example).

### **The living wage is a tool meant to inform public policy deliberations**

The 2023 Report makes three key observations – all relevant to setting minimum wages in Newfoundland and Labrador.

1) A rapid increase in the cost of basic necessities in Canada is hitting low-income households hard. In provinces where living wages have been calculated annually for some time, rates have increased sharply over the last few years – this is the direct consequence of rapidly increasing living costs—particularly food and shelter costs. Minimum wages, tied to inflation and the cost of living in other provinces, will rise sharply in the future.

2) Newfoundland and Labrador’s low-income workers get a particularly bad deal relative to some other provinces in Canada. The gap between living wages and the minimum wage is wider than in other jurisdictions. While our living wage rates are broadly comparable to other jurisdictions in Canada, the minimum wage and wages in general are lower than workers receive in other jurisdictions. There is a more significant gap here. Indeed, one of the critical things identified in focus groups for the 2023 Report was a sense amongst participants that “life was better elsewhere” for precisely these reasons. While it is the case that housing costs, for example, can be higher in other jurisdictions, improved government programs (access to affordable child care, public transit and income transfers to low-income households) make up that difference – full-time workers in this province, working at or near minimum wage, don’t get the same supports they do elsewhere. When this is combined with higher wages, the perception that “life is better elsewhere” is a ... reality.

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3) There are unique cost of living challenges in some parts of this province that require more serious attention from the government. Residents of Labrador and the Northern Peninsula have one of the highest costs of living in the country – government measures to deal with prohibitive food costs, etc., are not working. People in that region have a tough challenge earning enough to keep food on the table.

Based on these findings, we encourage you to think carefully about how the seismic shift in the cost of living impacts low-income workers and the overarching purpose of the minimum wage. While the living wage is not an alternative to statutory minimum wages, it should be used to inform minimum wage levels. The gap between current minimum wages and family living costs is too large.

### **A minimum wage that is too low impacts everyone.**

Low-wage workers are undoubtedly struggling to make ends meet, which impacts not only their health and the public costs associated with poor health, but also their ability to be as productive as possible. The minimal standards set by the government should support workers in affording the basics and taking care of their health. Many of those who shared their experiences with us for the living wage calculations, highlighted the extent to which the gap between the cost of living and their wages forces them to make hard decisions about their lives.

Some have had to take on far longer hours to cover expenses, which is physically and emotionally draining over the long term. A rural resident in the eastern region told us how hard this trade-off was,

*“I haven't had a day off in four months. So, yeah, I am doing better on a paycheck level. On a mental health and physical level, I'm completely depleted. Because you can't very well go out and afford to live as healthy as we'd like, which is exactly what our body's demanding of us when we're exhausted, because we're working so much. So, it becomes this vicious cycle where you're malnourished and your mental health is suffering because you're depleted and you can't afford to reinvigorate.”* Another participant told us simply: *“now I have so much pain in my body from physical labor.”* Another told us that what money they had was used to support the physical toll their work life was taking, *“The first big expenditure I made on myself after working for four months was a pair of properly orthopedic Arthritic shoes, as someone who's on my feet every day I thought this was time to splurge and the difference it made having a good pair of shoes.”* For many that we talked to, there was just a general sense of frustration and exhaustion, *“It seems unfair too that I have tried and tried and tried, and at this point, I still don't really get a reward, and that's the thing too, like, you go to work, you expect there'd be a reward at the end of the day.”*

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## The current minimum wage does not reflect current economic realities

With the minimum reaching \$15 in 2023, the gap between the minimum and living wages (from \$8 to \$11) is significant. While the minimum wage in Newfoundland and Labrador has been adjusted for inflation in recent years, if costs significantly increase, as in the past few years, this creates a considerable lag before workers' incomes catch up.

Moreover, adjustments need to be made to an adequate base – existing minimum wages were built on all sorts of false assumptions – the most important of which has been the idea that increased minimum wages were somehow “bad” for the economy – claims dismissed in serious research for some time now. For example, a recent analysis of the impact of a significant increase in the minimum wage in Ontario found employment grew even in sectors known for low wages and precarious work; overall unemployment fell, and wages rose, with significant gains for racialized workers in particular. Experts have consistently concluded that minimum wage increases reduce inequality, but they now also believe that they are good for the economy.

Unfortunately, the setting of minimum wages has been highly political, driven by demands from firms that wages be kept low based on their belief that they will always be able to find workers—an assumption every employer in this province now knows just isn't true. Keeping wages low during unprecedented price increases is unquestionably good for employers, particularly large corporations in uncompetitive sectors of the economy. The evidence of record-breaking profits during difficult economic times for ordinary households is everywhere.

The Living Wage Report illustrates the need for a significant increase in the minimum wage. Raising the minimum helps level the playing field for all employers. Newfoundland and Labrador would also follow the direction being set in the country to substantially increase the minimum: Notably, in 2024, the minimum wage is going to \$17.40 in BC, \$17.30 for federally regulated workplaces across the country, and \$16 in PEI. It is \$16.05 in NWT and \$19 in Nunavut.

As the statutory minimum, a substantial boost to the minimum wage would result in more money in the pockets of a large chunk of Newfoundland and Labrador's workforce – the province relies heavily on low-paid workers. In Newfoundland and Labrador, 36 percent of one-person households earn the equivalent of a full-time minimum wage job, the highest proportion in Atlantic Canada, and 22 percent of two or more person-households have an income equal to or below the equivalent of two full-year, full-time minimum wage jobs.

Old stereotypes persist when debating minimum wages. Many workers in the province have incomes between \$15 and \$23 an hour; it's not just teenagers living at home and working in accommodations and food services.

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Only 28 percent of people earning a minimum wage are teenagers, and there is evidence that minimum wage is becoming more common in the goods-producing sector. While 32 percent of retail workers earn minimum wage, 33 percent of forestry and logging jobs earn minimum wage. Strong minimum wage policies also reduce the need to use the tax and transfer system for redistribution, and these workers will spend their additional earnings and stimulate the economy.

Conversely, government budgets are impacted by the high costs of poverty, whether by productivity loss or by the pressures on its budget to help people manage to live on a low income. The consequences for low-wage workers are far-reaching, including chronic stress and health problems, poorer school performance for children and, fundamentally, lost human potential. Low-wage jobs contributing to working poverty impose high costs on society more broadly. We estimated the cost for NL to be nearly a billion dollars in 2017.

### Conclusion

Based on the findings of the 2023 Newfoundland and Labrador Living Wage assessment, we recommend a significant adjustment in the minimum wage. We also recommend that determining minimum wages become more “evidence-based,” including drawing on the data used to calculate living wage measures in this country. There needs to be more careful assessments of costs of living than have been used in the past to calculate changes in the minimum wage.

A minimum wage driven by political calculations about what some types of employers are willing to pay is a minimum wage that doesn’t achieve the core goals of why we have minimum wages in the first place. Working people need to be able to pay their bills. Artificially low minimum wages are bad for our community, bad for the economy and growing evidence of the uniquely high gap between costs of living and wages in this province – the sense that there is a better deal for workers elsewhere – is bad for Newfoundland and Labrador. Addressing the insufficient minimum wage is also a key component of building an equitable province where more people share in the wealth they help to create.

### Note on the authors:

Christine Saulnier is the Director of the Canadian Centre for Policy Alternatives in Nova Scotia. She is the co-author of the Newfoundland and Labrador 2023 report on living wages. She has a Ph.D. in political science. She has been the author or co-author of the living wage reports for Nova Scotia, Charlottetown, PEI, and New Brunswick.

Russell Williams is an associate professor of political science at Memorial University. He is the co-author of the Newfoundland and Labrador 2023 report on living wages. His research focuses on the intersection between international political economy and public policy. He is a coauthor of *Making Governance Work: Policymaking in the Era of Polarized Politics* (2017) and has numerous publications, including articles in the *Journal of Public Policy*, *Review of Policy Research*, the *International Journal of Public Sector Management*, *Canadian Foreign Policy*, and *Global Social Policy*.

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