



PRIORITIES AND PLANNING COMMITTEE

REVISED Agenda

Thursday, February 26, 2015
12:00 p.m. to 2:00 p.m.
Chambers
Lunch provided

Committee Items

| | | | |
|--------------|--------------------------|--------------------|-----------------------------------|
| 12:00 | 60 min | | |
| 1 | s.12 | Honourable Bennett | Tab 1 * PPT |
| 1:00 | 25 min | | |
| 2 | s.12 | Honourable Coleman | Tab 2 * |
| 1:25 | 25 min | | |
| 3 | Minimum Wage Report Back | Honourable Bond | Tab 3 * Tab_03a Tab_03b |
| 1:50 | 10 min | | |
| 4 | s.12 | Honourable Bennett | Tab 4 * PPT Tab_04a Tab_04b |

* Material enclosed
VER Verbal presentation

Cabinet Decision Summary Sheet

Ministry: Jobs, Tourism and Skills Training and Minister Responsible for Labour

Date: 17/02/2015

Title: Minimum Wage

s.12

Contact: Athana Mentzelopoulos, Deputy
Minister

(250) 952-0102



Honourable Shirley Bond

February 19, 2015

Date Signed

Cabinet Submission – Request for Decision

Minister: The Honourable Shirley Bond
Ministry: Jobs, Tourism and Skills Training, and Minister Responsible for Labour
Date: 17/02/2015 Ministry Document #: JTSTL 14-14
Title: Minimum Wage

Issue:

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Request:

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Implications and Considerations:

- B.C.'s general minimum wage is \$10.25/hour which is tied for 9th among Canadian jurisdictions. The last increase was May 1, 2012. Minimum wage rates in Canada range from \$10/hour to \$11/hr.
- In January 2015 B.C.'s average hourly wage was \$24.91 (up 2.3% from January 2014). This ranks fourth highest among Canadian provinces.
- All Canadian jurisdictions, other than B.C., have commitments to regular minimum wage increases based on a statistical measure (e.g., inflation) and/or a mechanism in place for a formal review (e.g., panel of experts). See Appendix 1 for further detail. B.C. increases its minimum wage on an ad hoc basis.
- The B.C. Federation of Labour has called for an immediate increase to \$15/hour and for subsequent yearly increases tied to inflation.
- Employers have indicated that small, regular increases with sufficient advance notice are preferable over large, one time jumps.

Background / Context:

Since the last increase to the minimum wage on May 1, 2012, questions have been raised about how and when future increases will occur. No commitment to a particular form of review was made by government, nor was there any commitment to "tie" future increases to particular measures such as inflation or changes in average wage rates. In 2014 every province other than B.C. raised its minimum wage at least once. Several provinces have scheduled increases for 2015. Since May 1, 2012, B.C. has slid from 3rd (behind only

Yukon and Nunavut) to 9th among all Canadian jurisdictions as of January 1, 2015. Based on current commitments in other jurisdictions, B.C. will likely be last among Canadian jurisdictions if there is no increase by October 2015.

Based on statistics for 2013, 120,400 employees (6.4%) in B.C. earn the minimum wage or less. See Appendix 2 for a profile of minimum wage earners in B.C.

Minimum Wage Mechanisms:

All provinces other than B.C. have committed to a formal mechanism (e.g., expert panel/formal review, or a link to one or more statistical measures) to assist in minimum wage policy (see appendix 1 for more detail). Several provinces, including Manitoba, Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick, have expert panels which are available to provide analysis and make recommendations for regular minimum wage increases. Quebec undergoes a yearly minimum wage review undertaken by the Minister and based on thirteen economic indicators. Over the last decade, Canadian jurisdictions have trended toward linking minimum wage increases with economic indicators directly (i.e., without yearly reviews). For example, Ontario, Nova Scotia, and New Brunswick, have all recently made commitments to increase minimum wage based on yearly increases in the Consumer Price Index (CPI), while Alberta and Saskatchewan have adopted a blended approach whereby the minimum wage is increased based on the average of CPI and average wage increases.

Of the two different approaches to linking minimum wage with economic indicators that are in use in Canada today (i.e., CPI and CPI blended with average wage), both purport to link minimum wage increases to inflationary indicators. However, because they can lead to significantly different outcomes over time, it is important to examine the underlying features of these mechanisms.

In the case of adjustments based on CPI, as is done in Ontario, the CPI is calculated by Statistics Canada and published each month for each province and for Canada as a whole. A yearly calculation is derived by averaging the 12 monthly CPI numbers for the calendar year. An increase or decrease in the yearly CPI represents the difference in CPI for one year as compared to the CPI for the previous year. Accordingly, the minimum wage can be increased each year by the same percentage that the CPI increased in the previous year.

In contrast, under the blended approach of averaging CPI and average wage growth, Alberta combines the CPI with changes in average weekly earnings while Saskatchewan combines the CPI with changes in the average hourly wage. For example, in Saskatchewan, if the 2014 CPI were to increase by 1% and the average hourly wage by 2%, the minimum wage would be increased in 2015 by 1.5%. s.12

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CPI and Wage Growth in B.C.:

When considering these various approaches in the B.C. context it is useful to examine the historical trends of average wages and CPI. Increases in the CPI have averaged around 2% annually for most of the last 15 years. Over the same period, changes in weekly and hourly wages have fluctuated between zero and 4.5%. Barring any major economic changes over the next decade these trends are likely continue.

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Stakeholder Views:

Labour:

The BC Federation of Labour (BCFED) has recently launched a campaign for a \$15/hour minimum wage as well as the elimination of the liquor server rate (currently \$9/hour) and a commitment for subsequent yearly changes equivalent to changes in CPI.

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Employers:

The Coalition of B.C. Businesses (the Coalition) supports small, predictable increases and has indicated that tying the minimum wage to yearly changes in CPI is a reasonable approach. s.12,s.13

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The B.C. Business Council has recently stated publicly that it:

“believes there is an argument for adjusting it in small steps on a regular basis (e.g., every 1- 2 years), perhaps in line with changes in the cost of living, rather than keeping it frozen for a lengthy period, as British Columbia did between 2001 and 2010. Experience indicates that when the minimum wage is fixed for long stretches of time, political pressure eventually builds to enact big increases – and it is these, rather than small periodic increases, which cause the most serious disruptions for the business sectors that rely on relatively low-paid employees to staff their facilities and run their operations.”

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APPENDICES:

Appendix 1 – Minimum Wage in Canadian Jurisdictions

Appendix 2 – Profile of Minimum Wage Earners

Appendix 3 .s.12

Contact: Athana Mentzelopoulos
Deputy Minister

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Honourable Shirley Bond

February 19, 2015

Date Signed



APPENDIX 1

Table 1.1 General Minimum Wages as of January 15, 2015

| Jurisdiction | Rate (\$/hr) | Effective Date | Future Changes |
|---------------------------|-------------------------|---------------------------|--|
| Ontario | 11.00 | June 1, 2014 | Yearly changes to be indexed with Ontario inflation (CPI). Mandated in the Statute. |
| Nunavut | 11.00 | Jan 1, 2011 | Mandatory review by Minister. |
| Yukon | 10.72 | April 1, 2014 | On April 1 of each year, the rate increases based on annual increase for the preceding year in the CPI for Whitehorse. |
| Manitoba | 10.70 | Oct 1, 2014 | Independent body gives advice. |
| Nova Scotia | 10.40 | April 1, 2014 | Increase to 10.60 on April 1, 2015. Each year rates increase to reflect previous year changes in national CPI (indexing formula in regulation). Independent body gives advice. |
| Quebec | 10.35 | May 1, 2014 | Rate to increase to \$10.55 on May 1, 2015. Since 2002 annual review is made by the minister, according to a framework with 13 indicators (not a statutory requirement). |
| Prince Edward Island | 10.35 | Oct 1, 2014 | Increase to \$10.50 in July 2015. Independent body gives advice. |
| New Brunswick | 10.30 | Dec 31, 2014 | Rate to increase to \$11.00 by 2017. Tied to inflation thereafter. Independent body gives advice. |
| British Columbia | 10.25 | May 1, 2012 | |
| Newfoundland and Labrador | 10.25 | Oct 1, 2014 | Rate to increase to \$10.50 on Oct.1, 2015. Independent body gives advice. |
| Alberta | 10.20 | Sept 1, 2014 | Annual increases linked to an average of the annual increases in average Weekly Earnings and the CPI in Alberta (policy commitment). |
| Saskatchewan | 10.20 | Oct 1, 2014 | Yearly increases based on average of increases in CPI and average hourly wage for the previous year (indexing formula in |

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| | | | regulation). |
| Northwest Territories | 10.00 | April 1, 2011 | Increase to \$12.50 on June 1, 2015 Independent body gives advice. |

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APPENDIX 2 – Statistical Profile of Minimum Wage Earners

The most recent annual minimum wage statistics available are for the year 2013. The 2013 annual statistics discussed below represent yearly averages of survey information collected each month. Employees who earn “minimum wage or less” include paid employees (not the self-employed) aged 15 and above earning the general minimum wage or the “liquor server rate”. In some cases employees may also be earning less than the minimum wage in contravention of the *Employment Standards Act* or because they are excluded from the minimum hourly wage provisions of the Act (e.g., babysitters).

Number and Percentage of Employees Earning Minimum Wage or Less:

- In 2013, 6.4% of employees in BC were earning minimum wage or less. This was slightly below the Canadian average of 6.7%. PEI had the highest rate at 9.4% and Alberta had the lowest at 1.8%.
- The 2013 rate of 6.4% in BC was a decrease from 7.2% in 2012.
- The number of B.C. employees earning minimum wage or less in 2013 was 120,400 out of a total of 1,891,600 paid employees (i.e., excluding the self-employed). This compares to 136,300 employees earning minimum or less in 2012 out of a total of 1,893,900 paid employees.

NOTE - s.12

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Age, Gender and Education of Employees Earning Minimum Wage or Less:

Of the 120,400 BC employees earning minimum or less in 2013:

- 64,300 (53%) were youth aged 15-24 and 56,100 (47%) were aged 25 or older.
- 9,900 (8.2%) were aged 55 or older.
- 75,500 (63%) were female.
- 27,100 (23%) did not have high school education while 16,800 (14%) had a university degree.

Industry, Job Type and Firm Size:

Of the 120,400 BC employees earning minimum or less in 2013:

- 111,000 (93%) worked in the service producing sector. 36,800 (31%) worked specifically in accommodation and food services. 38,200 (32%) worked in Trade (this includes retail trade).
- 20,200 (17%) had been in their job for three months or less while 65,800 (55%) had been in their job for at least one year.
- 41,800 (35%) worked in firms with less than twenty employees. 55,200 (46%) worked in firms with more than five hundred employees.
- 52,300 (43%) were full time workers.
- 112,100 (93%) were not members of a union or covered by a collective agreement.

Family Status

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