

# 2022 Statutory Review of the Minimum Wage

## Submission to the Department of Post-Secondary Education, Training and Labour

### About the New Brunswick Women's Council

The New Brunswick Women's Council is an independent advisory body for study and consultation on matters of importance, interest, and concern to women and their substantive equality. Its objectives are:

- a) to be an independent body that provides advice to the Minister on matters of importance to women and their substantive equality;
- b) to bring to the attention of government and the public issues of interest and concern to women and their substantive equality;
- c) to include and engage women of diverse identities, experiences and communities, women's groups and society in general;
- d) to be strategic and provide advice on emerging and future issues; and
- e) to represent New Brunswick women.

In delivering on these objectives, the Women's Council may conduct or commission research and publish reports, studies, and recommendations. The Women's Council is directed by an appointed volunteer membership that includes both organizations and individual women. The work is executed by a small staff team.

## About this submission

In 2022, the provincial government increased the minimum wage by \$2 an hour (via increases of \$1 in April and \$1 in October), bringing the rate to \$13.75 an hour. The increase has consistently been referred to as a one-time correction<sup>1</sup> that was necessary “to boost the minimum wage to an appropriate level in a single year.” Government has said that future increases will resume being tied to the Consumer Price Index (CPI), as they have been since 2019.

Given this adjustment and the way it has been framed by government, the 2022 statutory review of the minimum wage appears to be a perfunctory exercise rather than meaningful opportunity to provide input. For this reason, our submission focuses on posing foundational questions about what the purpose of the minimum wage is and whether the current minimum wage rate, as well as the planned approach to future increases, actually align with that purpose. Our aim is to make it clear that the minimum wage is not a settled issue and that government needs to engage in a more substantive review of the minimum wage to clarify what it is meant to achieve and develop a plan for meeting those objectives.

To do this, we explore:

- the purpose of the minimum wage;
- living wages in New Brunswick; and
- CPI and the cost of living.

We conclude with recommendations.

## The purpose of the minimum wage

The concept of a legislated minimum wage was initially introduced in Canada in [the early 20th century](#) to prevent the exploitation of vulnerable workers, including women, children, and people in non-unionized jobs. In 21<sup>st</sup> century New Brunswick, the minimum wage also serves as a poverty-reduction measure. This is made clear by the province’s poverty reduction plan: Overcoming Poverty Together, editions [one \(2009-2014\)](#), [two \(2014-2019\)](#), and [three \(2020-2025\)](#).

These plans are produced by the [Economic and Social Inclusion Corporation \(ESIC\)](#). As per the [Economic and Social Inclusion Act](#), ESIC’s board includes a minister as one of the vice-chairs, three ministers as non-vice-chairing members, as well as the Leader of the Official Opposition (or their designate). While these plans are

---

<sup>1</sup> New Brunswick, Legislative Assembly, [2022 Speech from the throne](#), 60th Legislature, 2nd Session (24th October 2022), Fredericton, New Brunswick.

Shane Magee, “[New Brunswick to raise 'downright embarrassing' minimum wage \\$2 next year — to \\$13.75](#)” (CBC New Brunswick, December 2nd, 2021).

put forward by ESIC, they are endorsed by the government. Thus, it is fair to assume that they articulate government's understanding of poverty-reduction and the measures that will support it.

All editions of the plan reference the minimum wage and list it among their priority actions. This establishes that government understands the minimum wage as a poverty-reduction measure. The first edition of the plan states that "The minimum wage will rise gradually to provide a living income for the employed."<sup>2</sup> In addition to affirming that the minimum wage of the time was not a living wage, this clarifies that government understands that achieving a minimum wage rate that provides workers with a livable income is a way of reducing poverty and should be a public policy goal.

This clarity is short-lived. The first edition of the plan makes the above statement about a living income but then aims to "Raise the minimum wage to the Atlantic average by September 1, 2011, and adjust for inflation annually thereafter."<sup>3</sup> Within a single edition of the plan, the goal for the minimum wage shifts from providing a living income to matching the average regional rate; whether that average is a living wage is not explored or even acknowledged as a relevant question.

Subsequent editions of the plan do not refer to living incomes. The second edition notes that the concept of a living *wage* needs to be studied in New Brunswick;<sup>4</sup> the third edition does not reference a living wage. The second edition includes plans to "ensure that minimum wage is subject to review and indexed annually"<sup>5</sup> and the third edition aims for "benchmarking the minimum wage to the Atlantic average by 2021, which would continue to be indexed annually."<sup>6</sup>

The focus of the most recent edition of the plan on aligning the province's minimum wage with the average regional minimum wage either demonstrates an assumption that regional averages happen to be high enough to lift minimum-wage workers out of poverty or indicates that the minimum wage is not actually a serious tool for poverty reduction in New Brunswick (e.g. that while increases will be beneficial to minimum wage workers, they are not intended to be enough to lift workers out of poverty).

### **Living wages in New Brunswick**

If the minimum wage is in fact meant to be an important poverty-reduction measure, it is useful to consider it in relation to concept of living wages. The [Canadian Center for Policy Alternatives \(CCPA\)](#) defines a living wage as "the rate of remuneration a worker would require in order to afford a minimally decent quality of

---

<sup>2</sup> The New Brunswick Economic and Social Inclusion Corporation, "[Overcoming Poverty Together 3 The New Brunswick Economic and Social Inclusion Plan](#)" (New Brunswick, 2022), p. 7.

<sup>3</sup> The New Brunswick Economic and Social Inclusion Corporation, "[Overcoming Poverty Together](#)" (New Brunswick, 2009), p. 8.

<sup>4</sup> The New Brunswick Economic and Social Inclusion Corporation, "[The New Brunswick Economic and Social Inclusion Plan 2014-2019](#)" (New Brunswick, 2014), p. 6.

<sup>5</sup> The New Brunswick Economic and Social Inclusion Corporation, p. 6.

<sup>6</sup> The New Brunswick Economic and Social Inclusion Corporation, p. 21.

life.”<sup>7</sup> What “minimally decent” means can vary. Given this, the CCPA explains that it can be useful to establish what would *not* constitute a living wage:

A living wage stands opposed to a wage that requires a person to work more than one full-time job to support herself and her family. A living wage also stands, by definition, in contradistinction to a wage rate that entails food insecurity (or reliance on food banks), homelessness (or reliance on shelters), financial insecurity (or reliance on debt to finance consumption), material deprivation, and ultimately, shame. In other words, a basic starting point in defining a living wage is by contrasting it with its opposite, namely a subsistence or poverty wage.<sup>8</sup>

In New Brunswick, work on living wages is led by the Human Development Council (HDC). In their most recent report on living wages, the HDC explains:

A living wage reflects the amount a household must earn to cover basic needs and live with dignity while enjoying a decent quality of life. This wage ensures a family can escape severe financial stress, support healthy child development, and actively participate in the social, civic, and cultural aspects of community life.<sup>9</sup>

Living wages are about bringing workers *above* the poverty line. They are about economic *and* social inclusion—which is the premise of New Brunswick’s poverty reduction plan. Because of this, living wages rates should be part of evaluating whether the current minimum wage is effectively functioning as a poverty-reduction measure.

The HDC calculates living wages in New Brunswick using the Canadian Living Wage Framework. Calculations are based on a family of four<sup>10</sup> and account not only for income from employment and household costs, but

---

<sup>7</sup> Jordan Brennan, “Enhancing Democratic Citizenship, Deepening Distributive Justice, The Living Wage Movement” (Canadian Centre for Policy Alternatives, 2012), p.7.

<sup>8</sup> P. 8.

<sup>9</sup> Human Development Council, “[Living Wages in New Brunswick 2022](#)” (Human Development Council, 2022), p. 3.

<sup>10</sup> Specifically, the HDC’s approach:

uses a specific reference family of four—two working adults and two young children (aged 2 and 7). The calculated living wage in a community indicates what hourly wage is required to cover the reference family’s expenses and let them live comfortably above the poverty line. Both parents work full-time (35 hours per week). One parent is taking evening courses at the local community college. The younger child attends full-time daycare, and the older child is enrolled in before and after-school care.” (P. 5.)

The HDC also notes that “research has shown that there are not any significant differences in the hourly living wage rate required to meet the needs of a single adult or a lone parent with one child” but also that “this hourly rate is likely not high enough to satisfy the financial needs of all families, such as those with more children, younger children needing more expensive child care, or those with a sole income earner and more than one child.” (P. 6.)

also government transfers and taxes. Using Canada’s poverty line (the Market Basket Measure) as well as local data, the HDC calculates a “conservative estimate”<sup>11</sup> of the living wage. The HDC notes that it does not include credit card or loan payments, savings for retirement, life insurance, home ownership, or costs associated with caring for a child or adult family member living with disabilities or a severe medical condition.<sup>12</sup>

The HDC reports that “In 2022, the living wage rates are \$23.45 in Fredericton, \$21.60 in Saint John, \$20.85 in Moncton, and \$19.20 in Bathurst.”<sup>13</sup> Both New Brunswick’s current minimum wage (\$13.75/hour) and the current Atlantic average minimum wage (\$13.68/hour) are significantly less than what constitutes a living wage in New Brunswick. This demonstrates the issue with framing minimum wage as a poverty reduction measure but then simply tying the wage to the average regional rate. Because it aligns with the average regional rate, government views a minimum wage that is significantly less than a living wage as appropriate and requiring only modest increases tied to CPI for the foreseeable future. If government means what it says—that the minimum wage is a poverty reduction tool and poverty reduction is about social and economic inclusion—then living wages must figure into this discussion.

### **CPI and the cost of living**

While it is positive that government is striving to ensure that minimum wage increases are responsive to changing economic contexts, tying increases to CPI in order to [address inflation and rising costs of living more broadly](#) may be inadequate.

The CPI evaluates the price of a “basket” of typical consumer goods and services, adjusts their values within typical Canadian spending patterns and the relative importance assigned to these goods (this is referred to as “basket weights”) and determines how much their cost fluctuates over a given period. Despite being one of the most widely used indicators of inflation, CPI on its own is not an adequate measure of changes in the cost of living. The Bank of Canada [explains](#) that CPI might underestimate the changes to the true cost of living for some Canadians:

The CPI doesn't capture every price or always reflect every Canadian's lived experience. For example, while property taxes and homeowner's insurance are included as part of shelter costs, house prices are not, because real estate is considered an asset, not a good or service. Depending on where you live in Canada, this can make a real difference in your cost of living.

---

<sup>11</sup> P. 6.

<sup>12</sup> P. 6.

<sup>13</sup> P. 4.

Additionally, the CPI only accounts for changes in retail prices of goods and services and not for the maintenance of quality-of-life. According to [Statistics Canada](#):

The Consumer Price Index (CPI) is not equivalent to a cost-of-living index (COLI). The CPI has often been used to approximate cost-of-living but it is important to note that the CPI and COLI are not directly comparable.

The CPI is based on a fixed basket of goods and services, which represents the average Canadian household's spending habits. The CPI measures the average change in retail prices encountered by all consumers in Canada.

By contrast, the objective of a COLI is to measure price changes experienced by consumers in maintaining a constant standard of living. A COLI can be linked to the notion of the minimum amount of money that would be necessary in different periods of time to ensure a given level of "well-being".

In short, the CPI measures the change in the cost of a fixed basket of goods and services, whereas a COLI measures the change in the cost of a fixed level of "well-being".

## Recommendations

Government must either clarify that it does not actually view the minimum wage as a poverty reduction measure (and thus adjust its poverty reduction plan, as well as its social safety nets, accordingly) or explicitly affirm its commitment to the minimum wage as a poverty reduction measure. If it opts for the latter, it must address the disconnect between the intention of the minimum wage and the current rate, as well as reckon with whether CPI on its own is an adequate measure to inform ongoing indexing of the minimum wage (once a truly appropriate rate is reached) based on changes to the cost of living.

Either scenario will require government to engage in [co-creation](#), not simply consultation, with many stakeholders. It will also require gender-based analysis (GBA)<sup>14</sup> as minimum wage, low wages,<sup>15</sup> and poverty are equity issues that have impacts based on gender, race, disability, etc.<sup>16</sup> We recommend that government publicly disclose information generated by the GBA.<sup>17</sup>

---

<sup>14</sup> GBA is a tool used to assess how specific populations may experience policies, programs, and initiatives differently than others. GBA goes beyond sex and gender to consider intersecting factors that shape individuals' experiences, including age, location, race, ethnicity, culture, disability, and language. It is an essential part of effective, equitable, and evidence-based public policy.

<sup>15</sup> Because the gap between the current minimum wage and a living wage is so substantial, changes to benchmark the minimum wage to a living wage would impact not just minimum-wage workers but those working for wages that are low but above the current minimum wage. We saw this, in fact, with the two adjustments in 2022. At the time they were announced, government [noted that](#) "This adjustment will benefit about 15,500 minimum wage earners, as well as 30,000 New Brunswickers who make more than the present minimum wage but less than \$13.75 per hour." Because minimum wage increases impact not only minimum wage workers but other low-income workers, they are often met by concerns from employers and organizations representing the business sector. This includes concerns that increases will result in a reduction in the number of jobs overall, undermining any gains for workers. Should government engage in the more substantive review of the minimum wage that we are recommending, we would welcome the opportunity to explore this assertion and the growing body of research contesting it.

<sup>16</sup> More information on this is available in our [2018](#) and [2020](#) submissions to the minimum wage reviews, our [2019](#) submission to ESIC for the renewal of the poverty reduction plan, and our [2021](#) submission to the Select Committee on Accessibility.

<sup>17</sup> The Women's Council has consistently recommended that [as a matter of transparency and accountability](#) government should publicly share more information on its use of GBA as well as information generated by GBA processes. In [2021](#) and [2022](#), government made strides on this by publishing a Gender Impact Statement (GIS) as part of the budget. Budget development is one of government's most opaque processes—which means that if a GIS can be produced for the budget, similar statements could be produced for other decisions and policy processes.