NORTHWEST TERRITORIES WAGE TOP UP

FINAL REPORT

March 25, 2022

Government of
Northwest Territories

Introduction

This paper reports on the final results of the NWT Wage Top Up program.

The NWT Wage Top Up program was a federal program administered by the Government of the Northwest Territories (GNWT). The program was in response to an unforeseen outcome of the Canadian Emergency Response Benefit, or CERB.

When COVID-19 was declared a public health emergency, the federal government introduced its pandemic emergency response plan. This plan contained financial relief measures, including the CERB, which provided workers aged 15 years and over who lost their jobs due to public health restrictions with $500 a week up to $2,000 a month. This taxable benefit was equivalent to earning $12.50 per hour for a 40 hour work week.

The CERB had the unintended consequence of creating an incentive for low wage workers to leave the labour force and apply for the CERB, particularly if the worker was in a higher risk profession or perceive themselves to be. To address this consequence, Canada proposed a temporary wage top up for essential workers to be administered by each province and territory on a cost-shared basis for low wage essential workers who earn under $2,500 a month (gross). Canada asked the provinces and territories to administer the program for the stated reason that a national program would be unable to address different regional needs and definitions of essential workers.

The GNWT was required to deliver a program that accounted for the federal concern that low wage essential workers had an incentive not to work because of the generosity of the CERB to receive Canada’s $4.7 million contribution to the program. The GNWT negotiated an agreement between the federal Finance Minister and the NWT Finance Minister that the GNWT would provide a wage top up to essential workers 15 years of age or over. Although the GNWT definition of essential worker was broader than the federal government’s definition, it was accepted through a negotiation process; later the program was changed by the GNWT to remove the 30 hours a week and 15 years of age requirement.

By expanding the definition of essential worker beyond the federal guidelines, the NWT Wage Top Up program could, through employers, provide increased wages to employees at the level of income known to be a direct local economic stimulus. Giving a financial boost to low wage workers who tend to spend more of their income in the local economy is known to benefit the territorial economy as a whole.

Program Design

The hourly wage top up design was to increase the hourly wage to $18.00 an hour for all workers who met the following criteria:

- Work at least 30 hours per week to limit disincentives under work-sharing arrangements (criteria was removed in the final design); and
- Are over 15 years of age to be consistent with CERB.

The proposed design did not match the federal definition of essential pandemic workers. Instead, the wage top up was based on the assumption that all low wage earners are essential since they were still working while the pandemic health measures were in place and, therefore, they must have been important to the continuing economy. Given that many businesses closed their doors due to public health orders, it follows that the ones remaining open that had employees earning less than $18 an hour were essential. Furthermore, even if the businesses were not essential, they were part of the economy still functioning during public health restrictions and not subsidizing their low wage employees through this program would have created a competitive disadvantage to other businesses whose workers were subsidized.

The program design was based on hourly wage ranges from the Statistics Canada *Labour Force Survey* of wage earners in the Northwest Territories:

- Wage range of $12.50 to $13.49 – 300 employees
- Wage range of $13.50 to $15.99 – 1,000 employees
- Wage range of $16.00 to $19.99 – 1,800 employees

The hourly wage of $18 was chosen for the top up program as being affordable.

Program Implementation

Process

The program design required a partnership with employers who have employees making less than $18 an hour. Employers were asked to provide a monthly listing of employee names, hourly wage rates and hours worked of all employees currently making less than $18 per hour and to distribute the top up to their employees' wages once the GNWT provided the amount for each employee based on the worker's reported hours and rates of pay under $18 an hour. Employers received $50 an employee in compensation to help with the additional administrative cost and this $50 compensation was renewed each time the program was extended.

When a business did not participate in the program, their employees could apply on their own. In this situation, the employees were required to submit copies of their paystubs. The GNWT would provide the benefit payment directly to the individual, less 10 per cent for income tax withheld. These employees received T4A slips at the end of the calendar year from the GNWT.

The NWT Wage Top Up program was announced May 12, 2020 and the first business applications were sent for processing on May 15, 2020, only 31 days from the evening that the federal finance minister proposed the temporary wage top up funding to provinces and territories.

Part of the innovation in designing the Wage Top Up program was to ask businesses to help the GNWT deliver the wage top up to their low wage employees. Throughout the program, team members answered questions from these businesses and provided easy to understand directions with the payments to help make the process as easy as possible for the 108 businesses that stepped forward to help deliver the program. The Wage Top Up team recognized that not all businesses would participate and made plans to ensure that individuals could apply on their own and by the end of the program 187 individuals benefitted from this flexibility in the program's design.

The Financial and Employee Shared Services team worked to provide the contribution to a participating business or for an individual from a non-participating business within an average of 5 days compared to their standard 20 days commitment to pay local businesses for goods and services provided to the GNWT. The Wage Top Up program would not have been as successful as it was without Financial and Employee Shared Services prioritizing this work.

This government-employer partnership to increase wages of low wage workers was based on trust; however additional information was requested in some instances to ensure funds were distributed as expected.

Communication

The NWT Wage Top Up program was advertised through a news release, the Finance webpage, letters from the Minister to the various Chambers of Commerce and social media.

Timeline

April 14, 2020	The federal government proposed a temporary wage top up for essential workers that would be administered by each province or territory on a cost-shared basis for low wage essential workers over the age of 15 years who earned monthly gross income under $2,500 during the period the Canada Emergency Response Benefit was in place. Canada committed to provide the GNWT with $4.7 million.
Between April 14 and May 12	Negotiations with Canada for flexible essential worker definition completed, policies created, webpage designed, forms created, template letters to businesses drafted, and processes set up.
May 12, 2020	Minister Wawzonek announces allocation of up to $6.2 million ($4.7 million from Canada, $1.5 million from GNWT) to temporarily top up wages for workers making less than $18 an hour between April 1 and July 31, 2020.
May 12, 2020	Department of Finance starts processing applications from businesses.
August 1, 2020	Program extended until October 3, 2020.
October 3, 2020	Program extended to February 28, 2021; workers from non-participating businesses asked to provide pay information for processing from April 1, 2020 to February 28, 2021
March 1, 2021	Program extended to August 31, 2021 to coincide with increase in the minimum wage starting September 1, 2021.
August 31, 2021	Program ended but applications from April 1, 2020 to August 31, 2021 continue to be processed until March 9, 2022.
March 9, 2022	Applications are no longer accepted.

Program Results

2020-21 program cost	$3,412,235
2021-22 program cost	$2,765,301
Total program cost	$6,177,536
Federal contribution	$4,739,859
Net cost to the GNWT	$1,437,677
Number of individuals benefitting from the program	3,726
Number of businesses participating	108
Number of non-participating businesses with workers applying on their own	37
Number of individuals applying from non-participating businesses	187

A database of total applicants consisting of hourly wages and hours worked by business type is being developed from the information collected in this program and will be used for further research, particularly to support the Minimum Wage Committee; however, this database requires scrutiny and cross-inspection with *Labour Force Survey* information and this work is on-going.

The following table provides the breakdown count of business/employees by business groups.

NWT Wage Top Up Program Average Monthly Statistics

	Business Count	Total Grants by Business Sector
Grocery Stores/Convenience Stores	26	$2,113,510
Food Services	26	$1,548,525
Retail Stores	15	$711,020
Accommodations	13	$448,715
Personal Services	11	$52,010
Community Governments / NGOs	16	$193,061
Health Services and Pharmacies	4	$358,010
Transportation[1]	4	$245,071
Recreation	5	$31,792
Financial Services	5	$36,713
Others[2]	20	$439,109
TOTAL	145	$6,177,536

[1]Transportation includes taxis and airlines.
[2] Other includes various service businesses.

Conclusion

To take advantage of the $4.74 million federal contribution the NWT Wage Top Up program had to be implemented in a minimal amount of time. Through expedient mobilization, the GNWT was successful in meeting the deadline for federal commitment to the program. The GNWT's ability to accept the risks of possible glitches and operate with the confidence that there was enough flexibility in the plans to adjust for contingencies was crucial to the success of the program.