



# Working for Low Pay

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*Canadian Policy Research Networks*

*to*

*Alberta Human Resources and Employment*

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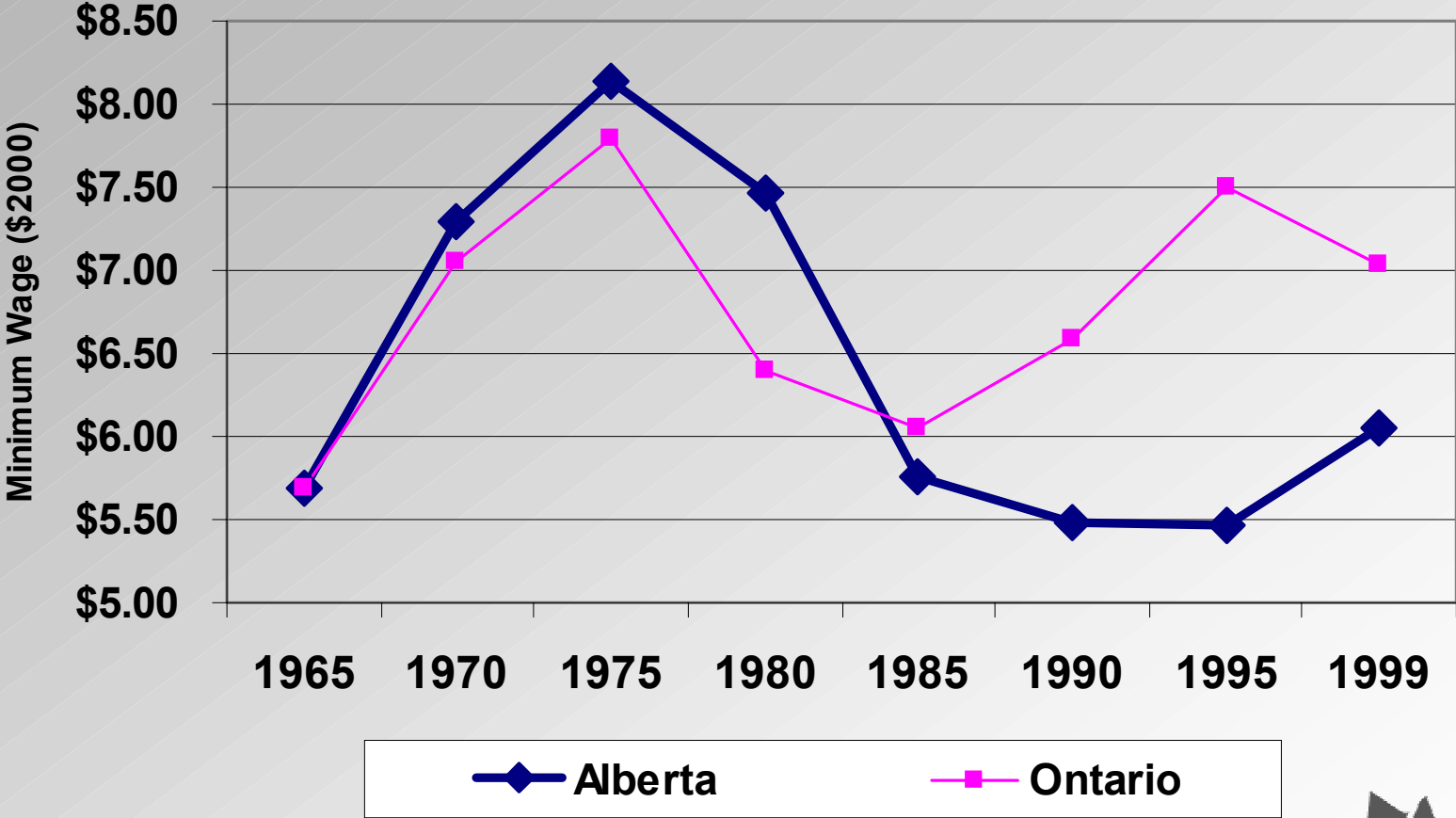


# Outline

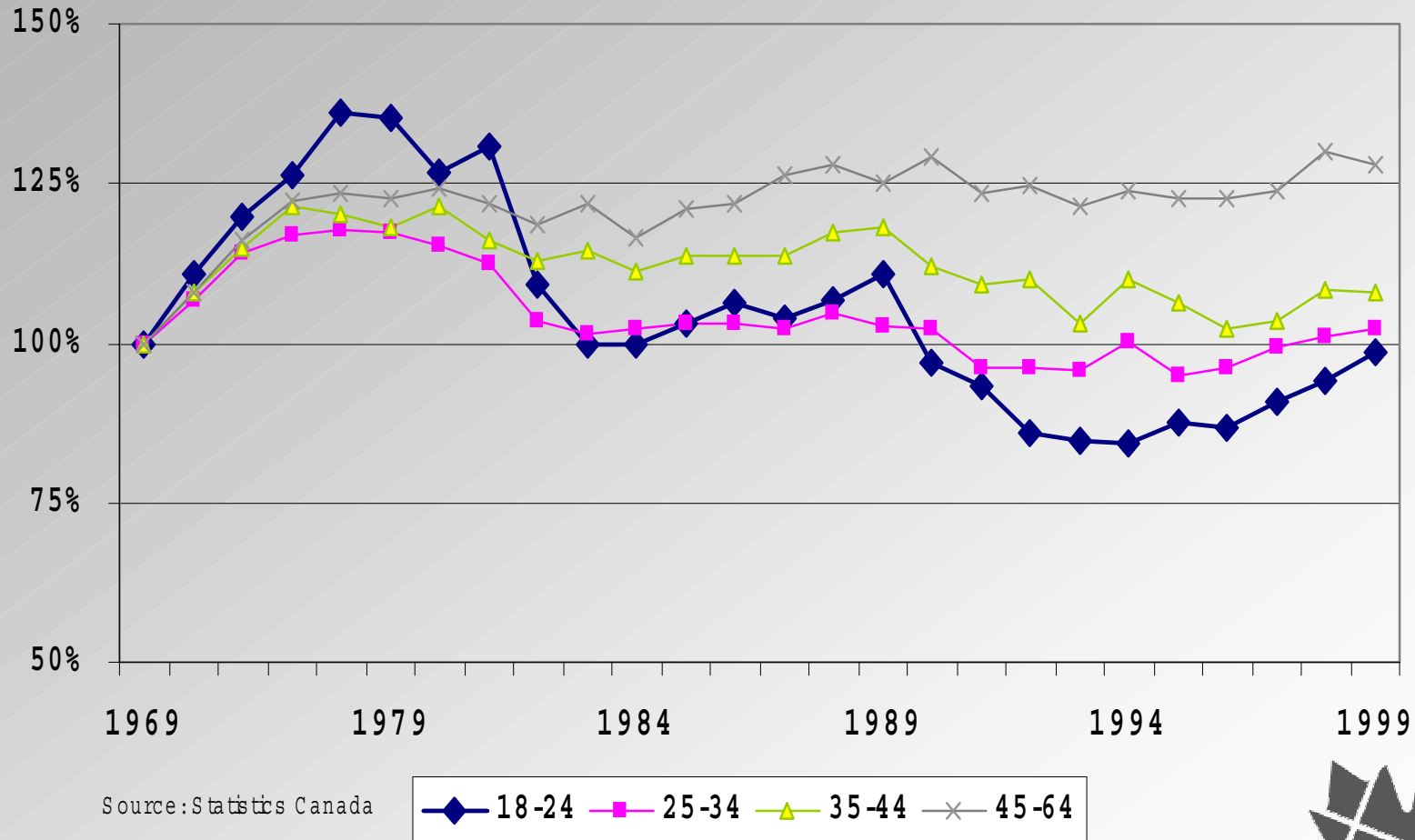
- Trends in earnings
- Who works for low pay
- What work do they do
- The labour market context
- Why do people work for low pay
- Some policy questions
- The responsibility mix
- A dialogue on the options



**Real Minimum Wages 1965 - 1999 (Alberta & Ontario)**



## Index of Real Annual Earnings of Paid Male Workers by Age, 1969-99 (1969=100)



## Characteristics of Low-Wage Workers in Alberta & Canada, 2000

	Workers Earning Less Than \$8.00 Per Hour		Workers Earning Less Than \$10.00 Per Hour	
	Alberta	Canada	Alberta	Canada
<b>Men</b>	<b>29%</b>	<b>31%</b>	<b>33%</b>	<b>35%</b>
<b>Women</b>	<b>71%</b>	<b>69%</b>	<b>67%</b>	<b>65%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Aged 20 to 24</b>	<b>25%</b>	<b>27%</b>	<b>26%</b>	<b>25%</b>
<b>Aged 25 to 34</b>	<b>25%</b>	<b>25%</b>	<b>27%</b>	<b>26%</b>
<b>Aged 35 or older</b>	<b>50%</b>	<b>48%</b>	<b>47%</b>	<b>49%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>One earner in family</b>	<b>32%</b>	<b>33%</b>	<b>31%</b>	<b>32%</b>
<b>Two or more earners in family</b>	<b>68%</b>	<b>67%</b>	<b>69%</b>	<b>68%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Less than high school</b>	<b>27%</b>	<b>26%</b>	<b>22%</b>	<b>24%</b>
<b>Completed high school</b>	<b>44%</b>	<b>40%</b>	<b>46%</b>	<b>40%</b>
<b>Completed certificate or diploma</b>	<b>21%</b>	<b>26%</b>	<b>25%</b>	<b>28%</b>
<b>Completed university degree</b>	<b>8%</b>	<b>7%</b>	<b>7%</b>	<b>8%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: 2000 Labour Force Survey micro datafile.

Calculations limited to employed persons aged 20 years of age or older who are not full-time students.



## Where They Work in Alberta

•By Industry	•By Occupation
<ul style="list-style-type: none"><li>-Accommodation, food and other</li><li>-Retail</li><li>-Financial, professional, and management</li><li>-Education, health, and social services</li></ul>	<ul style="list-style-type: none"><li>-Sales and service</li><li>-Blue collar</li><li>-Secretarial/clerical</li><li>-Management</li></ul>



# Living on Low Wage Work

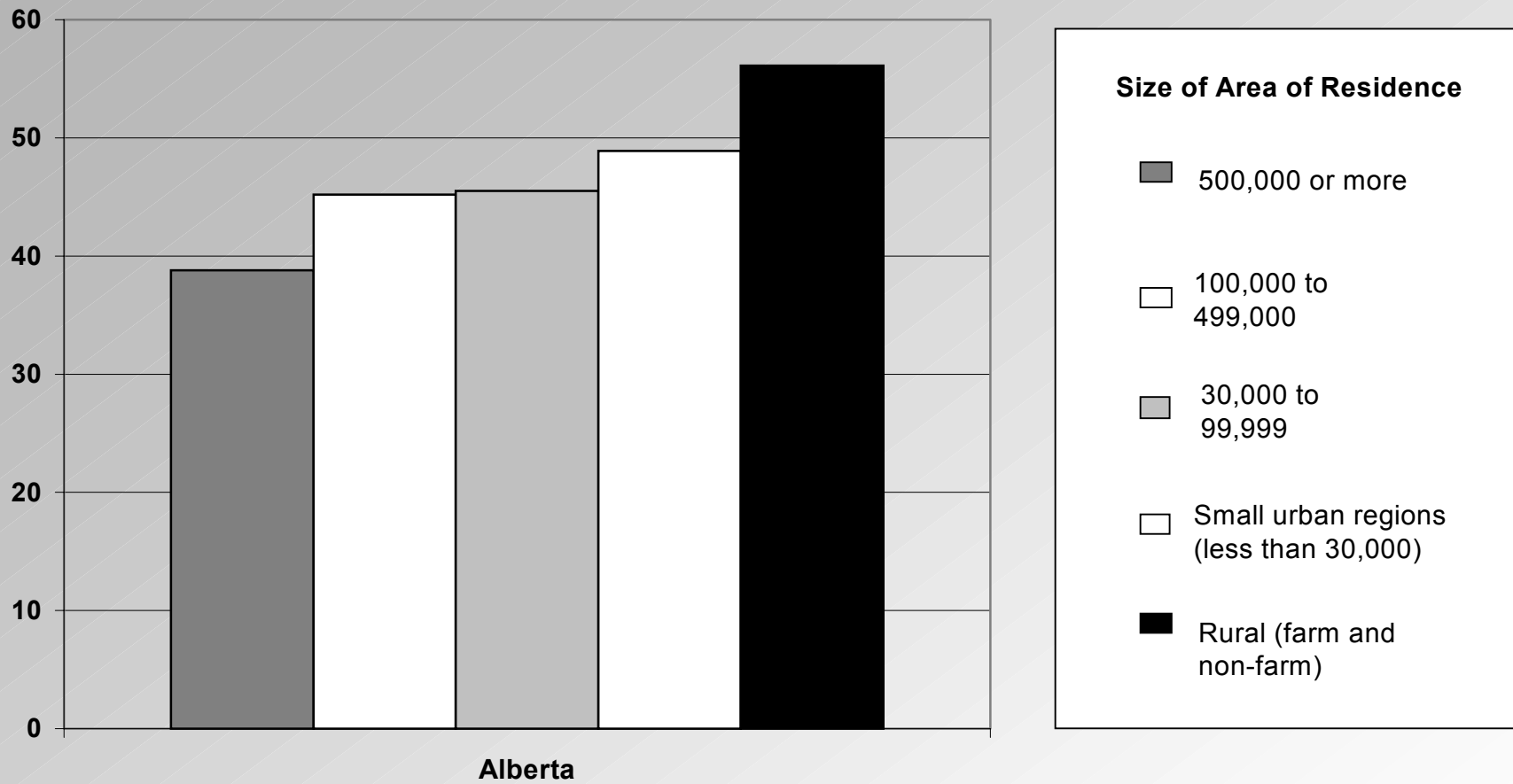
- Alberta -

## Couple with two children

		% Gap
Low Income Cutoff	\$35,471	
FT @ Minimum Wage	\$12,272	65%
FT @ \$8 perhour	\$16,640	53%
FT @ \$10 perhour	\$20,800	41%
Welfare Benefit	\$18,395	48%



## Adequacy\* of Alberta Welfare Benefits by Location of Residence Lone Parent, One Child Families



\* Bars show the proportion of Low Income Cut-Offs met by Provincial Social Assistance

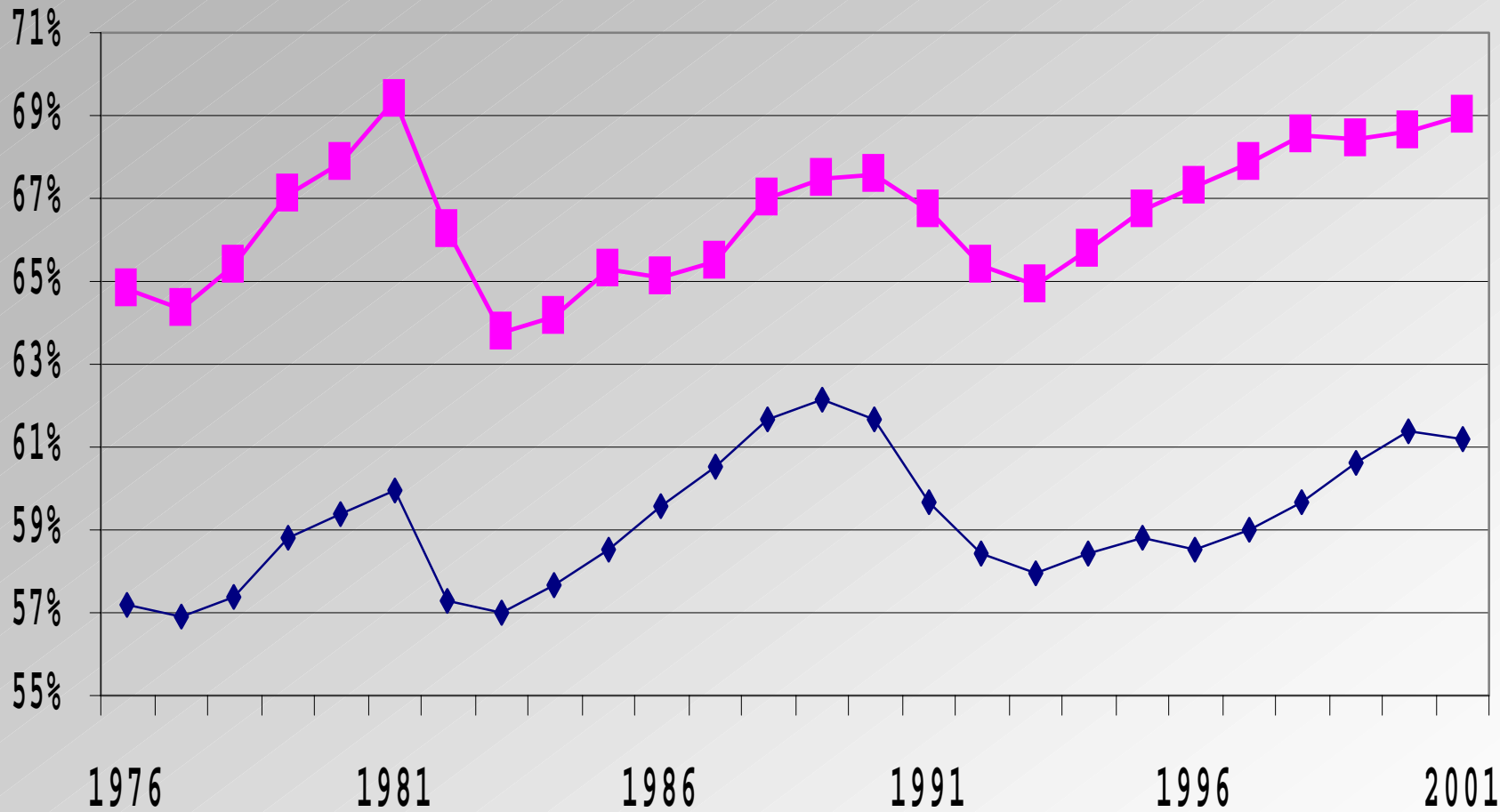
Source: National Council of Welfare, 2002; Welfare Incomes, 2000 and 2001; Statistics Canada's 2001 Low income cut-offs





# Employment Rates 1976 - 2001

(Men and Women, aged 15 and over)

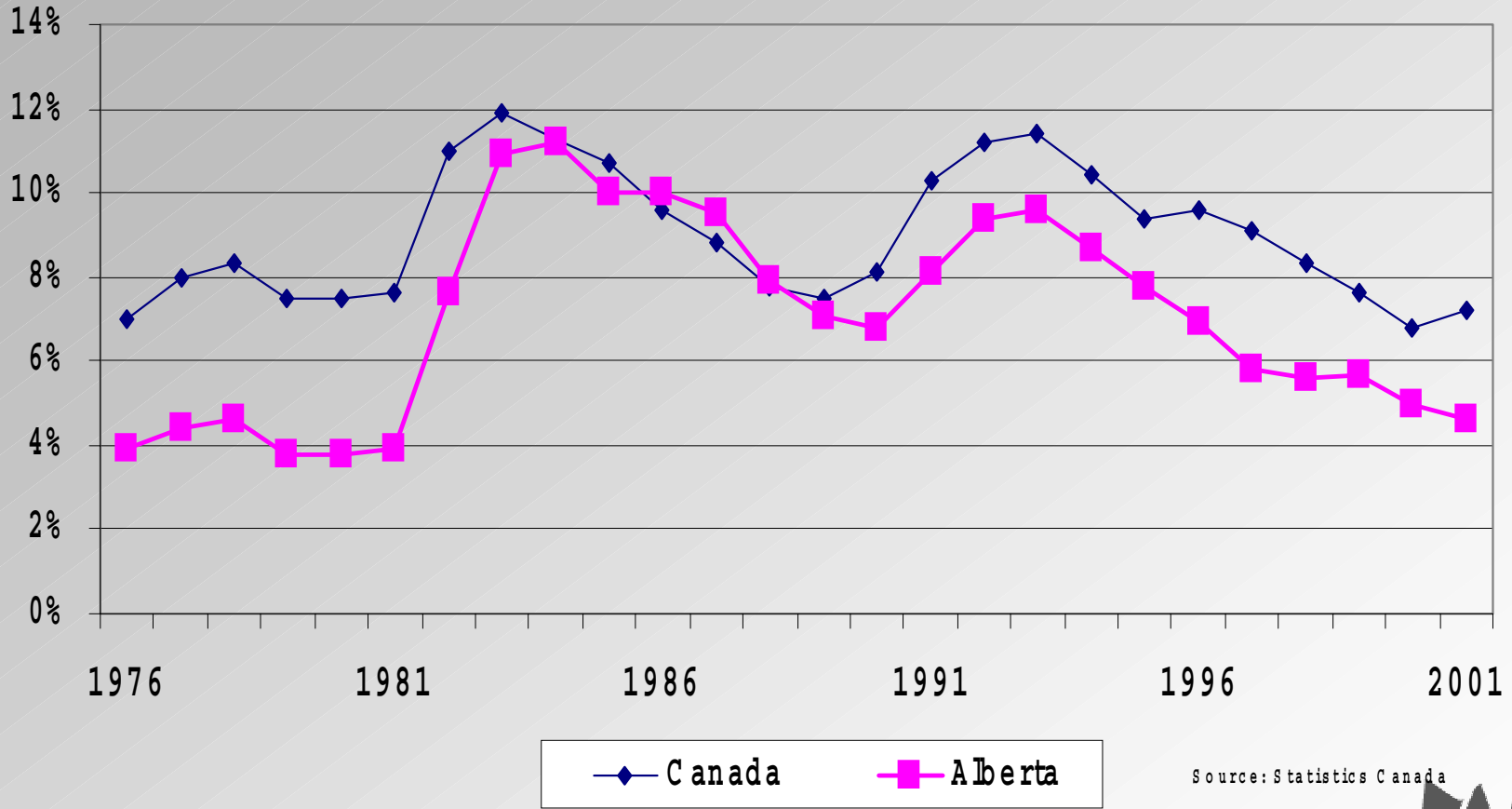


Source: Statistics Canada



# Unemployment Rates 1976 - 2001

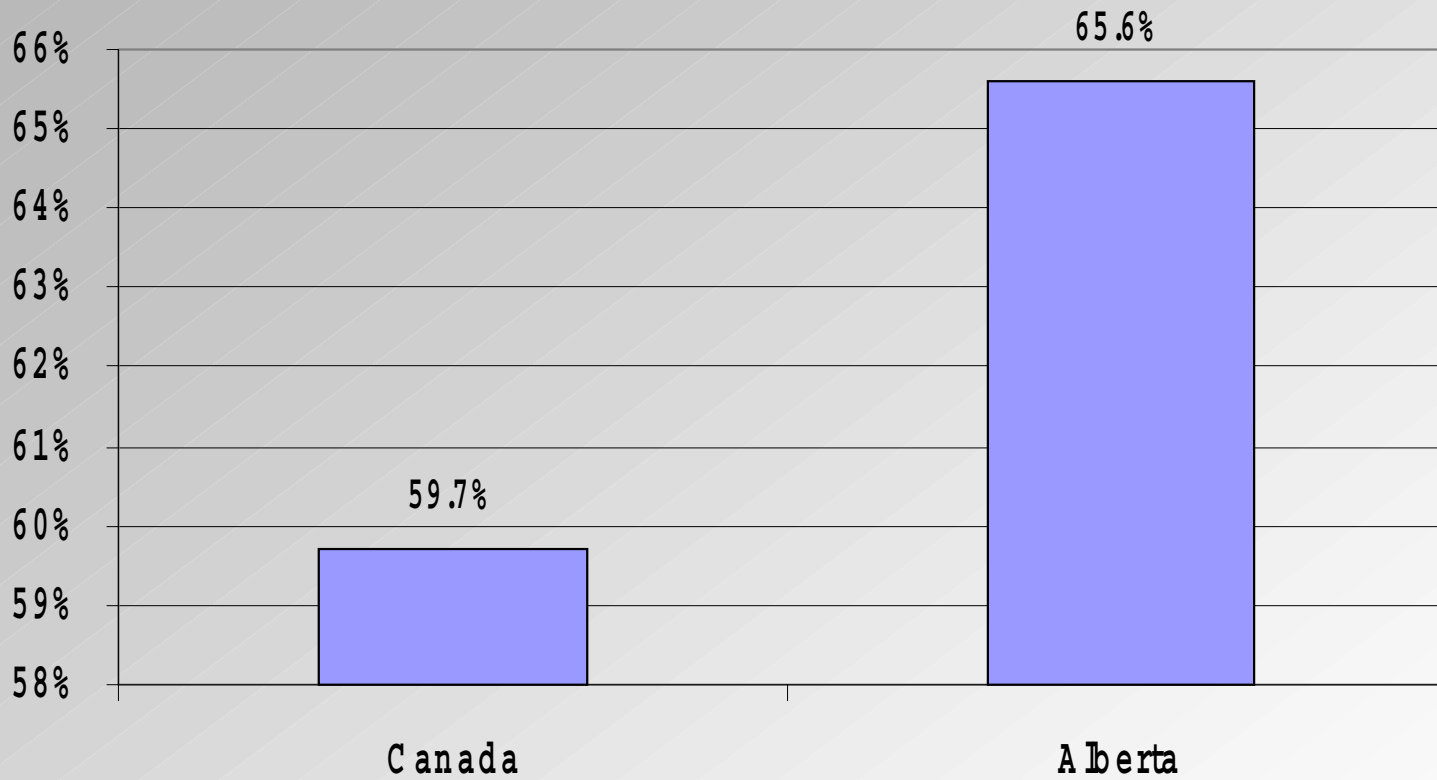
(Men and Women, aged 15 and older)



Source: Statistics Canada



## 2001 Labour Force Participation Rates for Women (aged 15 and over)



Source: Statistics Canada



# Why do people work for low pay?

- Market traps
  - No career ladders / limited on the job training
  - Employers recruit for what you can do today
  - Possible low-wage equilibrium -- availability of cheap labour reduces incentive for innovation
- Policy traps
  - No training programs for employed workers
  - Marginal effective tax rates for people with low incomes can be very high, as access to benefits diminishes



# Why do they work?

- We need more research on
  - why educated people are working for low pay, and
  - why people continue to work for low pay
  - how long do they stay in low pay
  - what is the impact of episodic work
- In the meantime, we need to re-examine the policy toolkit
- This is happening across Europe, and in the U.S.



# A dialogue on policy options

- Three key policy questions:
- First, what are the consequences of low paid work?
- Second, who should take responsibility for these consequences?
- Third, what policy options should be considered?



# Consequences of low-paid work

- Poverty: Unable to provide for themselves and their families
- Poor health: People who are poor make greater use of the health care system
- Poor child development: more children at risk of health, behavioural, and cognitive problems
- Under-utilization of existing human capital
- Under-development of future human capital
- Lost productivity growth



# Who is responsible?

- Is it the family?
- The market (the employer)?
- The community?
- The government?





## The Responsibility Mix

**Family:**  
Reciprocity of kin

**Government:**  
Solidarity,  
risk pooling



**Community:**  
Collective action

**Market:**  
Commercial transactions



# What can the family do?

- Work more hours, or send more people out to work
- Share accommodation with others
- Avoid having children
- Avoid caring for elders
- Go back to school -- but who pays?
- Other?



# What can the community do?

- Organize cooperative day care
- Establish food banks
- Build cooperative housing - but who pays?
- Other?



# What can the market do?

- Pay a living wage
- Impose living wage requirements
- Offer benefits to all employees
- Establish training trust funds
- Provide child care / elder care supports for all employees
- Other?



# What can the government do?

- Raise the minimum wage
- Provide wage supplements or tax credits to top up market wages
- Reform taxes to avoid high marginal effective and average rates at the low end
- Provide training opportunities for employed people to enhance employability
- Provide affordable housing and child care
- Other?



# What would work for Alberta?

- Each of these options has costs and benefits
- Some are likely to be more effective than others (costs exceed benefits)
- The right combination should fit with the values of Alberta society
- What would work for Alberta?





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## Age Structure of Labour Force - 2000 Alberta & Canada

Age	Canada	Alberta
15 - 24	16.4%	18.3%
25 - 34	23.0%	23.2%
35 - 44	28.2%	27.7%
45 - 54	22.1%	20.7%
55 - 64	8.9%	8.3%
65 and older	1.4%	1.8%

Source: 2000 Labour Force Survey micro data file.

