



Low Wage Work: Issues and Policy Options

Presentation to

***Opportunities Waterloo Region
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by

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Outline

- About CPRN
- The Vulnerable Workers Project
- Data on low wage workers
- Policy options and considerations
- Status of CPRN's work



About CPRN

- An independent, non-profit, policy research think tank
- Mission: “to create knowledge and lead public debate on social and economic issues important to Canadians”
- Four Networks: Family, Health, Work, Public Involvement



Project on Vulnerable Workers: Aspects of Vulnerability in the Labour Market

- Difficulty in obtaining stable employment
- Lack of access (both on paper and in practice) to statutory employment standards (e.g., minimum wage, paid vacations, overtime pay)
- Lack of access to non-statutory benefits
- **Difficulty in finding work that pays decent wages**



Goals of the vulnerable workers project

- Identify the vulnerable workers
- Develop policy options to improve the inclusion of workers in work that provides adequate income and basic employment rights
- Stimulate change in public policies and workplace practices



Low wage work

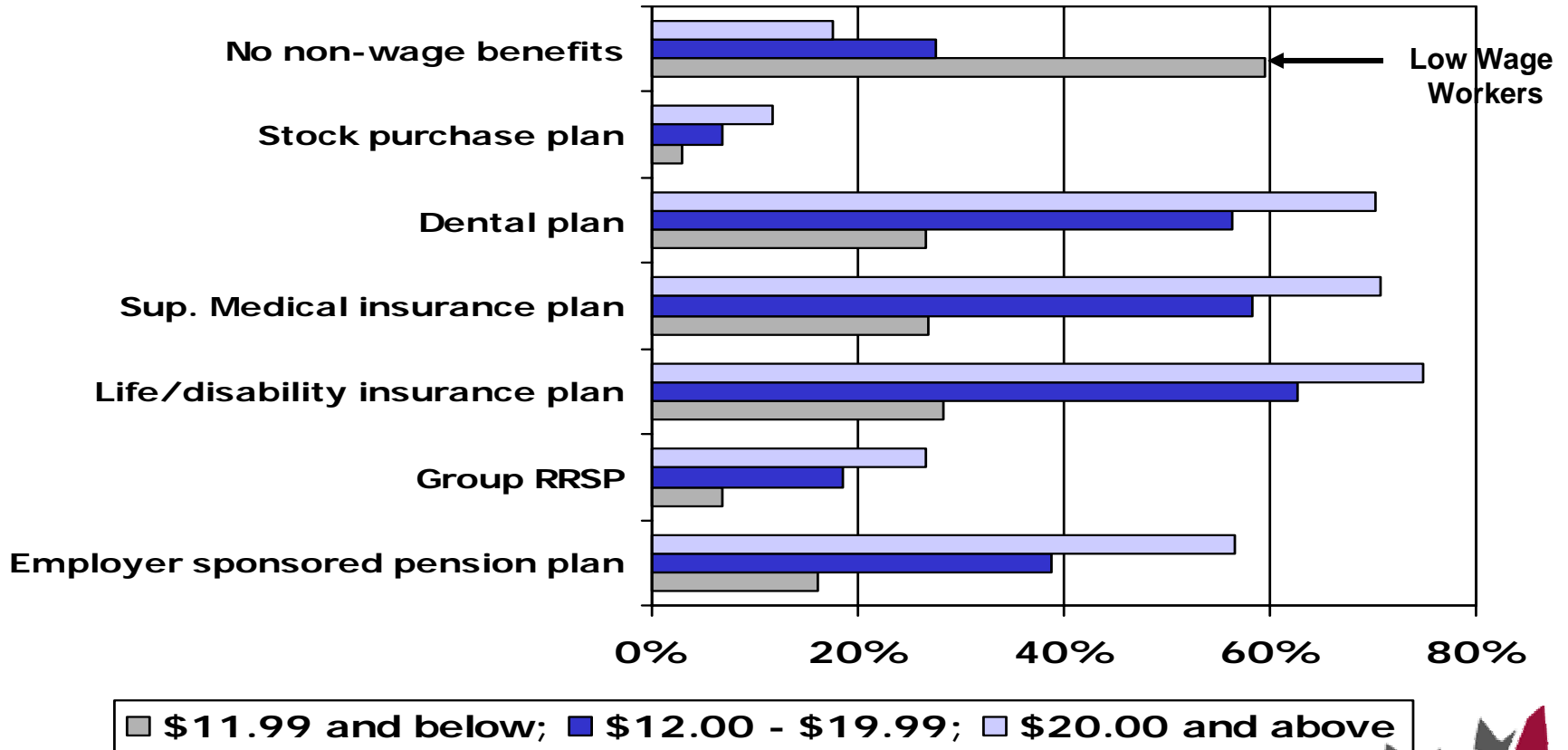
- 14% of employed adults in Canada worked in 2003 for under \$10 an hour (for Ontario figure is 11%)*
- Of this group:
 - two-thirds are women
 - one-third are the sole income earner in the family
 - 38% have a post-secondary certificate, diploma, or degree; another 40% have completed high school

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



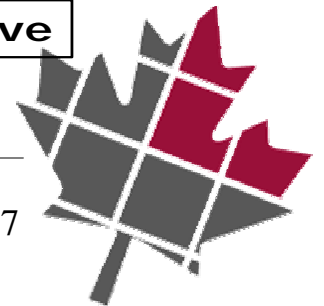
Low pay and access to benefits

Percentage of Employees Who Are Included In:



Low Wage Workers

Source: Workplace and Employee Survey Compendium, 1999 Data, Statistics Canada

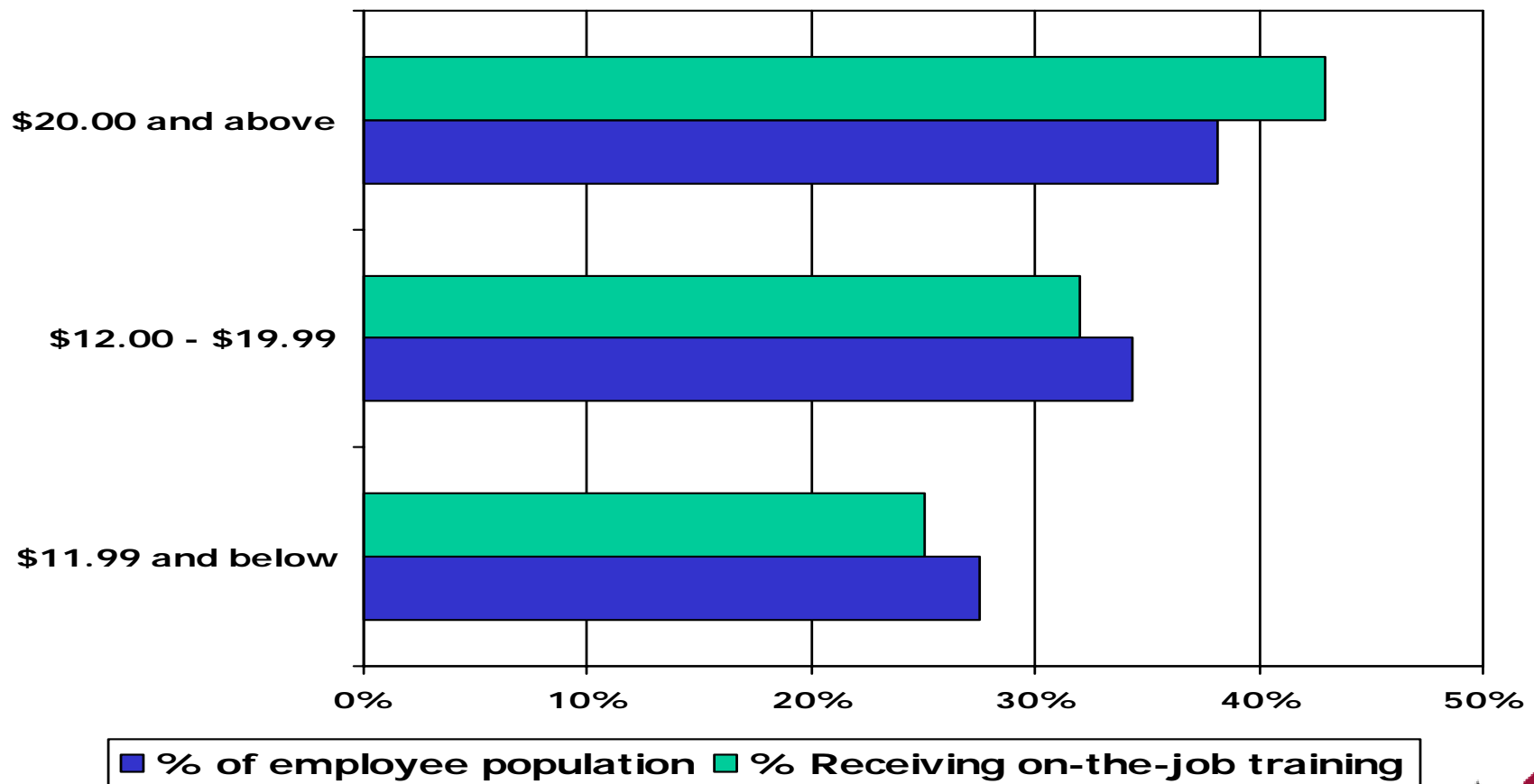


Low pay and access to training

- Access to training is difficult for low-paid workers (employers don't offer it as much; workers can't afford it; government programs don't apply)



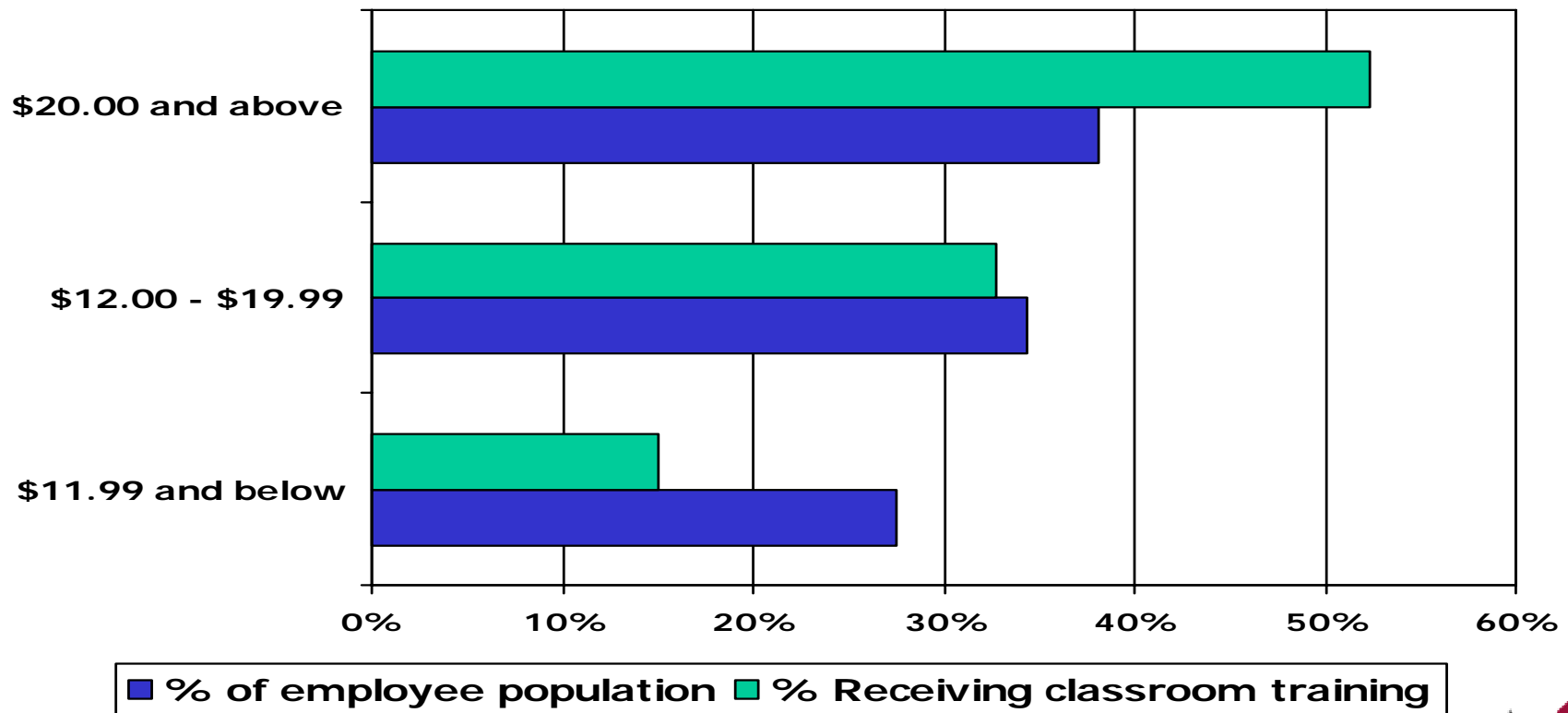
Low pay and on-the-job training



Source: Workplace and Employee Survey, 2001 Data



Low pay and employer sponsored classroom training



Source: Workplace and Employee Survey, 2001 Data



Minimum wages and low income

- For most household types in Canada, full-year minimum wages are well below “low income cut-off.” (See 2003 study by Ken Battle, Caledon Institute.)
- In 2003, 547,000 Canadians (4.1% of employees) worked at or below minimum wage, down from 5.7 % in 1997. Source: Labour Force Survey, as cited in Sussman and Tabi (*Perspectives*, March 2004).
- Ontario increased its min. wage by 30 cents (4.3%) to \$7.15 as of Feb. 2004; plan is to reach \$8.00 in 2007.



The productivity trap

- Low wages, low job quality \Rightarrow
 - low commitment
 - higher turnover
 - more absenteeism
 - low productivity
- Low productivity \Rightarrow low wages
- Employers may be able to break the cycle: paying a better wage could yield substantial productivity gains



Mobility out of low wages

- A large proportion of low wage workers have difficulty moving up to decently paid work.
- Study by Janz (Statistics Canada, 2004):
 - Focus on full-time, full-year workers.
 - Low wage defined as Low Income Cutoff (LICO) for family of 2 living in large urban area, 1996 (about 14% of FTFY workers; 12% for men, 19% for women)
 - “Moving up” defined as wages at least 10% above LICO threshold for 2001.
 - 47% of those low paid in 1996 failed to move up by 2001 (for women, 72%)



Low wages and low income

- Only a minority of low wage earners are in low income families.
- But, evidence emerging that:
 - In 2001, 1.5 million Canadians lived in a low-income family with at least 1 worker with strong labour force attachment;
 - For most working poor, poverty is not a temporary situation; and
 - Earnings of young, low-educated couples (and virtually all recent immigrant couples) have declined 1980-2000.



How to respond?

- Options include:

Regulatory instruments

- increases in minimum wages for adults
- better coverage of non-standard workers under employment standards laws; better enforcement of employment standards

Services

- better access to training programs
- better access to affordable, quality childcare
- pharmacare?



Policy options (cont'd)

- **Direct income support**
 - income supplements for the working poor
 - targeted wage subsidies
- **Private sector actions**
 - voluntary measures by employers; documenting success stories
 - provision of benefits to non-standard workers through unions/professional associations

How would you rank the options?



Considerations re these options

Minimum wage increases

- Concern re employment impacts.
- However, evidence is that any negative employment effects are largely confined to teenagers.

Better access to employment rights and benefits

- Identifying effective and efficient methods of improving compliance with standards.
- Balancing need for protection and flexibility.



Considerations/policy options (cont'd)

Better access to training

- Small businesses need government help to provide skills upgrading.
- Programs, delivery methods need to be tailored to needs of workers and employers.

Better access to affordable childcare

- Case for universal access to quality early childhood development programs



Considerations/policy options (cont'd)

Income supplements

- Some evidence of success in US and UK in making work pay.
- But clawbacks based on family income can discourage a second earner; research is emerging that having 2 earners is one of best ways to exit low income.

Targeted wage subsidies

- “Self Sufficiency Project” (for single parent welfare recipients) showing some positive results.



Considerations/policy options (cont'd)

Voluntary measures by employers

- Can we better document that “making work pay” also benefits employers (e.g., through less turnover, higher productivity)?



Status of CPRN's work

- Low paid workers
 - Characteristics, 'mobility': synthesis study with Statistics Canada, early 2005
 - Analysis of policy options, winter 2005
- Access to rights and benefits: early 2005
- Enhancing compliance with employment standards: spring/summer 2005

CPRN also participating in Task Force on Modernizing Income Security for Working-Age Adults, led by Toronto City Summit Alliance and St. Christopher House





For additional information:

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