



Does a Rising Tide Lift All Boats? Low-paid Workers in Canada

by

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Executive Summary

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Executive Summary

Canadians have built their society based on the understanding that any person who works full-time is entitled to earn a decent standard of living. But the lesson from the labour market in the past 20 years is that a rising tide will not lift all boats.

In some respects, the performance of the Canadian economy and labour market in recent years has been strong. The unemployment rate has dropped to 7 percent, from the 11.4 percent peak during the recession of the early 1990s. The standard of living grew by a total of 43 percent between 1981 and 2003, and education levels have risen dramatically, fuelled by the growth in participation in post-secondary education, especially among women.

Nevertheless, one in six Canadians working full-time is earning low pay. The analysis in this paper focuses on individuals earning less than \$10 per hour (in 2001 dollars), aged 15-64, who are not full-time students, and worked mainly full-time. The core findings are listed below:

- Overall, 16.3 percent of full-time workers were low-paid in 2000.
- A high percentage of young people were low-paid in 2000 – almost half of the 15-24 age group. However, even among prime age workers, the incidence of low pay was sizeable: over 16 percent for those aged 25-34 and about 13 percent for those aged 35-44.
- Once working for low pay, half will not move up to better wages within five years. Most of them are women and have low education.
- There is a strong gender dimension to low pay: about 22 percent of women were low paid in 2000, compared to only 12 percent of men.
- Education matters, but it is not a panacea. Low pay is four times as prevalent among those who did not complete high school (and three times as prevalent for those with a high school diploma but no post-secondary certificate or degree) as it is among individuals who graduated from university. 6.5 percent of university graduates earn low pay.
- Over a quarter of recent immigrants were low-paid in 2000, compared to one-sixth of Canadian-born workers.
- Visible minorities are the most vulnerable among recent immigrants. Almost one-third of the visible minority group was low paid, compared to less than a fifth of recent immigrants who were not visible minorities.
- Average earnings of full-year, full-time Aboriginal workers in 2001 were 23 percent lower than the national average.
- Lone parents are disadvantaged (23 percent have low wage rates) as are unattached individuals under 40 years of age (25 percent), and persons with a disability (20 percent).

Perhaps the best summary of the situation lies in this fact: The share of jobs paying less than \$10 per hour (in real 2001 dollars) has not fallen since 1981.

Forming a Family or Household

Living within a family can raise overall family income above the low-income threshold, although their ability to stay above the threshold depends on two issues: the stability of both earners' jobs, and the stability of the family unit. Low-paid jobs tend to be less stable over time than higher paid employment. And family breakdown has become a high risk.

About 30 percent of low-paid workers lived within low-income families in 2000. Among low-paid workers, the percentage who live in low-income families varies by gender, family status, and other demographic characteristics:

- There are more men than women – 36 percent versus 25 percent (likely reflecting differences in spousal income), more recent immigrants (44 percent), more visible minorities (39 percent), more lone parents (over 50 percent), and disabled persons (34 percent). Lone parents are at a disadvantage because the family structure does not provide a second earner to compensate for low-paid work.
- Among those working for low pay, almost 80 percent of unattached individuals (living with others but not sharing income with them) and 70 percent of individuals living alone are living in low income.

The Quality of Low-paid Jobs

Low-paid jobs tend to be low quality jobs in other respects: poor access to non-wage benefits (such as life/disability insurance, extended medical coverage, dental insurance, and pension plans), more precarious work arrangements (such as more temporary work), less access to employer-sponsored training, and relatively low union coverage.

In addition, with government cutbacks to social assistance, unemployment insurance, and skills upgrading programs in the 1990s, many of those left behind by the labour market are not well-positioned to bounce back, and about half of low-paid workers seem to be stuck for long periods in low-paid jobs

Trends in Low Pay Over Time

One of the key drivers of low pay has been the stagnation in median hourly earnings since 1981, despite substantial growth in productivity and in workers' level of educational attainment. The overall median wage hardly grew between 1981 and 2004. Similarly, the overall incidence of low pay and mobility out of low pay have not improved. The proportion of full-time workers who are both low-paid and in low-income families has also remained unchanged.

For some groups, labour market outcomes have deteriorated over the past two decades. For example, hourly wages of young workers (especially males) and of newly hired employees have fallen considerably relative to those of other workers. Real annual earnings of low-educated

males of all ages have fallen, as have the earnings of men who recently immigrated. Economic vulnerability has increased significantly for less educated families, particularly young families.

Conclusions

This portrait of the persistence of low pay is at odds with Canadians' vision of a knowledge economy. While many people are highly paid, and educational attainment has grown markedly over the past two decades, it is clear that low-paid work remains a large part of the labour market. The share of jobs paying below the \$10/hour real wage threshold has not risen since 1981, but neither has it decreased. Moreover, low-paid workers also tend to have poor access to non-wage employer benefits such as supplemental medical insurance, and the cutbacks in Employment Insurance and skills upgrading programs have reduced their access to public benefits such as income protection and training.

It seems clear that the high concentration of vulnerability in the labour market among specific groups of workers calls into question the social protection systems established in the post-war period. The employment contract is no longer a reliable source of well-being due to:

- the overall scope of low-paid work;
- its concentration in certain demographic groups (women, the less-educated, recent immigrants, Aboriginal people);
- the decline in real wages for young men and new labour force entrants, which raises concerns about possible declines in wages for experienced workers in the future;
- poor access to employment benefits for low-paid workers;
- the combination of low pay and low income found among unattached individuals, single mothers, those with a high school diploma or less, recent immigrants, and visible minorities; and
- the fact that about half of low-paid workers have great difficulty in moving up.

If the rising economic tide of the past 20 years has failed to lift these boats, then decision-makers in business and government need to re-think a whole range of policies and patterns of behaviour. This will be the subject of the next paper in this series.