



CPRN Policy Brief

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Making Work Pay

Canadians believe that anyone who works full-time should be able to live decently. But we have failed as a society to achieve this. For more than two decades, we have condemned one in six full-time workers to poverty-level earnings. The combination of pay, benefits from employment, and government-funded programs have not been enough to change this. It's unfair, and it's a waste of their potential to contribute to the economy, their communities and the future of their families.

Here's the Situation

- One in six full-time workers (about 1.7 million people) earned less than \$10/hour in 2000 – about the same proportion as in 1980, adjusting for inflation – despite a 43 percent rise in the average standard of living and growing educational attainment.
- Half of those earning low pay in 1996 had not “moved up” five years later.
- Low-paid workers often lack employment benefits like extended medical insurance, dental plans, disability coverage, and private pension plans. Many are unable to qualify for Employment Insurance or find support to upgrade their skills. They are also very unlikely to belong to a union.
- Many who seek full-time jobs are left with only part-time work and earnings too low to make ends meet.
- Self-employed people, many of whom earn low incomes, are not covered by laws setting out basic employment standards such as minimum wages and overtime pay rules.
- Low-paid workers who are covered by employment standards laws may not benefit from them because of a lack of compliance by their employers.
- Many workers who have never been on social assistance are financially worse off than social assistance recipients.

Who Are the Low-paid Full-time Workers?

- *The young are most likely to be low-paid* (under \$10/hr) – 45 percent of the 15-24 age group in 2000. But low pay is sizeable in all age ranges – over 16 percent of those aged 25-34, about 13 percent of those aged 35-44, 12 percent of those aged 45-54, and over 14 percent of the 55-64 age group.
- *They are more likely to be women*: about 22 percent were low paid in 2000, compared to only 12 percent of men.
- *Education matters, but it is not a cure-all*. About 26% of those who did not complete high school are low-paid; 21% of those with a high school diploma, but no post-secondary certificate or degree; 13.5% of those with a post-secondary certificate or diploma, and 6.5% of those with a university degree.
- *Over a quarter of recent immigrants* – those who arrived in Canada during the five preceding years – were low-paid in 2000, compared to one-sixth of Canadian-born workers. Visible minorities are most likely to be low-paid –

almost 1/3, compared to less than 1/5 of recent immigrants who were not visible minorities.

- Looking at family status, *the incidence of low pay is relatively high for lone mothers* (but not lone fathers), people living with relatives but not part of a census family, and unattached individuals under 40 years of age.

The Solution: A Policy Mix For Canada's Working Poor

Three types of policies are needed to change this situation;

- steps that **improve income**,
- steps to **improve non-wage benefits and supports** and,
- measures to **increase financial assets and skills**.

Specifically:

- Higher minimum wages – around \$9/hr (currently \$5.90-\$8.00/hr).
- An income supplement for the working poor – up to \$250/mo.
- Public drug coverage (for at least catastrophic costs) and basic dental care on a universal or “progressive universal” basis.
- Affordable child care.
- Affordable housing.
- Improved access to EI benefits (only 39% of the unemployed qualified in 2001 – down from 74% in 1990).

- Better access to learning opportunities for low-paid workers.
- Eliminate or reduce asset-based claw-backs in government programs that make asset-building incentives ineffective.
- Encourage firms to embrace decent pay and working conditions for their employees.
- More effort by governments to obtain compliance with the laws that set out minimum standards of employment.

The Net Result?

Firms will pay higher minimum wages, but benefit from lower turnover and higher productivity. Costs of dental and drug plans they now carry will shift to the public sector. Public wage supplements and better trained young entrants to the labour force will also benefit employers.

More people will have an incentive to move from welfare to work, boosting economic output and reducing welfare costs in the public sector.

Individuals and families will benefit from better benefits, safer, more secure workplaces, greater self-sufficiency, the chance to advance and a reduction of poverty and stress.

Further Reading

Visit the Work Network pages on the CPRN Web site and see especially the publications under the **Vulnerable Workers** theme.



Interested in discussing this work or collaborating in research in this or a related area?

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