

Commentary

No Security Here: The Last-in, First-out Labour Market

By Judith Maxwell

Like most Canadians, I was delighted to hear Statcan's good news about Canada's poor – until I looked at the data.

For starters, it masks great regional and local variations. Only two provinces had median income levels above the national median. The others ranged from 25% below (Newfoundland) to 1% below (British Columbia). The same is true in our major cities, where the poor are ever more concentrated and ghettoized.

Then there is the disturbing fact of growing inequality. The share of total income (before tax) going to the bottom 40% of Canadian families has fallen from 15% to 14%, while their share of taxes paid has risen from 5.5% to 6.3%.

And, yes, poverty rates declined, especially for lone parent women, and we should cheer that result. But there is a lot more to the poverty story. The intractability of poverty among those who work deserves special attention.

Poverty rates have declined since 1996 for two reasons: The Canada Child Tax Credit helps families with children, and more Canadians are working. Good news, but with an edge: the just-in-time labour market has not changed. Some people win big and others live on the edge – one lay-off away from poverty.

After tax income for lone parents, adjusted for inflation, rose by \$7,200 over 8 years, an average annual increase of about \$900. But the gains were uneven: income rose in five years and declined in three. And here is the kicker. After tax income for female lone parents, with one earner in the family, rose only \$1000 over eight years -- \$120 a year. The big gains occurred where there were two earners – that's because teens are working to supplement family income.

In two parent families, it's the same story. Where there was one earner, gains were modest, where there were two or more earners, gains were much better. Male lone parents started from a higher base than females and their gains were much bigger.

The results reinforce the findings of a 1992 poverty study by the Economic Council of Canada. It showed there are only two ways to exit poverty. One way is to get married so you can share living costs with another person. The other is to send another family member out to work. For a lone parent, this means waiting until your kids are old enough to work.

The other story in the data is that many of those who left poverty are still working in low-wage, insecure jobs, as is the second earner. As soon as the family loses one of the jobs, it's back to the poverty ranks. These people are the last to be hired in an economic expansion and the first to be fired when business slows down – or when the community hits a crisis like the SARS outbreak a few years ago. To underline the point, another Statcan release (6 April, 2006) shows that, outside of Alberta and Saskatchewan, there has been little improvement over the last decade in the share of full-time workers earning very low wages.

So we need to question a society where the route out of poverty is via a low pay job which offers no benefits, no job security and little social insurance.

Life at the low end of the job market is still precarious. Quality of life depends critically on your access to benefits and on the quality of public services. If you have access to drug insurance, child care and efficient public transit, and your kids can get their sports, music and other extra-curricular activities at school, then a low pay job does not look so bad. If your spouse has benefits you may get the drug insurance that way, but otherwise, only two provinces offer public support for drug insurance and child care – Quebec and Manitoba.

In these circumstances, a family earning a low or modest income might be able to save for future education costs and keep a rainy day fund to cover rent and food for the day the job disappears and it's time to search for another. What they really want and need, though, are jobs with career prospects where they can earn their way up the ladder.

Career type jobs are rare these days, even if you appear qualified. One third of those working for low pay these days have some college or university education. So what chance is there for the less qualified low pay worker or a person who has been out of the job market for a period of time? Employers don't provide the job ladders and neither do governments. Adult training systems are fragmented, expensive, and offer no guarantees. In many of our cities less than a third of workers are eligible for employment insurance.

Canada does not offer people at the low end of the labour market the buffers that help them bounce back when the economy is slack. These people are clearly willing and able to work but the system does not provide them with the means for economic security.

As a society we have a choice. We can change the employment system so that jobs are more stable and provide better incomes. Or, we can strengthen public services – both the big universal systems like education and health care and the community level services like public transit and affordable housing. Or, we can begin to build the bridge from both ends – improve working conditions and invest in services. That would be my choice.

We can't settle for good news on poverty when the economy is at the top of its form. My kind of Canada would aim higher – I would start building the bridges that ensure a sustainable and decent quality of life for those who are willing and able to work.

Let's give these people the opportunity to be active, productive citizens with stable lives.

Judith Maxwell is Research Fellow with Canadian Policy Research Networks, www.cprn.org

April 2006