

Catch 22:Low-Paid Workers

Ontario Association of Food Banks

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June 5, 2006

The contradictions

- Employment growth in Canada has been strong. Business complains about labour shortages
- Economists say that the economy is operating at full capacity
 - That is, we are close to “full” employment
 - (But, in Ontario, economy is slowing)
- Despite low unemployment, many workers are still poor

Today's agenda

- Food Banks are seeing more clients who are working full or part time. Why?
- Who is vulnerable?
- Why is this happening – poverty and prosperity
- What can be done?
- Discussion

New employment forms

- About 63% of working Canadians have full-time, full-year jobs. Most offer job stability and decent working conditions
- Another 37% work in non-standard jobs
 - Most are not stable and many pay <\$10/hour
 - It takes a wage of \$10.50 to cover the cost of living in a major city
- Many of these jobs are part-time, part-year, temporary, casual, contract or self-employed.

Low-paid work

- About one in six adults works for less than \$10/hour; and half of those work for less than \$8/ hour.
 - This happens at all ages and stages in life -- most common among youth and women
 - Education helps, but does not prevent:
 - No high school: 26% work for low pay
 - With high school, 21%
 - University grads, 6.5%

The most vulnerable

- One in four recent immigrants works for low pay
- One in three racially visible recent immigrants
 - Language, education credentials
- Aboriginal Canadians are also vulnerable
- One in four lone parent women
- One in five people with disabilities

Low-income families

- Often a low-paid worker is able to avoid poverty because a spouse or a child earns more income
- But still, about 30% of low paid workers live in low income families
- 80% of unattached individuals with low pay are poor

Where they work

- Primarily in service industries
 - Food and accommodation
 - Retail trade
 - Other personal services (home care, home and office cleaning)

Escaping poverty

- About 50% of low paid workers remain low-paid for more than five years.
- When low paid workers escape poverty it is often because
 - They get married or
 - A second person in the family gets a job
- Men have the highest potential to escape, young people also do well

Why?

- How can this be? Canada is an affluent society. Per capita income has risen 43% in 25 years
- The root causes lie in fundamental changes in the economy, technology, and public policy
- All three have shifted more market risk on to the shoulders of working people. A job no longer ensures social protection

Intense global competition

- Encourages employers to make payroll costs more “flexible”
 - Insiders (knowledge workers) get better pay, benefits, promotions and training
 - Outsiders get non-standard work with less pay, no benefits, no training and limited scope for advancement
- The wage gap between insiders and outsiders has widened.
- Also, employers resist adding new insiders to the payroll – reducing opportunities for youth

Technologies

- New technologies divide jobs into high skill and low skill, link production systems globally
 - Well-paid, low skill jobs have moved offshore or disappeared
- Many services – e.g. food services – are outsourced to contractors who offer lower pay and benefits
 - This reduces the scope for promotions from lower skill to higher skill positions

Public policy (1)

1. Government cost-cutting: OAFB shows the decline in the purchasing power of social benefits and the minimum wage
2. EI reforms reduced coverage from 83% of all workers in 1990 to 44% in 1997. Coverage in Ontario is now 27% (Toronto is 22%)
 - Workers without coverage must depend on welfare

Public policy (2)

3. Many social services and supports target the poorest of the poor. A gain in income can lead to loss of benefits or increase in taxes (e.g. child care)

These trends affect all Canadians.

The bottom line is less social protection and a higher risk of poverty

Public services missing

- Health care has shifted from hospital to community and family
 - Coverage of drug costs is uneven, expensive
- Affordable housing is not available
- Child care spaces have not expanded
- Public transit investment lags demand
- So families have to cope, and low paid workers are the most vulnerable

Catch 22

- If you live in a community, where these public services are strong – affordable housing, child care, public transit, drug insurance, etc – then families can live a better life on low pay
- Without these services, however, low-income families are stranded
- Catch 22

What can be done?

1. Raise incomes (minimum wage, better social benefits)
2. Improve employee protection (EI access, enforce employment standards)
3. Build assets (Vocational training; adult upgrading; foster savings, but then don't claw them back)
4. Universal social supports (housing, child care, drug and dental coverage)

Based on CPRN: *Risk and Opportunity*. Note also proposals of Toronto City Summit Alliance: *Time for a New Deal*

A big agenda

- This agenda is complex: requires federal, provincial, municipal actions
- It's expensive: which puts a strain on public sector budgets
- The alternative is the hidden social and economic cost of working poverty
- At other times in history, we had the collective will to fix such problems e.g. elderly on the '60s

Re-balancing risk

The basic case we need to make is that

1. Too much risk has been shifted to individual workers
2. We can't ignore the consequences for the people, for their productivity or for future generations
3. In an ageing society, every worker should be contributing her full potential

Say no to Catch 22

- Employers and governments must begin to share the risk in a cost-effective way
- Catch 22 is not the answer. We must find a win-win situation where
 - **Employers** can compete, and productivity growth speeds up
 - **Governments** pool the risks, and share the cost
 - **Workers** have a chance to be the best they can be

References

Ron Saunders, *Risk and Opportunity: Creating Options for Vulnerable Workers.*

www.cprn.org

Task Force on Modernizing Income Security, *Time for a Fair Deal,*

www.torontoalliance.ca

Ken Battle, *A New Architecture for Canada's Adult Benefits,* www.torontoalliance.ca