



Making Work Pay

*Presentation to Symposium on
"Building Healthy Labour Markets in
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Purpose of This Presentation

- To review the demographic characteristics of low-paid workers in Newfoundland and Labrador.
- To identify policies to help realize a modest objective: people who work full-time should not be poor.



Low-Wage Workers in Newfoundland and Labrador & Canada, 2005

	Proportion of Workers Earning Less Than \$8.00 Per Hour		Proportion of Workers Earning Less Than \$10.00 Per Hour	
	Nfld	Canada	Nfld	Canada
Total	16.7%	3.7%	27.9%	11.8%
Men	8.8%	2.5%	17.6%	7.9%
Women	24.5%	5.0%	38.3%	15.9%
Aged 20 to 24	49.1%	10.0%	70.2%	30.9%
Aged 25 to 34	15.0%	3.2%	27.1%	11.1%
Aged 35 or older	13.0%	2.9%	22.6%	9.1%
Husband/wife dual earner family	14.1%	3.2%	24.7%	10.1%
Unattached individuals	18.4%	3.8%	29.5%	12.3%
Married but only single earner	19.5%	4.3%	33.0%	13.0%
Lone parents	24.9%	5.6%	34.4%	17.4%
Other family type	21.1%	4.6%	29.7%	15.9%
Less than high school	28.2%	7.4%	44.8%	16.6%
Completed high school	26.0%	4.7%	40.8%	15.4%
Completed certificate or diploma	12.5%	2.9%	23.1%	9.4%
Completed university degree	5.4%	1.9%	10.0%	5.6%

Source: 2005 Labour Force Survey micro datafile.

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



Low Pay Is Not Temporary

- **47%** of low-paid full-time, full-year workers in 1996 (Canada) **failed to move up by 2001** (for women, 72%)¹
- Chances of moving up 1996-2000 no better than in 1985-89.

¹ Janz (Statistics Canada, 2004): **“Low-paid” based on Low Income Cut-off (LICO)** for family of 2 living in large urban area, **1996**. “Moving up” defined as wages at least 10% above LICO for 2001.



Trends Since the Early 1980s (Canada)

- No increase in median wages 1981-2004; share of jobs paying under \$10 per hour (in 2001 \$) almost the same in 2004 as in 1981.
- Median wages for new hires¹ fell 13% for men (1981-2004), 2% for women.
- Real annual earnings have fallen for:
 - low-educated males
 - men who recently immigrated
 - young, less-educated couples

¹ Workers aged 25-64 with 2 years' seniority or less.



Low-paid Workers and Other Conditions of Employment

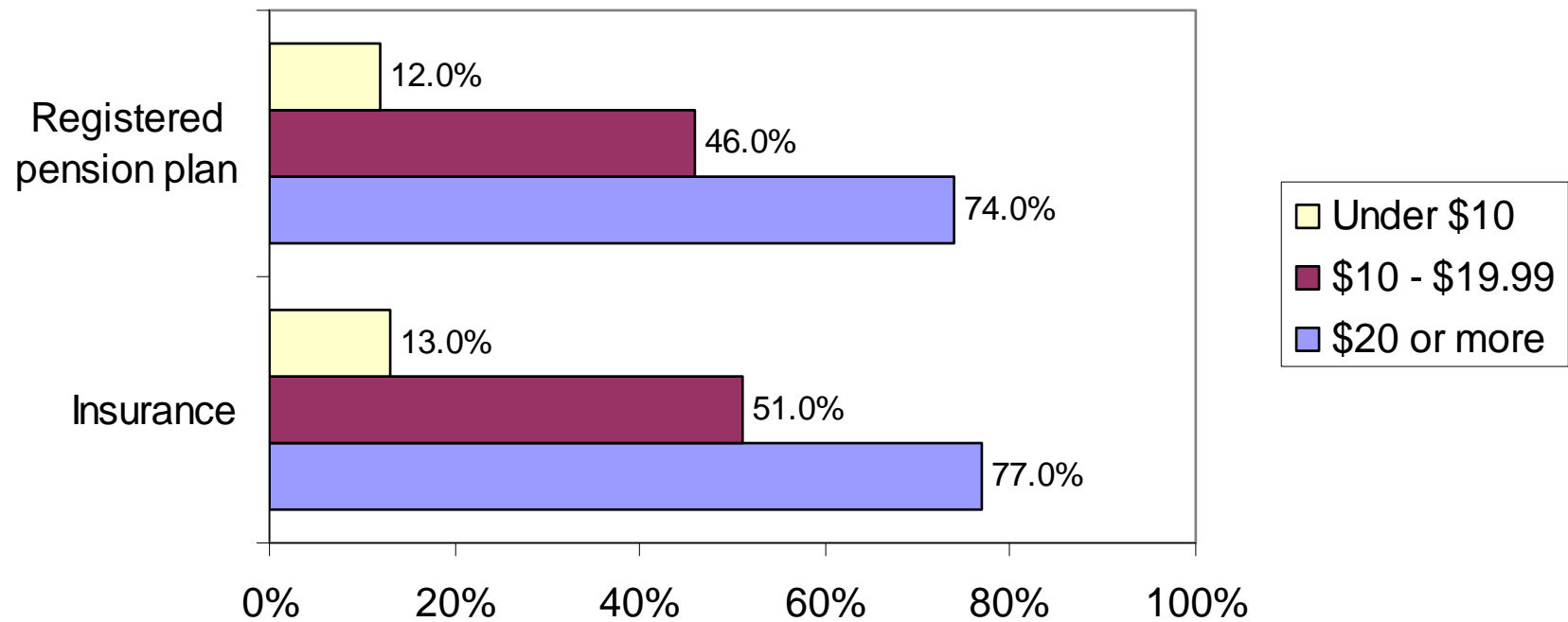
Low-paid workers are:

- Less likely to have employment benefits (extended medical, dental, disability insurance; employer-sponsored pension plan)
- More likely to have precarious work arrangements
- Less likely to have employer-sponsored training
- Less likely to be in a union.



Low Wages and Access to Benefits

Proportion of wage earners who have access to non-wage benefits, 2000, by wage rate group

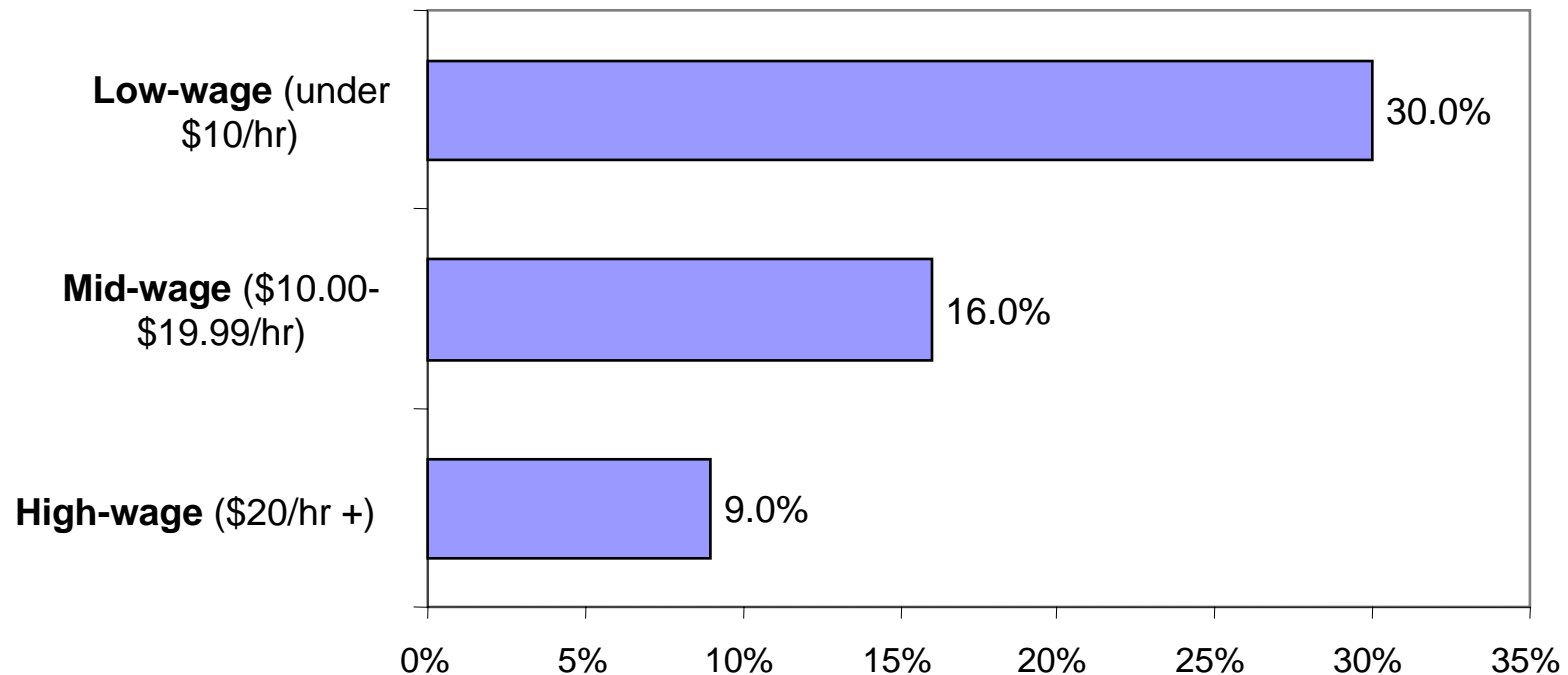


Source: Marshall (2003).



Low Wages and Precarious Work

Share of employees in temporary employment
by wage rate category, 2000



Source: Marshall (2003)

- Temporary workers earn 16% less per hour than permanent workers (Galarneau, 2005).



Policy Options to Make Work Pay



Improve Wages/Income Directly

- 1) Increase minimum wages (suggest \$8.00 target for Newfoundland and Labrador; ie., to go beyond the plan to reach \$7.00 in 2007)
 - Evidence that benefits are concentrated among the less well-off; minimal employment effects on adults (especially if increase staged)
 - Enhances incentives to move from welfare to work
 - Little cost to government
 - May enhance productivity



Improve Wages/Income (cont'd)

2) Income supplements for the working poor

- Up to \$225/month tax credit (in addition to higher National Child Benefit)
- Has some downsides (e.g., can lower market wages) but these are mitigated if also raise minimum wage.



Improve Access to Employee Protections

- Actively enforce employment standards
- Reform EI to improve access for non-standard workers.



Build Resilience: Asset-based Measures

Building 'human capital'

- Help young people pursue paths that lead to recognized occupational qualifications.
- Expand access to adult basic skills and skill-upgrading programs.

Building financial assets

- Before encouraging low-income Canadians to save, need to address means tests in government programs.

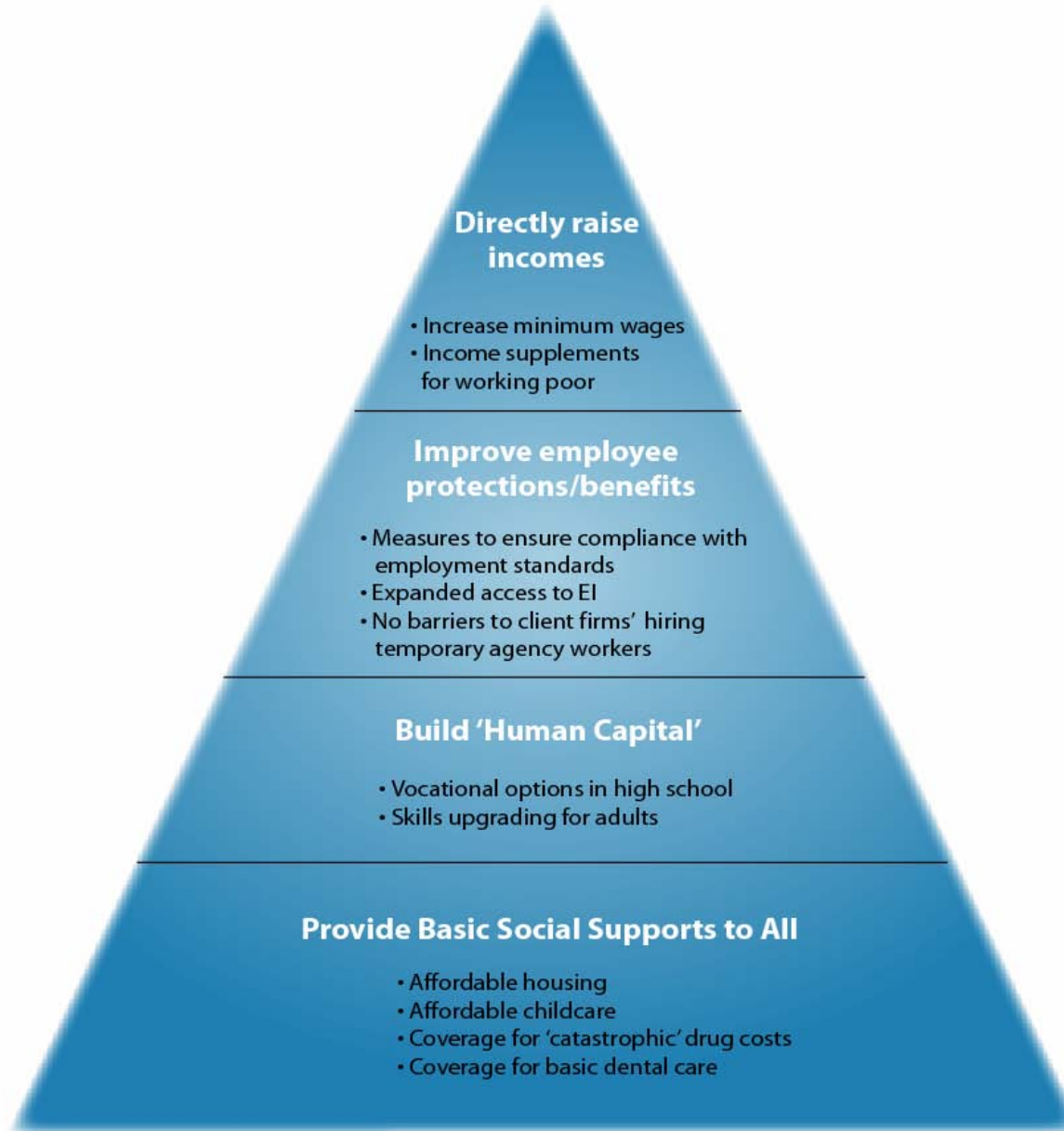


Improve Access to Benefits and Supports

- Governments should cover catastrophic drug costs on universal or “progressive universal” basis.
 - Not fair for people to be impoverished by drug needs.
 - Would improve work incentives.
 - NL 2006 budget initiative a helpful step.
- Similar case for basic dental care.
- Working poor need affordable housing, child care.



Helping Vulnerable Workers



Conclusion

- Can't afford to waste people's potential.
- Need a mix of instruments that distributes costs/risks across the actors.
- Need to address income, employee protections, assets, supports.



Key References

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