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

Ron Saunders

Vulnerable Workers Series – No|4

Work Network

May 2005
Does a Rising Tide Lift All Boats?

Low-paid Workers in Canada

by

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Foreword

History tells us that societies are slow to recognize the point when economic change requires a rethinking of policies and institutions. When workers flocked to cities to work in the factories of the industrial revolution, for example, governments did not observe the deterioration in health and well-being until they needed to recruit armies for a military campaign. This happened first in Bismarck’s Germany and later in Great Britain, when the men who volunteered turned out to be undernourished and sickly. Suddenly, the cost to society of poor nutrition, bad housing, and inadequate public health services, such as clean water, air, and sanitation facilities became a national problem, and it brought about a revolutionary change in the way governments conceived their responsibilities.

Over the past 25 years, labour markets in North America and other industrial countries have been changing in response to important social and economic forces. The image of the family with one wage earner (typically male) working full-time in a permanent job with a single employer has been replaced by a mix of two-earner or single parent families, with many working part-time or in temporary employment, sometimes combining two jobs in order to make ends meet. Self-employment has become much more prevalent.

Over the same period, disparities in earnings from employment have widened. The well paid have experienced earnings gains, while market incomes at the low end of the spectrum have stagnated or even declined. These trends leave many Canadian workers in a vulnerable position, meaning that their participation in the labour market leaves their well-being at risk. A large part of the labour force finds it difficult to access work that provides a decent income and working conditions that meet societal norms.

To map the nature of vulnerability in the labour market and to explore the policy implications, CPRN launched in 2003 a series of studies on vulnerable workers. The first paper in this series, Defining Vulnerability in the Labour Market, outlined the key concepts and set out the research agenda. In March 2005, we released two papers dealing with issues related to the growth of non-standard (part-time, temporary, or self-employed) work: Non-standard Work and Economic Vulnerability by Richard P. Chaykowski, and Towards Enhancing the Employment Conditions of Vulnerable Workers: A Public Policy Perspective by Guylaine Vallée. Another study under way is seeking to identify best practices in achieving compliance with statutory employment standards. When this work is completed, we will publish a synthesis of the key findings.

The current report, prepared by Work Network Director Ron Saunders, provides a profile of low-paid work in Canada. Drawing particularly on recent research conducted at Statistics Canada, the paper documents the current situation as well as trends over the past two decades in the extent and duration of low-paid work, its concentration in particular demographic groups, and the connections between working for low pay and living in a low-income household. The picture painted is a stark one, suggesting the need for policy initiatives to make work pay. A separate report, coming soon, will explore the pros and cons of various policy options to assist low-paid workers.

I would like to thank the R. Howard Webster Foundation, Citizenship and Immigration Canada, the Law Commission of Canada, and the Task Force on Modernizing Income Security for Working-Age Adults for their financial support for this project. I would also like to thank...
Garnett Picot, René Morissette and their colleagues at Statistics Canada, whose research over the past year on issues related to low-paid work has contributed a great deal to our knowledge in this area.

Judith Maxwell
May 2005
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.
Acknowledgements

This report has benefited from advice and comments from many individuals, including: Jill Black, Richard Chaykowski, Karen Jensen, Judith Maxwell, René Morissette, Charles Pascal, Garnett Picot, Elizabeth Ruddick, and John Stapleton. Richard Brisbois provided able research assistance. The author is responsible for any errors, and all interpretations of the data.

I would like to especially thank Garnett Picot, René Morissette, Lucy Chung, Anick Johnson, Teresa Janz, and their colleagues at Statistics Canada. This report draws heavily on their valuable research over the past year on low-paid work in Canada.
1. Introduction

The Canadian economy, and indeed our social and economic policies, have failed and continue to fail a significant proportion of the country’s work force.

The same proportion of full-time workers that received poverty level wages in 1981, more than two decades ago, continues to earn low wages today. This is true despite the fact that the country’s standard of living has improved some 43 percent over the same period.

Clearly, this rising economic tide failed to lift all boats.

This paper takes a look at those left behind.

In some respects, the performance of the Canadian economy and labour market in recent years seems fairly strong. The unemployment rate, which reached 11.4 percent during the recession of the early 1990s, now stands at 7 percent. The standard of living (Gross Domestic Product, adjusted for inflation, divided by the population), grew by a total of 43 percent between 1981 and 2003.\(^1\) And educational attainment has also been steadily rising, fuelled by the growth in participation in post-secondary education, especially among women.

How is this prosperity being shared? Does the rising economic tide lift all boats? It appears not. Employers have increasingly turned to “contingent” or “precarious” work, particularly among new hires, resulting in the creation of a growing number of temporary jobs. And, as we shall see, low-paid work remains a large part of our economy.

Globalization, by making the markets for goods and services more competitive, has heightened the need for economic and social policies to foster competitiveness. It has also put a higher premium on workplace practices that support flexibility and adaptability, such as multi-skilling, teamwork, and pay-for-performance schemes. There is evidence that globalization has contributed to a reduction in wage differentials across countries for labour of similar skill. At the same time, it has (along with technological change) led to an increase in wage inequality between lower and higher skill levels within high-wage countries (Chaykowski and Gunderson, 2001, pp. 33-34). The paradox is that the growing demand for higher-skilled workers and rising educational attainment of the population have not reduced the share of low-paid jobs in the economy.

Who is being left behind by the “knowledge economy?” In this study, we focus on wages – who is earning low wages and whether they are able to obtain better pay over time. In particular, we ask:

- What share of the Canadian workforce is earning low wages?\(^2\)

- What are the characteristics of low-paid workers? Are they concentrated in particular demographic groups?

\(^1\) Calculated from data in the *Canadian Economic Observer: Historical Statistical Supplement 2003/04* (Statistics Canada, 2004a, Table 6).

\(^2\) Note that are focus in this paper is on hourly wages, not annual earnings. However, we do cite some studies that look at annual earnings or income.
What are the non-wage characteristics of low-paid jobs? What is the percentage of low-paid workers participating in benefit plans, union membership, and training programs?

To what extent are low-paid workers able to move over time into better-paid jobs?

What is the relationship between low pay among individual workers and low overall incomes for their families?

What have been the trends in the wage distribution over the past two decades?

We draw heavily on recent research at Statistics Canada on these topics. We also examine the findings of other researchers who have been documenting low pay or studying the “working poor” in Canada.

This study is part of CPRN’s ongoing project on vulnerable workers – workers whose participation in the labour market leaves their well-being at risk.

CPRN’s series on Vulnerable Workers is examining both wage and non-wage aspects of vulnerability in the labour market. In addition to the current paper, papers include:

- *Defining Vulnerability in the Labour Market*: a conceptual discussion of labour market vulnerability (Saunders, 2003);
- *Non-standard Work and Economic Vulnerability*: an analysis of the growth of non-standard (temporary or part-time or self-employed) work and its connections to vulnerability (Chaykowski, 2005);
- *Towards Enhancing the Employment Conditions of Vulnerable Workers: A Public Policy Perspective*: a discussion of alternative platforms for improving access to basic employment protections (such as entitlement to minimum wages, overtime pay, public holidays, job-protected parental leave, the right to join a union) and benefits (e.g., extended medical insurance) (Vallée, 2005);
- an examination of policy instruments to assist low-paid workers;
- a study of best practices in achieving compliance with statutory employment standards; and
- a synthesis report on the key findings and policy implications.

In section 2 of this paper, we provide a profile of low-paid work in Canada by looking at: the current distribution of wage rates; the degree to which low pay is a gender or age phenomenon; the concentration of low-paid workers among such groups as immigrants, visible minorities, lone parents, and the less-educated; characteristics of low-paid jobs compared with other jobs; and the relationship between low pay and low income. In section 3, we examine trends over the past two decades in the wage distribution and the characteristics of low-paid workers. Section 4 focuses on the degree of wage mobility in the labour market: how able low-paid workers are to obtain better-paid work over time. Finally, section 5 reviews the principal findings of this study and their implications for policy-makers.

The picture that emerges is a stark one. A large share of Canada’s workforce is paid wages that are quite low – low enough that an individual earning those wages and living alone in a large city
would have difficulty making ends meet. Moreover, two decades of economic growth have not improved matters.
2. A Profile of Low-Paid Work in Canada

2.1 Median wages in 2004

What do pay rates look like in Canada today? We examine this using data from the Labour Force Survey, as reported in Morissette and Johnson (2005). In 2004, the median hourly wage (in 2001 dollars) for all workers in Canada aged 17-64 was $15.33$; for men it was $16.92 and for women $13.93. Not surprisingly, wage rates for full-time jobs are much higher than for part-time: the median wage for the former in 2004 was $16.56 compared to only $9.29 for the latter. This reflects, in particular, low wages for part-time young (aged 17-24) employees. When the analysis is restricted to people aged 25-64, the median wage in part-time jobs rises to $12.76 (compared to $17.65 for full-time workers).

2.2 Who are the low-paid workers?

Figure 1 presents data on the share of jobs in 2004 in various wage rate categories. Our particular interest in this paper is to document the extent of low pay and the characteristics of low-paid workers. How do we define low pay? There is no single agreed-upon definition, but an approach found in a number of recent papers (Maxwell, 2002; Chung 2004) is to look at people earning less than $10 per hour in 2000 or 2001 dollars. If converted to annual income at full-time hours, this corresponds approximately to the before tax low income cut-off (LICO) for a single, unattached person in a large urban area.

Using this definition, Figure 1 shows that almost 24 percent of jobs held by people aged 17-64 in 2004 paid low wages (below $10 per hour in 2001 dollars). If we were to exclude those aged 17-24, the figure would be 15.7 percent (Morissette and Johnson, 2005, Table 2). Clearly, a sizeable share of jobs in Canada pays low wages. In fact, almost 13 percent of jobs pay under $8.00 per hour (7 percent if we focus on ages 25-64).

Placed in an international perspective, Canada has a relatively low wage economy. Nolan and Marx (1999; cited in Morissette and Picot, 2005) compare low pay among full-time, full-year workers in a number of countries, defining low-paid workers as those earning less than two-thirds of a country’s median annual earnings. Applying this definition to data from the late 1980s and early 1990s, they find that Canada, at 21 percent, is among the group with the largest proportion of low-paid workers, along with the United States (26 percent) and the United Kingdom (20 percent). This is in sharp contrast with most European countries, where the share of workers who are low-paid ranges from 13 percent in Germany to 7 percent in Finland.

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3 To control for inflation so as to facilitate comparisons over time, Morissette and Johnson report all wage rates in 2001 dollars. Unless otherwise specified, we follow the same approach here.

4 Chung, using Census data, looks at full-time workers with weekly earnings under $375. Assuming full-time hours are approximately 37.5 hours per week yields the $10/hour threshold used by Maxwell.
The Census data reported in Morissette and Picot (2005), adapted from Chung (2004), allow us to identify the concentration of low-paid workers in various demographic groups. These data focus on individuals aged 15-64, who are not full-time students, and worked mainly full-time. Overall, 16.3 percent of these workers--1.7 million people--were low-paid in 2000.

Figure 2 shows there is a strong gender dimension to low pay, notwithstanding a narrowing of the gender gap in pay over the past two decades. About 22 percent of women were low paid in 2000, compared to only 12 percent of men.
Figure 2: Gender and low pay

Proportion of all full-time wage earners who are low-paid workers, 2000, by gender

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All wage earners</td>
<td>16.3%</td>
</tr>
<tr>
<td>Women</td>
<td>21.9%</td>
</tr>
<tr>
<td>Men</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

Source: The Census data reported in Morissette and Picot (2005), adapted from Chung (2004). These data focus on individuals aged 15-64, who are not full-time students, and worked mainly full-time.

Figure 3 illustrates that low pay is highly concentrated among teenagers and young adults. Almost half of the 15-24 age group were low paid in 2000. 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.
We would expect a strong (inverse) relationship between level of educational attainment and the incidence of low pay, especially in a knowledge economy that puts a premium on high-level skills. Figure 4 shows that 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.
It is now well documented that the labour market experience of recent immigrants (those who arrived in Canada during the five years preceding the reference year) deteriorated since 1980, though it improved slightly between 1995 and 2000 (Picot 2004; Frenette and Morissette, 2003; Green and Worswick, 2003). Figure 5 shows that over a quarter of recent immigrants were low-paid in 2000, compared to one-sixth of Canadian-born workers. Figure 6 breaks this down further, by looking at visible minority status for each of these groups. For the Canadian-born, visible minority status makes little difference to the concentration of low pay. However, for immigrants, especially recent immigrants, it makes a big difference. Almost one-third of the recent immigrant visible minority group were low paid, compared to less than a fifth of recent immigrants who were not visible minorities. So the combination of being recently arrived in Canada and being from a visible minority seems to be strongly associated with low pay. One possible explanation is that recent immigrants who are visible minorities are likely to come from source countries other than Europe or the US, and so are more likely to face language difficulties, as well as difficulties in achieving recognition for their educational credentials or work experience.
Figure 5: Immigrant status and low pay

Proportion of all full-time wage earners who are low-paid workers, 2000, by immigrant status

<table>
<thead>
<tr>
<th>Immigrant status</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recent immigrant</td>
<td>27.4</td>
</tr>
<tr>
<td>Mid-term immigrant</td>
<td>22.4</td>
</tr>
<tr>
<td>Long-term immigrant</td>
<td>12.5</td>
</tr>
<tr>
<td>Canadian born</td>
<td>16.0</td>
</tr>
</tbody>
</table>

Source: The Census data reported in Morissette and Picot (2005), adapted from Chung (2004). These data focus on individuals aged 15-64, who are not full-time students, and worked mainly full-time. Recent immigrants arrived in Canada during the 5 years prior to the Census reference year (1995 to 1999 in the case shown); mid-term immigrants arrived 6 to 15 years before, and long-term immigrants more than 15 years before.

Figure 6: Visible minority status and low pay

Proportion of all full-time wage earners who are low-paid workers, 2000, by visible minority status

<table>
<thead>
<tr>
<th>Visible minority status</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Born VM</td>
<td>17.1</td>
</tr>
<tr>
<td>Canadian Born non-VM</td>
<td>16.0</td>
</tr>
<tr>
<td>Recent immigrant VM</td>
<td>16.0</td>
</tr>
<tr>
<td>Recent immigrant non-VM</td>
<td>18.7</td>
</tr>
<tr>
<td>Mid-term immigrant VM</td>
<td>24.7</td>
</tr>
<tr>
<td>Mid-term immigrant non-VM</td>
<td>16.8</td>
</tr>
<tr>
<td>Long-term immigrant VM</td>
<td>14.8</td>
</tr>
<tr>
<td>Long-term immigrant non-VM</td>
<td>11.4</td>
</tr>
</tbody>
</table>

Source: The Census data reported in Morissette and Picot (2005), adapted from Chung (2004). These data focus on individuals aged 15-64, who are not full-time students, and worked mainly full-time. Recent immigrants arrived in Canada during the 5 years prior to the Census reference year (1995 to 1999 in the case shown); mid-term immigrants arrived 6 to 15 years before, and long-term immigrants more than 15 years before.
While Chung’s data do not include Aboriginal status, some information on the earnings of Aboriginal people is available in the *The Canada e-Book* (Statistics Canada, 2001). Average earnings of full-year, full-time Aboriginal workers in 2001 were 23 percent lower than the national average; those of part-year or part-time workers (who predominate among Aboriginal workers) were 28 percent lower. This is not just explained by lower levels of educational attainment: average earnings of Aboriginal people were lower in every education category.

Figures 7 and 8 complete this profile of low-paid, full-time workers by looking, respectively, at low pay by family status and whether or not the individual is disabled. 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\(^5\) under 40 years of age. It is also relatively high for persons with a disability.

**Figure 7: Family status and low pay**

<table>
<thead>
<tr>
<th>Family status</th>
<th>Proportion of all full-time wage earners who are low-paid workers, 2000, by family status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married/Common Law</td>
<td>13.4%</td>
</tr>
<tr>
<td>Lone Fathers</td>
<td>10.7%</td>
</tr>
<tr>
<td>Lone Mothers</td>
<td>23.3%</td>
</tr>
<tr>
<td>Living with Relatives</td>
<td>28.3%</td>
</tr>
<tr>
<td>Unattached individuals (UI)</td>
<td>23.1%</td>
</tr>
<tr>
<td>(UI) &lt;40 years old</td>
<td>25.3%</td>
</tr>
<tr>
<td>(UI) 40+ years old</td>
<td>17.2%</td>
</tr>
<tr>
<td>Alone</td>
<td>13.5%</td>
</tr>
<tr>
<td>Unmarried, living with parents</td>
<td>33.0%</td>
</tr>
</tbody>
</table>

Source: The Census data reported in Morissette and Picot (2005), adapted from Chung (2004). These data focus on individuals aged 15-64, who are not full-time students, and worked mainly full-time.

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\(^5\) Chung (2004) defines unattached individuals as those living with others but are not related to them nor share their income with them (e.g. boarders, roommates, etc).
The data we have been examining do not address the question of the distribution of low-paid work by sector or occupation. Janz (2004) deals with this issue. She uses the Survey of Labour and Income Dynamics (SLID) to look at full-year, full-time workers with low hourly earnings in 1996. While confirming the relative concentration of low pay among women, the young, and the less-educated, Janz’s results also indicate that the incidence of low pay is high in service or manual labour occupations (especially for women), and in the manufacturing, distributive services, and consumer service industries.

The findings reported so far focus on full-time workers with low hourly pay rates. Chaykowski (2005), using data from the 2000 Survey of Labour and Income Dynamics, looks at the “economic vulnerability” of workers in terms of whether, and to what extent, their annual earnings fall below the before-tax low income cutoff (LICO) for a single person. He finds that the proportion of all individuals with some paid employment in 2000 that had low (below-LICO) earnings was 34 percent. On average, the low-earnings group fell 18 percent below the LICO threshold. These high figures are driven in part by the inclusion of people who work part-time or part-year, for whom there is a high probability that annual earnings will fall below the LICO.

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6 The threshold Janz uses for low pay is based on the before-tax Low Income Cutoff (LICO) for a family of two people living in an urban area of at least half a million people (a somewhat higher threshold than used in most of the studies cited in this paper).

7 The LICOs used by Chaykowski are adjusted for the size of the area in which the person resides. Also, while his focus is on the individual, in some cases he also reports family-level earnings or income, and compares them to the LICO adjusted for family size.

8 The figure drops to 32 percent if non-wage sources of market income (e.g., investment income) are included.
yardstick. However, Chaykowski also breaks down the data to allow a focus on full-year, full-time workers. Among his key findings for this group are the following.

- The self-employed report a much greater incidence of low earnings than do employees. For example, the proportion of full-year, full-time (FYFT), self-employed workers with low earnings was 42 percent, compared to 11 percent for FYFT employees.\(^9\)

- Low earnings are more prevalent among women (16 percent for FYFT employees) than men (7 percent).

- As one would expect, the incidence of low earnings is relatively high for young workers (aged 16-24). For FYFT employees in this age group, the rate is 38 percent.

- Education matters. About 18 percent of FYFT employees who did not graduate from high school had low earnings in 2000; for those with a university degree, the figure is 4 percent.

In summary, we have seen that low-paid work (below $10 per hour in 2001 dollars) among full-time workers is particularly high for: women; young people; the less-educated; recent immigrants, especially those who are from visible minorities; lone mothers; unattached individuals; and persons with a disability. The incidence of low annual earnings is similar, with those data also pointing to the relatively high degree of economic vulnerability among self-employed workers.

### 2.3 Non-wage characteristics of low-paid jobs

We have examined questions related to the extent of low pay and the characteristics of low-paid workers. It is also of interest to know how the quality of low-paid jobs compares to other jobs on non-wage matters.

Marshall (2003), using data from the 2000 SLID, provides information on access to non-wage benefits by employee or workplace characteristics, including wage rates.\(^{10}\) We focus here on access to an insurance package (extended medical, dental, and life and/or disability coverage) and a registered pension plan (RPP). Marshall looks at three wage rate ranges: under $10 per hour, $10-$19.99, and $20 or more. As illustrated in Figure 9, thirteen percent of the low wage group was covered by the insurance package in 2000, compared to 51 percent and 77 percent for the mid-wage and high-wage groups, respectively.\(^{11}\) The pattern for RPP coverage is very similar: 12 percent, 46 percent, and 74 percent for the ascending wage categories.

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\(^9\) While there is the risk of some under-reporting of earnings by the self-employed, the large gap compared to employees suggests there are substantial differences in pay between these groups.

\(^{10}\) Marshall’s data are for all persons who did some paid work in 2000, not just full-time workers. The information she provides on benefit coverage and job characteristics pertains to the respondent’s main paid job (the one with the most scheduled hours that year).

\(^{11}\) Similar findings (using slightly different wage thresholds) emerge from the 2001 Workplace and Employee Survey Compendium (Statistics Canada, 2004b, Table 15). For example, 24.5 per cent of employees with hourly wages under $12 per hour had coverage by a life or disability insurance plan, compared to 77 per cent of those with hourly earnings of $20 or more.
Marshall’s data also provide a glimpse at the relationship between temporary work and wages. 30 percent of low-paid employees had temporary jobs, compared to 16 percent and 9 percent for the mid-wage and high-wage groups. A recent paper by Galarneau (2005) reinforces the evidence of an association between temporary work and low pay. Using data from the Labour Force Survey, she finds that, in 2003, temporary workers earned 16 percent less per hour than permanent workers.

Morissette and Picot (2005, Table 6), provide data on union coverage, focusing on workers aged 25-64. In both cases, there is a marked difference between low-paid jobs and other jobs. The unionization rate in 2004 for low-paid jobs was about 11 percent; for better-paid jobs, about 38 percent. For both job categories, unionization is lower than in 1981, but the relative size of the decline is larger for low-paid jobs. For better-paid jobs, the decline in union coverage is largely confined to men.

Table 1 highlights the relationship between training and hourly wage rates. This includes job-related training provided or paid for by the employer. Low wage workers are less likely to receive training, particularly classroom training. Furthermore, low wage workers are much less likely to say the amount of training available to employees has increased since they began working for their current employer.
### Table 1: Employer sponsored training by wage category, 2001

<table>
<thead>
<tr>
<th>Wage rates per hour</th>
<th>% of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than $8</td>
</tr>
<tr>
<td>Receiving classroom training</td>
<td>18.3</td>
</tr>
<tr>
<td>Receiving on-the-job training</td>
<td>29.5</td>
</tr>
<tr>
<td>Amount of training has increased</td>
<td>16.6</td>
</tr>
</tbody>
</table>

Source: 2001 Workplace and Employee Survey.

Taken together, the findings reported in this section indicate that low-paid jobs tend to be low quality jobs in other respects: poor access to benefits, more precarious work arrangements, less access to employer-sponsored training, and relatively low union coverage.

### 2.4 Low pay and low income

The incidence of low pay is of interest whether or not low-paid individuals live in families that have, collectively, low income. Arguably, the labour market should provide decent rewards to working regardless of whether the person in question is living in a family unit with other earners. Moreover, as Chaykowski (2005) points out, with the growing instability of the family unit, adults whose individual earnings are low are vulnerable to falling into poverty, even if at a point in time, they are financially supported by other family members.

Nevertheless, concerns about low pay are certainly heightened when low-paid individuals have difficulty making ends meet, taking into account family income. Morissette and Picot (2005), following the approach taken in Chung (2004) look at how many low-paid workers live in low-income households, as defined by Statistics Canada’s low income cutoff before tax and after transfers. Once again, the focus is on people aged 15-64, who are not full-time students, and worked mainly on a full-time basis.

Table 2 shows that, in 2000, 30 percent of all low-paid, full-time workers (earning below $10/hour) lived in low-income families. The percentage is higher for men (36) than women (25), likely reflecting differences in spousal income. It is relatively high for recent and mid-immigrants (44 percent and 39 percent, respectively), visible minorities (39 percent), lone parents (over 50 percent), and disabled persons (34 percent). It is strikingly high, at almost 80 percent, for unattached individuals (those living with others they are not related to nor share their income with). This is particularly true for unattached individuals under 40 (80 percent) who are likely to be young persons living together, just starting out their careers, and hence more likely to be in lower pay jobs. Still, 72 percent of unattached individuals over 40 are low-paid workers living in low-income families. The percentage of low-paid workers living in a low-income

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12 Census data do not currently include data on after-tax income.

13 For the distribution in 2000 across demographic groups of all full-time workers, low-paid full-time workers, and low-paid workers in low income families, see Morissette and Picot (2005, Table 14).
household is also very high, at 70 percent, for individuals living alone. These findings regarding unattached individuals and those living alone should not be surprising, as such persons, by definition, do not benefit from other earners in the household, and the wage threshold chosen to define low pay approximates the LICO threshold for single individuals living in a large urban area. In other words, for such individuals, working full-year for “low pay” would leave them below the low income cut-off. Arguably, policy-makers ought to be concerned if full-time, full-year work leaves people in poverty. Moreover, with the instability of family units – the divorce rate in 2001 was six times the rate in 1961\(^\text{14}\) – one cannot rely on spousal attachments as a basis for keeping people out of poverty.

It is important to keep in mind that workers who are low-paid are economically vulnerable in other respects: we have seen that they are less likely to have access to employment benefits, such as extended medical insurance or a pension plan, and less likely to have access to skills development opportunities than is the case for better-paid workers.

The data in Table 2 do not show much variation by level of education. We have seen that low pay is concentrated among the less-educated. However, those university-educated workers who are nevertheless low-paid are at least as likely to live in low-income households as are low-paid workers with lower levels of educational attainment.

\(^{14}\) Source: Jenson (2004), Table 1, p.6. Almost all of the increase in divorce rates occurred in the 1960s and 1970s, so this is not a new issue, but it remains pertinent to policy considerations about “making work pay”.
Table 2: Proportion of low-paid workers in low-income families, Canada, 2000

<table>
<thead>
<tr>
<th>All low-paid wage earners</th>
<th>Immigrant status</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.0</td>
<td>Recent immigrant</td>
</tr>
<tr>
<td></td>
<td>Mid-immigrant</td>
</tr>
<tr>
<td></td>
<td>Long-term immigrant</td>
</tr>
<tr>
<td></td>
<td>Canadian born</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>Visible minority status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>Visible minority</td>
</tr>
<tr>
<td>36.4</td>
<td>Non-visible minority</td>
</tr>
<tr>
<td>Women</td>
<td>Canadian born VM</td>
</tr>
<tr>
<td>25.3</td>
<td>Canadian born non-VM</td>
</tr>
<tr>
<td></td>
<td>Recent immigrant VM</td>
</tr>
<tr>
<td></td>
<td>Recent immigrant non-VM</td>
</tr>
<tr>
<td></td>
<td>Mid-immigrant VM</td>
</tr>
<tr>
<td></td>
<td>Mid-immigrant non-VM</td>
</tr>
<tr>
<td>Long-term immigrant</td>
<td></td>
</tr>
<tr>
<td>29.6</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td></td>
</tr>
<tr>
<td>25.3</td>
<td></td>
</tr>
<tr>
<td>Long-term immigrant</td>
<td></td>
</tr>
<tr>
<td>Canadian born VM</td>
<td>31.3</td>
</tr>
<tr>
<td>Canadian born non-VM</td>
<td>28.1</td>
</tr>
<tr>
<td>Recent immigrant VM</td>
<td>43.7</td>
</tr>
<tr>
<td>Recent immigrant non-VM</td>
<td>43.5</td>
</tr>
<tr>
<td>Mid-immigrant VM</td>
<td>41.5</td>
</tr>
<tr>
<td>Mid-immigrant non-VM</td>
<td>31.2</td>
</tr>
<tr>
<td>Long-term immigrant VM</td>
<td>34.7</td>
</tr>
<tr>
<td>Long-term immigrant non-VM</td>
<td>25.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td>Less than high school</td>
</tr>
<tr>
<td>31.9</td>
<td>Non-visible minority</td>
</tr>
<tr>
<td>High school</td>
<td>Canadian born VM</td>
</tr>
<tr>
<td>27.9</td>
<td>Canadian born non-VM</td>
</tr>
<tr>
<td>Post-secondary education</td>
<td>Recent immigrant VM</td>
</tr>
<tr>
<td>29.4</td>
<td>Recent immigrant non-VM</td>
</tr>
<tr>
<td>University degree</td>
<td>Mid-immigrant VM</td>
</tr>
<tr>
<td>33.3</td>
<td>Mid-immigrant non-VM</td>
</tr>
<tr>
<td>University degree</td>
<td>Long-term immigrant VM</td>
</tr>
<tr>
<td>33.3</td>
<td>Long-term immigrant non-VM</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>16 percent</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>25-34</td>
<td></td>
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<tr>
<td></td>
<td></td>
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<tr>
<td>35-44</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>45-54</td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>55-64</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Family Status</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Married/Common Law</td>
<td>13 percent</td>
</tr>
<tr>
<td>Lone Fathers</td>
<td></td>
</tr>
<tr>
<td>Lone Mothers</td>
<td></td>
</tr>
<tr>
<td>Living with relatives</td>
<td></td>
</tr>
<tr>
<td>Unattached individuals</td>
<td></td>
</tr>
<tr>
<td>&lt;40 years old</td>
<td></td>
</tr>
<tr>
<td>40+ years old</td>
<td></td>
</tr>
<tr>
<td>Alone</td>
<td></td>
</tr>
<tr>
<td>Unmarried, living with parents</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Source: Morissette and Picot (2005), Table 10.

Table 3 looks at the data on low pay and low income in another way: it documents the proportion of all full-time wage earners who are both low-paid and live in low-income households. Overall, this stands at about 5 percent, but it rises well above this number for some groups. The ratios are much higher among unattached individuals who do not have a second earner with whom to share income (16 percent of unattached male workers were both low-paid and in low income; 22 percent of unattached women). Single mothers (for whom the figure is 13 percent), individuals with a high school diploma or less (8 percent), recent immigrants (12 percent), and visible minorities (8 percent) also are more likely than the average worker to be both low-paid and in low income.
Fleury and Fortin (2004) provide another perspective on low-income workers. They look at individuals aged 18 to 64 who are not full-time students and who worked at least 910 hours for pay over the course of the year, which corresponds roughly to full-time work for half a year. These workers are defined as low income, or “working poor”, if they lived in a family unit with income below some measure of poverty. Their findings about job quality for low-income workers echo those reported above for low-paid workers: much weaker access than other workers to work-related benefits, more likely to be self-employed, less likely to be in a union.

Regarding factors affecting the likelihood of being among the working poor, Fleury and Fortin find that the young (18-24), self-employed, recent immigrants, Aboriginals living off-reserve, and those not working full-time full-year are more likely than others to be low-income workers.

15 For their analysis of working poverty in 2001, they look at people whose family income is below the corresponding threshold provided by the Market Based Measure of poverty. For their longitudinal analysis over the period 1996-2001, they utilize the after-tax LICO measure.
which is broadly consistent with the analysis described above. Earnings of other family members, not surprisingly, play a critical role. Sole earners (unattached individuals, lone parents, and workers whose spouse does not work for pay) are more likely than other workers to have low family income. To cite an example from their analysis: the probability of low income is 2 percent if a worker has a spouse who also works for pay; it is 26 percent for sole earners with more than two dependent children. This finding, as well as the work of Chung and Morissette and Picot reported above, suggests that one way to exit low income is for low-paid workers to form a family unit with another earner. However, as we have seen, one should keep in mind that divorce rates rose sharply in the 1960s and 70s, and remain high.
3. Trends in Low Pay Since the Early 1980s

We have examined the current profile of low pay in Canada: the incidence of low-paid jobs, the characteristics of low-paid workers, and the extent to which low-paid individuals live in low-income families. We have seen that a sizeable share of jobs in Canada are low paid and identified the incidence of low pay across various demographic categories. How has the situation changed over time? In this section, we look at trends in the wage distribution and in the incidence of low pay since the early 1980s, drawing, in particular, on the work of Morissette and Picot (2005).

The educational attainment of the workforce has grown substantially. The proportion of female workers, aged 17-64, with a university degree rose from 10 percent in 1981 to 22 percent in 2003. For men the increase was from 13 percent to 19 percent (Morissette and Picot, 2005, p.5). Real GDP per capita has risen by 43 percent. These developments might lead one to expect sizeable growth in real wages, and a shrinkage in the share of the workforce earning less than a particular fixed real wage threshold (such as the $10 per hour threshold used above).

On the other hand, the last two decades have witnessed changes that might work in the other direction, such as heightened international competition, greater mobility of capital, shifts of employment away from manufacturing, and a decline in union density and in large firms’ share of total employment. Moreover, non-standard employment (part-time, temporary, and/or self-employment) has grown (Vosko, Cranford, and Zukewich, 2003), and most non-standard workers remain in such jobs for an extended period of time (Kapsalis and Tourigny, 2004).

What has been the net effect on wage growth? Median real wages in Canada have not grown. Among employees aged 17 to 64, median hourly wages (in 2001 dollars) have changed little between 1981 and 2004 remaining at approximately $15 in 2001 dollars (Morissette and Picot, 2005, Table 1).

The aggregate figure masks gender differences: men’s median hourly wages fell over the period, from $17.29 to $16.92, while women’s median wages rose from $12.85 per hour to $13.93. There is also a difference in the trends for full-time and part-time jobs, with median hourly wages for the former rising by about 5 percent, while those in part-time jobs fell 15 percent (Morissette and Picot, 2005, Table 2), with the wage decline being particularly high for part-time employees under age 25.

Firms typically make wage and other employment adjustments among newly hired employees more so than among those with greater seniority. While median wages overall have changed little, median wages among newly hired employees have fallen over the past 20 years. Morissette and Johnson (2005) found that median hourly wages of male workers aged 25 to 64 with two years of seniority or less fell 13 percent between 1981 and 2004. Among their female counterparts, they fell 2 percent. Among workers with more than two years of tenure, wages rose 4 percent for men and 14 percent for women. This pattern is consistent with the observation that women have generally out-performed men in the labour market over the past 20 years (in terms of wage growth). The male-female wage gap continues to exist, but it is narrowing.
The deterioration of wages of new employees was not limited to a particular industry. Newly hired men employed in manufacturing saw their median wages fall 19 percent between 1981 and 2004, compared to a drop of 11 percent for those outside manufacturing.\textsuperscript{16}

As Morissette and Johnson (2005, p.20) point out, the decline in real wages for new hires has potentially important implications for Canadian workers: “Unless it is offset by a steepening of the wage-seniority profile, it may signal changes in firms’ wage offers which may induce a reduction in the proportion of well-paid jobs in the years to come, with obvious implications for Canadians’ living standards.”

Has the incidence of low-paid work in Canada changed between 1981 and 2004? Consistent with the lack of growth in median wages, the proportion of jobs that pay less than about $10 per hour (in 2001 dollars) has changed little over the last two decades. In 2004, 16 percent of the jobs held by workers aged 25 to 64 paid less than $10 per hour (in 2001 dollars), almost the same as the 17 percent figure for 1981 (Morissette and Johnson, Table 2, reproduced in this paper as Appendix A).\textsuperscript{17} Morissette and Picot (2005, pp.8-9) conclude: “Thus, in spite of improved economic conditions, little progress has been made regarding the prevalence of low-paid jobs.”\textsuperscript{18}

This lack of progress is particularly surprising when one considers the increase in the level of educational attainment of the workforce described above. In addition, job tenure has increased: workers are, on average more experienced. Indeed, Morissette and Picot (2005) find that changes in worker characteristics (age, education, gender, immigration status, visible minority status) have tended to reduce the incidence of low-paid work by between 4 and 6 percentage points between 1980 and 2000.\textsuperscript{19} However, this is offset by the fact that the proportion of low-paid workers rose markedly within certain demographic groups, such as young workers and recent immigrants (see Morissette and Picot, 2005, Table 5, reproduced as Appendix B). Chung (2004, Chart B) shows that, for any given level of educational attainment, the incidence of low pay rose between 1980 and 2000.

How has the relationship between individual low pay and low income in family units changed over time? Both the rise in the number of dual-earner families, which is associated with the increasing labour force participation of women, and the substantial growth in the educational

\textsuperscript{16} Morissette and Johnson also look at the change over time in the incidence of temporary jobs among newly hired employees. They show that in 1989, 11 percent of newly hired employees in the private sector held temporary jobs. By 2004, 21 percent of all jobs held by recently hired employees were temporary. The increase of 10 percentage points is more than twice the increase observed in the share of employment that is temporary for all private sector employees.

\textsuperscript{17} One arrives at the same conclusion if other age cutoffs are used. The proportion of workers aged 17 to 64 who hold jobs paying less than $10 per hour also showed little change. It amounted to 22.4 percent in 1981, compared to 23.6 percent in 2004.

\textsuperscript{18} Chung (2004), using Census data, and focusing on full-time employees, reaches a similar conclusion. She finds little change in the proportion of low-paid workers between 1980 and 2000. Overall, 16 percent of full-time employees aged 15 to 64 were in low-paid jobs in 2000, a slight increase from the rate of 15 percent observed in 1980. However, in one respect Chung paints a more pessimistic picture: she finds that average weekly earnings of low-paid full-time employees dropped 8 percent between 1980 and 2000.

\textsuperscript{19} Using the sample selected by Chung (2004), Morissette and Picot estimate two linear probability models for 1980 and 2000. The dependent variable equals one if a worker is low-paid, 0 otherwise. For each model, the set of explanatory variables consists of age (25 to 34, 35 to 44, 45 to 54 and 55 to 64; 15 to 24 being omitted), education (high school, post-secondary education below bachelor’s degree, bachelor degree or more; less than high school being the omitted category), immigration status, visible minority status, gender, and a full set of interactions between gender and the aforementioned variables.
attainment of Canadian workers should tend to improve the financial position of most families, including those with low-paid workers. This potential improvement may be offset by factors such as the increasing number of single parents and unattached individuals, who do not have a second earner to fall back on during spells of low-paid work or unemployment. Chung (2004) found that overall the proportion of low-paid, full-time workers living in low-income families has remained unchanged since 1980 (at 30 percent). Similarly, the proportion of all full-time wage earners who are low-paid and live in low income has remained unchanged at 5 percent.

However, some groups have experienced growing risks of being both low-paid and in living in a low-income family unit. For example, recent immigrants have seen the incidence of the combination of low pay and low income rise from 8.5 percent in 1980 to 12 percent in 2000 (Morissette and Picot, 2005, Table 11, reprinted as Appendix C). In particular, the probability that a recent male immigrant aged 35 to 54 is both low-paid and in low income rose from 5 percent in 1980 to 11 percent in 2000 (Morissette and Picot, 2005, Table 12). For men and women under 25 and unattached males under 40, the increase in incidence of the low pay-low income combination was four percentage points. The less educated have also become more likely to fall into the low-pay, low-income group. The situation did improve for some demographic groups: unattached men and women aged 40 or more were much less likely to be both low-paid and in low income in 2000 than their counterparts were in 1980.

The deterioration in the circumstances of recent immigrants has occurred in spite of the fact that their educational attainment increased greatly over the period (Picot and Hou, 2003). Recent research suggests that this decline in labour market outcomes for recent immigrants is related to a number of factors, including changes in country of origin, weaker language skills, a decline in the returns to immigrants’ foreign work experience, and a general decline in the labour market outcomes of new labour force entrants, of which entering immigrants are a part (see Aydemir and Skuterud, 2004; Green and Worswick, 2003; Picot, 2004).

Morissette and Johnson (2004), focusing on couples, find that economic vulnerability has increased significantly for less educated families, particularly young families. Among young Canadian-born couples (with males aged 25 to 34) where both partners had a high school education or less, male earnings fell between 15 percent and 28 percent during the 1980-2000 period. Over this period, women increased both their work hours and their wages, thereby increasingly contributing to family earnings. However, women’s earnings growth did not fully offset the declining earnings of low-educated young males: among young Canadian-born couples with high school education or less, total employment income fell between 6 percent and 15 percent.

In 1980, of all recent immigrant male workers employed on a full-year full-time basis, 22 percent had a university degree. By 2000, this proportion had doubled to 44 percent (Frenette and Morissette, 2003).

Among more highly educated young couples, males experienced little change in their earnings. However, women’s annual earnings rose significantly (both due to increased hours worked and rising wages). As a result, young couples’ earnings rose 14 percent where both partners held university degrees. Thus, the earnings gap between the less and more highly educated families increased.

Among couples with males aged 35 to 54, the decline in earnings of less educated males is less pronounced, and the rise in women’s employment income provides a greater offset. However, family earnings of less educated couples (in this age category) still remain stagnant or fall, while they rise for the more highly educated.
4. Mobility Out of Low Pay

While the profile of low-paid jobs and the trends over time in the incidence of low pay are of interest from a policy perspective, one also wants to know about the length of time workers spend in low-paid jobs. To what extent are individuals able to use low-paid work as a stepping stone towards higher paying positions? To what extent are people “stuck” in low-paid jobs? Have the chances of “moving up” improved over time? Although we have seen that the share of jobs that are low-paid has not fallen, perhaps workers are able to move up more quickly than before? It is to these questions that we turn in this section.

Janz (2004) uses the longitudinal component of the SLID to examine whether full-year, full-time workers who had low hourly earnings (in the main job) in 1996 were able to escape low pay five years later.\(^23\) She finds that 47 percent of those who were low-paid in 1996 had failed to move up by 2001. The probability of moving up\(^24\) varied markedly across demographic groupings.

- Men had a 73 percent chance of moving up; for women, the figure was only 28 percent.
- Young workers (aged 16-24) had a high incidence of low pay, but also a relatively high probability (almost 70 percent) of moving up.
- People who were low-paid in 1996 with a university degree had a much higher probability of moving up (about 80 percent) than those with some post-secondary education, but no degree (56 percent) or those with a high school diploma or less (46 percent).
- Workers in a union had a 68 percent chance of moving up, compared to 46 percent for non-union workers.

Fleury and Fortin (2004) look at the extent to which individuals working at least 910 hours in 1996 and living in a low-income family – which is, of course, different from having low hourly earnings – were able to rise above low income in the following five years. They find that those who were low-income workers in 1996 spent on average three years below the LICO, and nearly 40 percent of them spent four or five years below the LICO. Almost half of those who moved up did so not because of their own earnings, but because of a change in family structure or an increase in the income of other family members.

Has the ability to move up changed over time? Morissette and Zhang (2005), using longitudinal data to track workers over four years during the latter part of the expansionary phase of the business cycle in both the 1980s and 1990s (i.e., 1985 to 1989, and 1996 to 2000), ask what proportion of low earners escape low earnings after four years.\(^25\) For men aged 30 or more, there is no evidence of increased upward mobility of earnings. For this group, chances of moving out of low earnings during the 1996-2000 were about the same as they were during 1985-1989. Among men aged 25-29, chances of escaping low earnings improved slightly between these two

\(^{23}\) As noted above, the threshold Janz uses for low pay is based on the before-tax Low Income Cutoff (LICO) for a family of two people living in an urban area of at least half a million people. An individual with low earnings in 1996 is treated as having escaped low pay in 2001 if, in the latter year, his or her earnings was at least 10 percent above the LICO threshold for that year. This extra 10 percent is used to avoid including marginal transitions out of low-paid work.

\(^{24}\) Janz uses a logistic regression analysis to derive these probabilities.

\(^{25}\) They use the same low-pay threshold as Janz.
periods. For women with low earnings, only those aged 25-29 enjoyed much increase in upward mobility. Their chances of moving out of low earnings rose by about six percentage points between 1985-1989 and 1996-2000. However, most women experienced only marginal changes in upward mobility between these two periods. The gender gap may be narrowing, but women are still disproportionately low-paid, and most low-paid women have difficulty moving up.

It is noteworthy that low-paid men were no more likely to escape low earnings in the mid-1990s than their counterparts were in the mid-1980s, yet educational attainment for this group had grown over time. This implies that for some categories of educational attainment, upward mobility of low-paid males must have fallen. When one considers this finding together with that of the wage stagnation discussed above, it appears that rising educational attainment is just keeping people floating at the same level – and those with low educational attainment are sinking.

In summary, about half of workers who are low paid remain so five years later, with particularly low mobility out of low pay for women and for young people. Moreover, the ability to move up has not improved much over time for most demographic groups.

Furthermore, Morissette and Zhang (2005) find that moving out of low earnings is not necessarily a permanent state: fully one-quarter of workers who escape low earnings after four years fall back into low earnings within the next four years.
5. Conclusion

Low-paid work has been and continues to be a sizeable part of the labour market in Canada. The rising tide has certainly not lifted all boats.

- Almost one-quarter of jobs held by people aged 17-64 in 2004 paid low wages (below $10 per hour in 2001 dollars).

- About one-sixth of individuals who worked mainly full-time had low pay in the year 2000.\(^27\)

- The most vulnerable groups (with a relatively high rate of low pay) are: women; young people; the less-educated; recent immigrants, especially those who are from visible minorities; lone mothers; unattached individuals; and persons with a disability. There is also evidence of a high concentration of low pay among Aboriginal people.

- People who are in low-paid jobs have considerably less access to non-wage benefits (such as extended medical coverage, dental insurance, and pension plans) than do better-paid workers.

- The low-paid tend to have more precarious work arrangements, less access to employer-sponsored training, and relatively low union coverage.

- About half of people who were low-paid in 1996 had failed to escape low pay five years later. Mobility out of low pay is particularly low for women and for the less-educated.

The incidence of low pay and mobility out of low pay have not improved much over the past two decades. Indeed, despite substantial growth in productivity and in workers’ level of educational attainment, median wages overall hardly grew between 1981 and 2004. Some groups have seen their situation deteriorate over time: hourly wages of young workers (especially males) have dropped markedly; real annual earnings of low-educated males of all ages have fallen; real annual earnings of recent immigrant men fell substantially; and hourly wages of newly hired employees have fallen considerably relative to those of other workers.

Low-paid workers are not necessarily in low-income households, since other family members may contribute to household income (and non-wage sources of income need to be considered). About 30 percent of low-paid full-time wage earners (and 5 percent of all full-time workers) live in low-income family units. As one would expect, the incidence of the combination of low pay and low income is much higher for unattached individuals. It is also relatively high among single mothers, individuals with a high school diploma or less, recent immigrants, and visible minorities.

The proportion of full-time workers who are both low-paid and in low-income families has also remained unchanged over the last two decades. Such stability is not only surprising in the face of economic growth and educational attainment, but also in the face of the growth of dual-earner families. However, the share of families with at most only one earner – single parents and the unattached – has also risen. These two trends appear to have offset one another, resulting in little change in the low-income status of low-paid workers. Moreover, with the instability of family

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\(^{27}\) Recall that, for these data, the age range is 15-64.
units (high divorce rates), policy-makers cannot rely on spousal attachments as a way for individuals to stay out of poverty.

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 our labour market, and low-paid workers also tend to have poor access to non-wage benefits. The share of jobs paying below the $10/hour real wage threshold has not risen since 1981, but neither has it decreased. Moreover, 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.

The picture that emerges from the data is not unlike the “good jobs/bad jobs” description of the labour market articulated by the Economic Council of Canada in 1990. Is the durability of low pay and low job quality the result of the competitive pressures associated with globalization? Has the greater mobility of capital contributed to the stagnation of median wages? More research is needed on the forces driving the low-wage part of our economy.

It seems clear, however, that there are many markers of vulnerability in the labour market that call for the attention of policy makers:

- the overall scope of low-paid work (almost a quarter of all jobs);
- 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;
- 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.

While some may take comfort in the fact that most low-paid workers are not living in low-income households, it remains the case that many people who work full-time throughout the year do not earn enough to stay out of poverty. Evidence from CPRN’s Citizens’ Dialogue on Canada’s Future: A 21st Century Social Contract suggests that Canadians expect people who work to be able to live decently. Citizens articulated a vision of a “working society” where everyone who can work gets a chance to earn a living wage (MacKinnon et al., 2003). We have not achieved this objective.

If full-time workers cannot earn a wage high enough to keep them out of poverty, then decision-makers in business and government need to pay attention. What instruments might be effective and efficient in helping low-paid workers improve not only their take-home pay, but also their access to non-wage benefits and opportunities to enhance their skill levels? CPRN is exploring the policy options in a parallel study to this one.

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**Change**:

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1981-2004: 
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1997-98 vs 2003-04: 
0.0 0.1 0.6 -1.3 -1.6 0.9 0.4 0.9

(Standard errors) 0.2 0.2 0.3 0.3 0.3 0.3 0.3 0.2

## II. Employees aged 25-64

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**Change**:

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1981-2004: 
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1997-98 vs 2003-04: 
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(Standard errors) 0.2 0.2 0.3 0.3 0.3 0.3 0.3 0.2

Source: Morissette and Picot (2005), Table 4 as originally reported in Morissette and Johnson (2005), Table 2.
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Note: The sample consists of individuals aged 15 to 64, who are not full-time students, worked mainly full-time, and received a wage or salary but no income from self-employment in the year prior to the census. Low-paid workers are those full-time employees earning less than $375 per week (2000 dollars).

Shading indicates that the difference between 1980 and 2000 is not significant at the 5% level.

## APPENDIX C: Proportion of wage earners who are low-paid and live in low-income, Canada, 1980 to 2000

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Shading indicates that the difference between 1980 and 2000 is not statistically significant at the 5% level.

Note: The sample consists of individuals aged 15 to 64, who are not full-time students, worked mainly full-time, and received a wage or salary but no income from self-employment in the year prior to the census. Low-paid workers are those full-time employees earning less than $375 per week (2000 dollars).

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Funding for this project was provided by:

- Citizenship and Immigration Canada
- R. Howard Webster Foundation
- Law Commission of Canada
- The Task Force on Modernizing Income Security for Working Age Adults

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