



# Making Work Pay

*Presentation to Symposium on  
"Building Healthy Labour Markets in  
Newfoundland and Labrador"*

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

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%)<sup>1</sup>
- Chances of moving up 1996-2000 no better than in 1985-89.

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



# Low pay and low income

- In 2000, 30% of low-paid, full-time workers in Canada lived in low income\* households.
- For Newfoundland and Labrador, the figure is 21%.

\*Low income defined as below the Statistics Canada before-tax Low-income Cut-offs, which vary by size of family and community.



# 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 hires<sup>1</sup> 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

<sup>1</sup> Workers aged 25-64 with 2 years' seniority or less.



# Low-paid workers and other conditions of employment

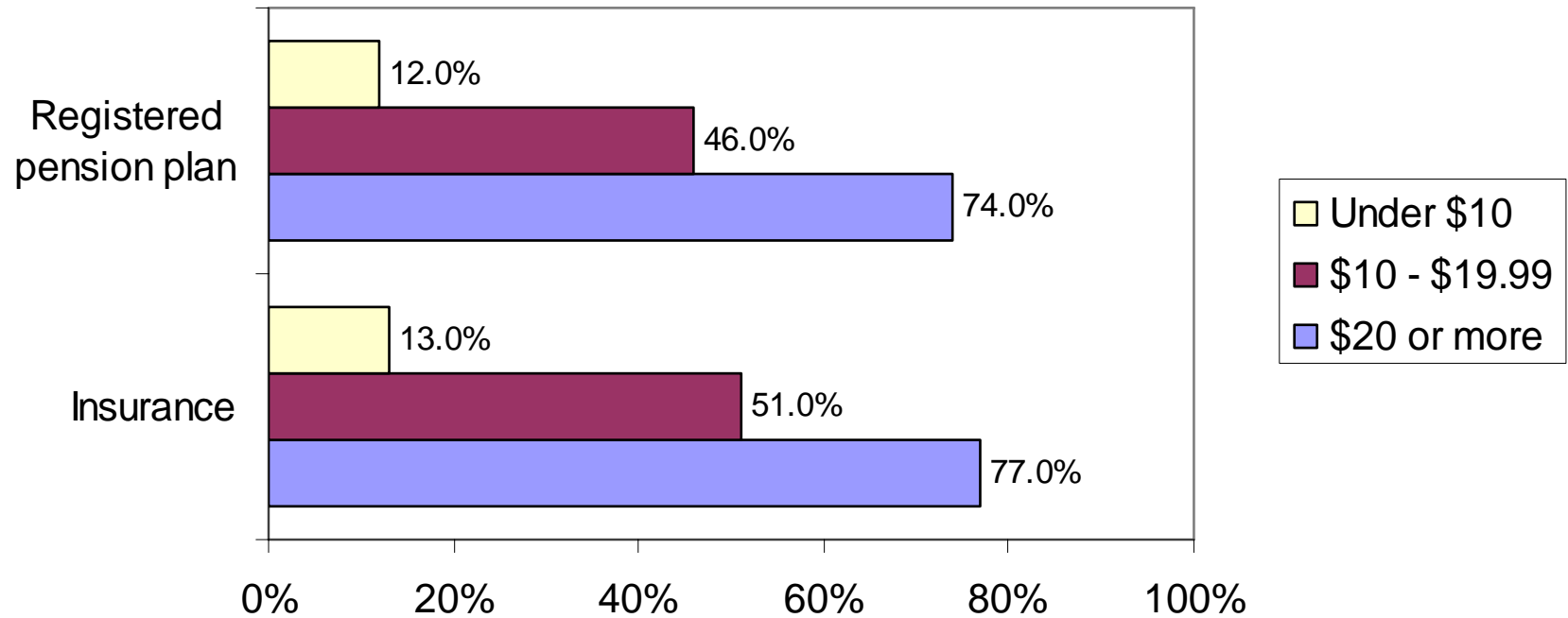
Low-paid workers are:

- 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

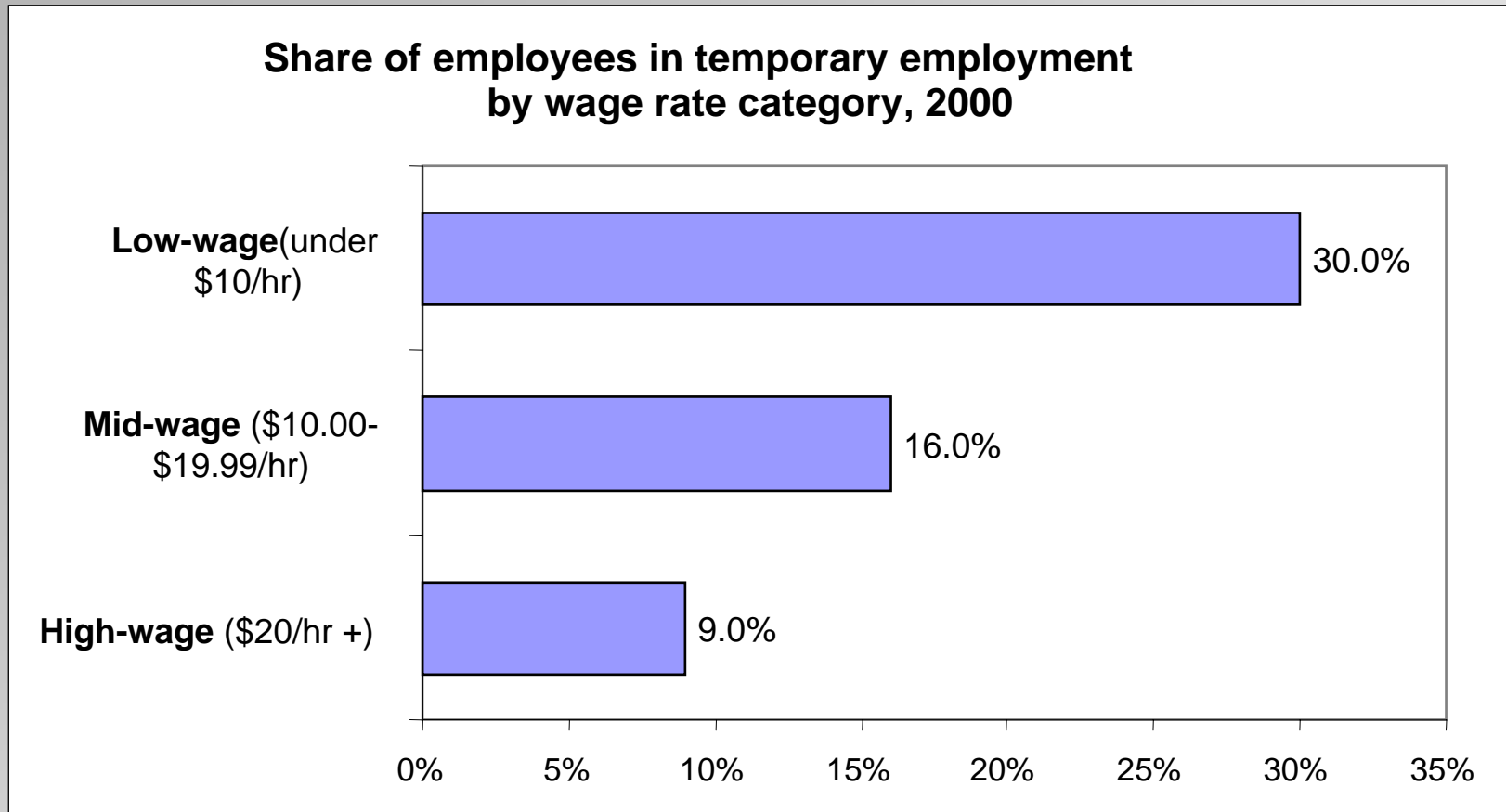
**Proportion of wage earners who have access to non-wage benefits, 2000, by wage rate group**



Source: Marshall (2003).



# Low wages and precarious work



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 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.

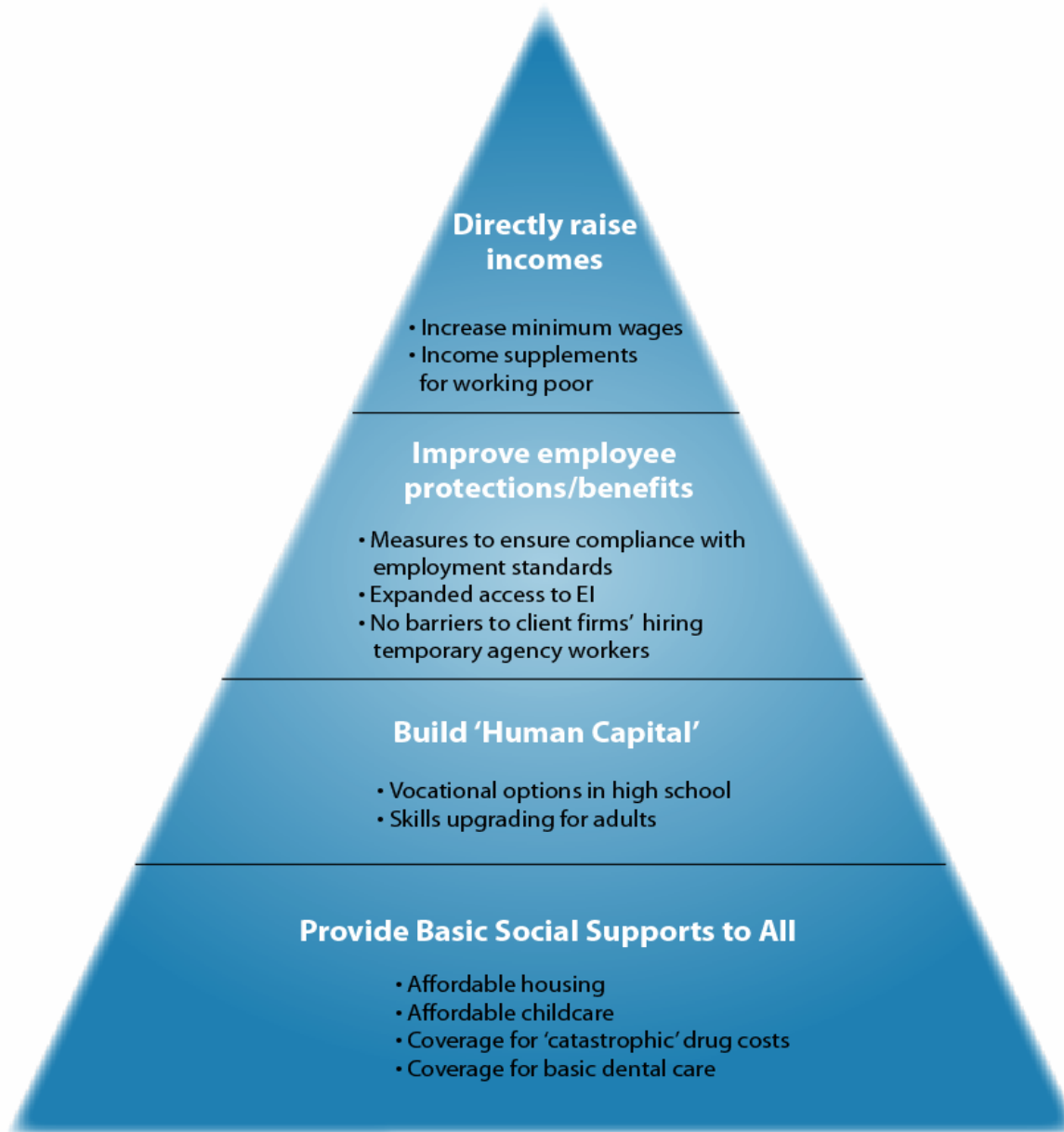


# Improve access to benefits and supports

- 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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