

A Closer Look at Low Wages in BC

WORKERS IN BRITISH COLUMBIA EARNED an average of \$21.46 an hour in 2008, according to the latest annual wage data published by Statistics Canada. This was good news for workers at the average wage or better, and well above the minimum wage of \$8. The average wage has gone up 25 per cent over the past decade (pre-inflation adjustment).

However, a closer look at the situation of workers in BC reveals some troubling facts about wages and hours of work, and the workers who are most likely to have low wages and/or insufficient hours. Hundreds of thousands of workers are still at wage levels that either trap them in poverty or put them at high risk of falling into poverty.

Statistics Canada reports that 346,100 BC workers earned less than \$12 an hour in 2008: almost one in five of all employed workers.

The \$12 figure is significant partly because it's a very conservative estimate of what the Organisation for Economic Co-operation and Development defines as a low-wage job. According to the OECD, a low-wage job pays less than two thirds of the median wage, or the wage at the exact midpoint of the wage scale.

Canada has long had a very poor reputation in the matter of low-wage work, and there is little hope of significant improvement if existing labour market policies stay the same. One recent Statistics Canada analysis showed that Canada had the worst record on low-wage jobs in the developed world as of 2004, even worse than the United States.¹ Looking at full-time, full-year jobs alone, Canada had a low-wage rate of close to 25 per cent, compared to 24 per cent for the U.S. In contrast, Denmark and Finland had rates of 7 per cent.

by Steve Kerstetter

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¹ "International differences in low-paid work," by Sébastien LaRochelle-Côté and Claude Dionne, *Statistics Canada Perspectives*, June 2009, Catalogue No. 75-001-X.

Working at \$12 an hour is barely enough to get a single person above the poverty line in a large metropolitan area like Vancouver. With 52 weeks of work at 40 hours a week, \$12 an hour works out to \$24,960 a year in gross pay before payroll deductions and income taxes. The poverty line before income taxes in a large city in Canada in 2008 was \$22,171 for a single person.

The challenge was even greater for families. Total wages of \$24,960 would put a single parent with two children far below the poverty line of \$33,933. Federal child benefits would help lower the gap, but the family would still be poor.

The average wage notwithstanding, the huge number of low-wage BC workers should cause any government to reconsider its policies on wages and income supports for lower-income families and individuals.

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ARE YOU BEING SERVED?

Imagine an ordinary day in British Columbia and all the everyday events that could happen in your life from morning to night.

Your day might start with a stop on the way to work at a local café for a coffee and muffin.

It might include lunch with friends or co-workers at a restaurant. If you still have a few minutes of your lunch hour left, you might stop at a local department store to buy an item or two you need around the house.

When the work day ends, you say goodnight to the security guard at the front entrance of the office and head for the supermarket to pick up an item or two for dinner.

What all these happenings have in common is low-wage workers. Every one of these events probably brought you face to face with some of BC's lowest-paid workers, from the staff at the coffee shop first thing in the morning to the shelf stockers and cashiers at the supermarket later in the day.

Table 1 lists some of the important, but hardly lucrative, occupations in BC as reported in the new BC Wage & Salary Survey for 2009.

The table shows the most frequent median wage for each job for both full-time and part-time workers and the percentage of jobs filled by part-timers.

The survey did not show how many workers were in each job, but previous Census data shows the total number would be in excess of 200,000 jobs.

The wages all these workers receive are ultimately reflected in the consumer prices of the goods and services we buy. Presumably, low-wage jobs help restrain prices in the grocery store and department store and thousands of other venues. Higher wages would probably mean higher consumer prices. Some of the increases might be

Table 1: Median Hourly Earnings in BC by Occupation, 2009

| | Full-time jobs, median most frequent wage | Part-time jobs, median most frequent wage | Percentage of part-time workers |
|--|---|---|---------------------------------------|
| Food and beverage servers | \$9.00 | \$8.50 | 68% |
| Food counter attendants and kitchen helpers | \$10.00 | \$9.00 | 66% |
| Cooks | \$13.00 | \$12.00 | 31% |
| Bakers | \$12.00 | \$12.00 | 34% |
| Retail salespersons & clerks | \$13.00 | \$10.00 | 40% |
| Cashiers | \$11.00 | \$10.00 | 57% |
| Grocery clerks and store shelf stockers | \$12.00 | \$12.00 | 54% |
| Security guards | \$11.63 | \$11.63 | 29% |
| Sewing machine operators | \$9.00 | sample too small | 4% |
| General farm workers | \$12.00 | \$11.50 | 25% |
| Nursery and greenhouse workers | \$10.00 | \$10.00 | 8% |

Source: BC Wage & Salary Survey at www.bcstats.gov.bc.ca/data/lss/labour/wage

small, and some might be substantial, depending on the amount of labour involved in producing or delivering each product or service.

The critical question is: What is a reasonable wage for a worker compared to a reasonable price for a consumer?

Consider the wait staff at a restaurant, for example.

In BC and other provinces, wages for servers are low, and many workers have part-time rather than full-time jobs. Servers in restaurants do better than fast-food servers because they may get sizeable tips in addition to their wages.

Familiar as that sounds, the situation in Canada is far removed from work arrangements in other countries. Go to a restaurant or bistro in France, and you're likely to see waiters and waitresses who have made food service a career. Their wages and their on-the-job benefits are higher, so they can afford to work in the same establishment year after year. The situation in France is even more dramatic because most French diners leave very modest tips or don't tip at all.

The contrast between Canada and France is just one example of the possibilities. Both lower wages and higher wages are possible in any given job. What we somehow have to decide as a society is what is fair all around, both for wages and for prices.

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GROUPS OF WORKERS AT RISK

The annual data generated by Statistics Canada do not contain the same degree of detailed information as the data collected every five years during the Census. The latest Census figures for earnings during the year 2005 showed how certain factors increased a worker's risk of low wage employment: age, sex, Aboriginal identity, immigrant status and visible minority status, and, of course, the number of weeks/ hours worked per year. Figure 1 shows the median annual earnings for these different groups. The most important factor overall was work patterns. People working full-time all year were 64 per cent *above* the median on average. People who worked part-time the entire year wound up with earnings 47 per cent *below* median earnings.

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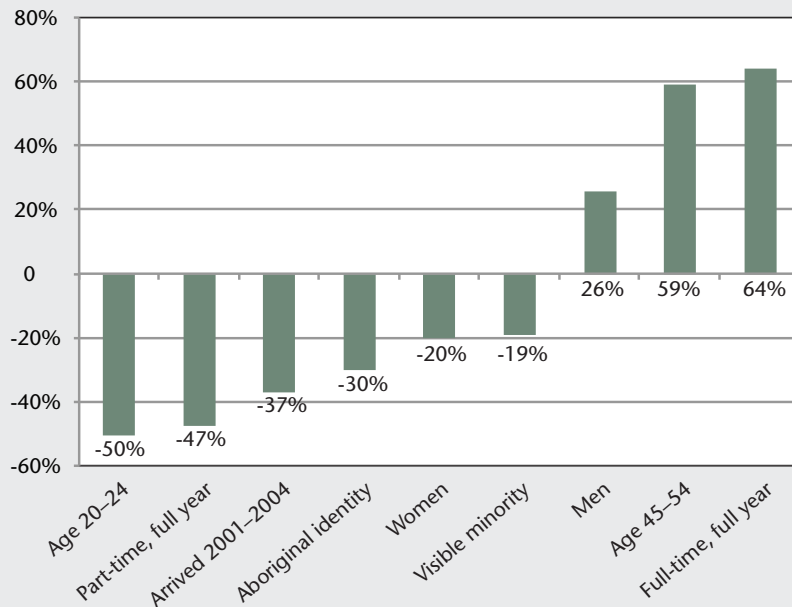
Table 2 provides more details. The first column of the table shows median annual earnings for each group of workers. The second column compares median earnings for the group in percentage terms with the overall BC median of \$25,722. The third column gives the total number of workers with employment income during the year in each group. Half the workers earned less than the median for their group, and half earned more.

In lower-paid groups, there were some workers who earned more than the specific median for their group, but still wound up well below the overall BC median of \$25,722.

In the case of full-time workers who worked only one to 13 weeks, for example, half of the group or 28,785 workers earned less than \$5,396. The other half earned more than \$5,396, but probably none of them earned more than the BC median of \$25,722.

Figure 1: BC Median Annual Earnings by Group, 2005

Comparisons with overall BC median wage of \$25,722



Source: Statistics Canada, 2006 Census Income Tables

Table 2: British Columbia Median Annual Earnings, 2005

| | Median earnings | Earnings as % below or above \$25,722 | Number of workers with employment income |
|-------------------------------|-----------------|---------------------------------------|--|
| Provincial median | \$25,722 | | 2,392,765 |
| Full-time jobs | | | |
| 1 to 13 weeks | \$5,396 | -79% | 57,570 |
| 14 to 26 weeks | \$12,822 | -50% | 105,850 |
| 27 to 39 weeks | \$20,819 | -19% | 105,370 |
| 40 to 48 weeks | \$32,330 | +26% | 285,445 |
| 49 to 52 weeks | \$42,230 | +64% | 1,113,365 |
| Part-time jobs | | | |
| 1 to 13 weeks | \$2,089 | -92% | 99,130 |
| 14 to 26 weeks | \$5,847 | -77% | 102,450 |
| 27 to 39 weeks | \$8,760 | -66% | 66,770 |
| 40 to 48 weeks | \$12,091 | -53% | 93,375 |
| 49 to 52 weeks | \$13,540 | -47% | 181,300 |
| Age | | | |
| 15 to 19 | \$4,011 | -84% | 142,360 |
| 20 to 24 | \$12,970 | -50% | 210,170 |
| 25 to 34 | \$28,248 | +10% | 385,835 |
| 35 to 44 | \$37,694 | +47% | 456,430 |
| 45 to 54 | \$40,984 | +59% | 470,400 |
| 55 to 64 | \$37,897 | +47% | 263,260 |
| Aboriginal identity | | | |
| Aboriginal identity | \$17,980 | -30% | 91,725 |
| Non-aboriginal | \$26,090 | +1% | 2,301,045 |
| Immigrants | | | |
| Immigrants | \$23,693 | -8% | 679,505 |
| Non-immigrants | \$26,974 | +5% | 1,691,765 |
| Arrivals | | | |
| 2001 to 2004 | \$16,293 | -37% | 75,785 |
| 1996 to 2000 | \$18,915 | -26% | 108,570 |
| 1991 to 1995 | \$21,346 | -17% | 108,165 |
| 1981 to 1990 | \$26,891 | +5% | 123,255 |
| Visible minorities | | | |
| Visible minorities | \$20,915 | -19% | 539,250 |
| Non-visible minorities | | | |
| Non-visible minorities | \$27,670 | +8% | 1,853,550 |
| Chinese | \$20,241 | -21% | 208,995 |
| South Asian | \$21,322 | -17% | 145,860 |
| Filipino | \$24,569 | -4% | 54,885 |
| Southeast Asian | \$18,226 | -29% | 21,515 |
| Korean | \$13,954 | -46% | 20,605 |
| Gender | | | |
| All male workers | \$32,375 | +26% | 1,235,450 |
| All female workers | \$20,458 | -20% | 1,157,355 |

Source: Statistics Canada, 2006 Census, data from Income Tables 20, 41, 44, 45, 46, and 47 at www.statcan.gc.ca

Median earnings increased substantially with more weeks at work. Not surprisingly, the full-time workers in each group earned much more during the year than the part-time workers.

The second category in the table shows median earnings by age group. Young people often work at very low-paying jobs, and even workers in their twenties are often paid entry-level wages before they gain experience and begin to receive raises.

The age group 20 to 24 had median earnings of only \$12,970. Statistics for August 2005 showed that only 34 per cent of the age group with employment income were full-time students. That percentage dropped slightly during the school year, and the students who worked then normally worked part-time.

Another group at high risk was workers who identified themselves as having “Aboriginal Identity” on the Census forms. Median earnings were \$17,980 — much lower than the overall BC median.

Immigrants and members of visible minority groups were also at higher than average risk, but the figures on recent immigrants were more dramatic.

Immigrants who had arrived in Canada in the previous five years had median earnings of only \$16,293 in 2005. The most common explanation is that it takes immigrants time to adjust to life in a new country and to become established in the workplace.

What is striking is the amount of time it took for the wages of immigrants to catch up with those of the population at large. Immigrants who had arrived 10 to 15 years earlier had median earnings of \$21,346. Only immigrants who had arrived between 1981 and 1990 had median earnings equivalent to those of other Canadians.

Both immigrants and native-born Canadians are included in the statistics on visible minorities. Median earnings for the largest visible minority communities in BC were all lower than the earnings of non-visible minorities.

Finally, there is the long-standing difference in median earnings between men and women. The difference in the table mirrors virtually all the analyses in reports from both inside and outside government. The main problems are wage discrimination against women, shorter work weeks or fewer weeks of work a year for some women, and the traditional streaming of some women workers into traditionally lower-paying jobs.

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WHAT ABOUT FAMILY INCOME?

Most of the labour market data collected by Statistics Canada relates to individual workers rather than workers as members of family units. Certainly, a second source of income can make a huge difference in family finances, but too many families still remain near the bottom of the earnings scale.

Table 3 comes from a special Statistics Canada data run commissioned by the Canadian Centre for Policy Alternatives on the incomes of families with children. It breaks down families with children into 10 groups of equal size, based on their median market incomes. Market income includes earnings, self-employment income, and income from other market sources such as investment income, as well as alimony and child support payments.

Table 3 shows median market income in 1989 and 2007. The year 1989 was the best year for the economy in the 1980s just prior to the recession of 1990/1991, and 2007 was the last good year before the current recession.

The table shows some startling decreases for families in the lower half of the market income scale and substantial increases for the richer families between 1989 and 2007.

The poorest 10 per cent of families with children had a significant increase in percentage terms, but it worked out to only \$2,788 more in dollars. With market income of only \$6,361 in 2007, the poorest families would have had to rely on significant amounts of income from other sources. Benefits from the Canada Child Tax Benefit and the federal GST credit would have helped ease the pain, but the families would almost certainly have lived below the poverty line.

The third poorest group suffered the biggest losses. Its median market income was down by 18 per cent or \$7,905 between 1989 and 2007.

**Table 3: Median Market Income, BC Families with Children, 1989 and 2007
(in 2007 constant dollars)**

| | 1989 | 2007 | % change | \$ change |
|-----------------|-----------|-----------|----------|-----------|
| Poorest 10% | \$3,573 | \$6,361 | 78% | \$2,788 |
| 2 nd | \$26,319 | \$25,584 | -3% | -\$735 |
| 3 rd | \$43,473 | \$35,568 | -18% | -\$7,905 |
| 4 th | \$53,566 | \$49,121 | -8% | -\$4,445 |
| 5 th | \$63,547 | \$62,069 | -2% | -\$1,478 |
| 6 th | \$71,956 | \$74,004 | 3% | \$2,048 |
| 7 th | \$82,915 | \$90,650 | 9% | \$7,735 |
| 8 th | \$95,307 | \$109,748 | 15% | \$14,441 |
| 9 th | \$108,543 | \$125,528 | 16% | \$16,985 |
| Richest 10% | \$142,814 | \$167,113 | 17% | \$24,299 |

Source: Statistics Canada, special data run for CCPA

The second poorest group lost \$735 and had median market income of \$25,584 in 2007. Even with child benefits and other supports from government, many of these families would have been below the poverty line.

The overall poverty rate before income taxes in 2007 for all BC two-parent families and lone-parent families combined was 15.4 per cent. Those families made up most of the poorest two groups in Table 3.

The third poorest group suffered the biggest losses. Its median market income was down by 18 per cent or \$7,905 between 1989 and 2007. Most of these families would have been above the poverty line, but they were hard done by employers and their elected representatives who enact the province's labour laws.

Meanwhile, the single largest increase in market income went to the richest 10 per cent of families with children. Median market income rose by \$24,299, with most of the gains coming in the last decade. Their total median market income in 2007 rose to \$167,113.

PARTING THOUGHTS

Earnings are the single most important source of income for Canadians under the age of 65, but far too many workers still don't earn enough to stave off hardship. This report highlights the financial shortfalls of the one in five workers in BC who earned \$12 an hour or less.

Low-wage workers include people in high-risk groups such as Aboriginal people and recent immigrants, but they include large numbers of other British Columbians as well. About 15 per cent of all BC families with children live in poverty because of low earnings.

The financial difficulties of low-wage workers fly in the face of persistent political rhetoric about the value of work. Governments in BC and elsewhere in Canada place their faith in work as the way for families and individuals under 65 to succeed.

Surely, if governments believe in paid work, they should believe in supporting paid workers.

Governments need to follow through with policies that make it easier, rather than harder, for low-wage workers. In BC, that means a quick increase to get the minimum wage back on track and annual indexing of an increased minimum wage to allow it to keep pace with the cost of living. Raising the minimum wage would also boost the wages of workers who were already earning a bit more than the current minimum wage, as an increase would ripple up through the wage hierarchy.

Helping low-wage workers also means restoring the protections workers lost several years ago, including a reasonable right to overtime pay, reasonable call-back hours for shifts of work shorter than eight hours, and protection of union contracts that were negotiated through collective bargaining. And it means finding better ways to promote more full-time, full-year work.

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