

Workers in Low- Income Households in Alberta

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By

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The authors are responsible for all interpretations of the data.

Workers in Low-Income Households in Alberta

1. Introduction

It is clear that the economy in Alberta is “hot.” Real GDP in the province grew by 15.9 percent from 2001 to 2005. Employment has grown by 118,000 jobs from January 2006 to January 2007, a gain of 6.5 percent – all full-time jobs. The unemployment rate is currently just 3.3 percent (January 2007).¹ Employers cite shortages of skilled workers. Workers are being drawn from the rest of the country to help meet that demand. Statistics Canada has referred to the Alberta economy as the “economic juggernaut” (Cross and Bowlby, 2006).

However, there is evidence that despite this extraordinary performance of the Alberta economy when one looks at aggregate measures, not all workers in the province are benefiting from the boom. Sizeable numbers are still paid at low wage rates. Median wages in the province rose 14.4 percent between 2001 and 2005, but the cost of living (the Consumer Price Index) rose by 11.8 percent over that same period, leaving only a fairly small gain in median real wages. In fact, there are many workers in Alberta who work at or close to full-time over the course of the year, but have difficulty making ends meet. This risk of poverty is particularly high when low wages are combined with having to support dependent family members.

This report looks at people in Alberta who are working regularly but whose family income is below what is needed to purchase a “market basket” of goods and services that enables people to live decently. Who are these low-income workers, and what can be done to help them do better?

Alleviating poverty among working people matters for a variety of reasons.

- One is a basic principle of fairness: there is research evidence suggesting that most Canadians would agree that someone working full-time should not be poor.²
- There are a number of economic considerations.
 - Poor rewards for work may discourage work effort.
 - Failing to give people a chance to “move up” leads to a waste of human potential: contributions to the economy and to the community are not as great as they could be.³
 - Improving opportunities for low-income workers to enhance their skills could help alleviate skill shortages.

¹ Labour force statistics from *The Daily*: www.statcan.ca/english/Subjects/Labour/LFS/lfs-en.htm.

² In CPRN’s *Citizens’ Dialogue on Canada’s Future: A 21st Century Social Contract*, Canadians articulated a vision of a “working society” where everyone who can work gets a chance to earn a living wage (MacKinnon et al., 2003).

³ Myers and de Broucker (2006) cite recent evidence of improved labour market outcomes when less educated adults are able to upgrade their educational attainment or participate in training programs. O’Neill (2006) cites evidence of the link between human capital acquisition and civic engagement.

- People who are able to succeed in the labour market are less likely to draw upon government supports, freeing up public resources.
- There are also concerns about social impacts of low income. For example, there is evidence that low income is associated with poor health.⁴

For all of these reasons, it is important to understand the extent of low income among working Albertans and to examine whether there are policy changes that could reduce this.

Section 2 briefly outlines the methodology used to collect the data analysed in this paper. Section 3 provides an overview of the Alberta labour market in 2005, primarily using data from the Labour Force Survey. Section 4 looks at key long-term forces of change in the labour market (beyond the level of activity in the oil and gas industry): globalization, technological change, and demographics.

In Section 5, we provide a description of low-income workers in Alberta. How many are there? How does the incidence of low income vary by such characteristics as age, gender, aboriginal status, immigrant status, level of education, family situation, and occupation? What percentage of working families with low income has access to key employment benefits? How do the results for Alberta compare to those for all of Canada? To what extent does low income among those who work at or close to full-time persist over a five year period? What is the incidence of low income among working people in other countries?

Section 6 examines the factors contributing to low income among working Albertans. The paper concludes with an identification of policy options that ought to be considered in the Alberta context, taking into account the literature in this policy area, including the experience of other jurisdictions (sections 7 and 8).

2. Methodology

This research paper is based on both survey data analyses as well as a review of relevant literature.

Data Sources

Data used for the labour market overview and the profile of low-pay workers (Section 3) were compiled directly by CPRN from the 2005 Labour Force Survey (LFS) micro datafile.

Data on low income were provided to CPRN by Data Development and Evaluation (DDE) of Alberta Employment, Immigration and Industry (AEII). These data are based on the main file of the third panel, 1999-2004 Survey of Labour and Income Dynamics (SLID).

⁴ See, for example, Canadian Association of Social Workers (2006).

Both the LFS and SLID are conducted by Statistics Canada. Descriptions of these surveys are provided below based on information from the Statistics Canada website (www.statcan.ca).⁵

Labour Force Survey

The Labour Force Survey (LFS) is a monthly survey that provides estimates of employment and unemployment. LFS data are used to produce standard labour market indicators such as the unemployment rate, employment rate, and the participation rate. The LFS also provides employment estimates by industry, occupation, public and private sector, hours worked and much more, all cross-classifiable by a variety of demographic characteristics. Estimates are produced for Canada, the provinces, and a large number of sub-provincial regions.

The target population of the LFS covers the civilian, non-institutionalized population 15 years of age and over. Excluded from the survey's coverage are residents of the Yukon, Northwest Territories and Nunavut, persons living on Indian Reserves, full-time members of the Canadian Armed Forces and inmates of institutions. These groups together represent an exclusion of less than 2 percent of the population aged 15 and over.⁶

Survey of Income and Labour Dynamics

The Survey of Labour and Income Dynamics (SLID) is an annual household survey conducted by Statistics Canada that provides national data on the fluctuations in income that a typical family or individual experiences over time which gives greater insight on the nature and extent of poverty in Canada.

The survey's longitudinal dimension makes it possible to gain a better understanding of the economic well-being of Canadians: what economic shifts do individuals and families live through, and how does their income vary with changes in their paid work, family make-up, and receipt of government transfers or other factors?

The target population of SLID includes all individuals in Canada, excluding residents of the Yukon, the Northwest Territories and Nunavut, residents of institutions and persons living on Indian reserves. Overall, these exclusions amount to less than 3 percent of the population.⁷

Sources for other contextual data used in the report (e.g. Consumer Price Index and Gross Domestic Product) are cited accordingly.

⁵ Data from the 2005 Labour Force Survey are used to allow comparisons across other datasets used in this report. Only data on low income from the 2004 SLID was available.

⁶ For more information on the LFS see www.statcan.ca/cgi-bin/imdb/p2SV.pl?Function=getSurvey&SDDS=3701&lang=en&db=IMDB&dbg=f&adm=8&dis=2.

⁷ For more information on SLID, see www.statcan.ca/cgi-bin/imdb/p2SV.pl?Function=getSurvey&SDDS=3889&lang=en&db=IMDB&dbg=f&adm=8&dis=2.

Literature Review

A review of relevant literature was also conducted for this research report. This included literature in Canada, and internationally, on low income (Section 5). A review of literature on relevant policy frameworks and policy instruments was also included (Sections 6 and 7).

3. An Overview of the Alberta Labour Market in 2005

This section of the report presents data on the Alberta labour market to provide contextual information for our examination of low income among workers in the province. Unless otherwise indicated, we focus on 2005 data for those 15 years and older.

In 2005, there were just over 1.8 million people in the Alberta labour force (55 percent men and 45 percent women) (Table 3.1). The distribution of the labour force by gender in Alberta is similar to that of the overall Canadian labour force, although there are a slightly higher proportion of men in the Alberta labour market than the overall Canadian labour force (53 percent). Approximately 69 percent of the Alberta labour force is between 25 and 54 years old, 19 percent is aged 15 to 24 (a bit higher than the 16 percent figure for Canada overall), and about 13 percent are 55 or older.

The unemployment rate for Alberta, 3.9 percent in 2005, was the lowest rate in the country and much lower than that for Canada overall (6.8 percent). Younger workers in Alberta (15 to 24 years old) had a much lower unemployment rate (7.3 percent) compared to the overall Canadian rate (12.4 percent) for the same age group.

The labour force participation rate in Alberta in 2005 was higher than for Canada (72.7 and 67.2 percent, respectively), with a particularly large gap for men (79.2 percent compared to 72.8 percent).

Table 3.1. 2005 Alberta and Canada Labour Force Statistics, 15 Years and Over

	Total	Men	Women	15-24 Years	25-54 Years	55 years and over
Labour Force						
Number (thousands)						
Alberta	1,857.5	1,017.6	840.0	336.3	1,278.0	243.2
Canada	17,342.6	9,243.7	8,098.8	2,822.7	12,185.3	2,334.5
Distribution (%)						
Alberta	100%	54.8%	45.2%	18.1%	68.8%	13.1%
Canada	100%	53.3%	46.7%	16.3%	70.3%	13.4%
Unemployment Rate						
Alberta	3.9%	3.9%	4.0%	7.3%	3.3%	2.9%
Canada	6.8%	7.0%	6.5%	12.4%	5.8%	5.1%
Participation Rate						
Alberta	72.7%	79.2%	66.1%	70.6%	87.3%	39.5%
Canada	67.2%	72.8%	61.8%	65.9%	86.3%	31.5%

Source: 2005 Statistics Canada Labour Force Survey micro datafile.

In Alberta, 27.3 percent of jobs were found in the goods-producing sector in 2005 (Table 3.2). This compares with 25 percent for Canada overall. These figures reflect the size of Alberta's mining (including oil and gas) and construction industries. Mining and oil and gas extraction are now the sixth largest employer in the province, up from 12th in 1999 (Cross and Bowlby, 2006).

Table 3.2. Employment by Industry, 2005

	Alberta		Canada	
	Employment	Percentage of Employment	Employment	Percentage of Employment
Goods-producing sector	487,113	27.3%	4,002,413	24.8%
Agriculture	56,208	3.1%	343,717	2.1%
Forestry, fishing, mining, oil and gas	127,044	7.1%	306,450	1.9%
<i>Forestry and logging with support activities</i>	4,426	0.2%	69,469	0.4%
<i>Fishing, hunting and trapping</i>	35	0.002%	26,321	0.2%
<i>Mining and oil and gas extraction</i>	122,583	6.9%	210,659	1.3%
Utilities	13,236	0.7%	125,269	0.8%
Construction	159,695	8.9%	1,019,543	6.3%
Manufacturing	130,930	7.3%	2,207,434	13.7%
Services-producing sector	1,297,320	72.7%	12,167,319	75.2%
Trade	278,399	15.6%	2,574,577	15.9%
<i>Wholesale trade</i>	66,505	3.7%	607,092	3.8%
<i>Retail trade</i>	211,894	11.9%	1,967,485	12.2%
Transportation and warehousing	106,859	6.0%	793,604	4.9%
Finance, insurance, real estate and leasing	95,211	5.3%	987,839	6.1%
Professional, scientific and technical services	131,091	7.3%	1,050,044	6.5%
Business, building and other support services	62,624	3.5%	654,430	4.0%
Educational services	120,384	6.7%	1,106,135	6.8%
Health care and social assistance	172,479	9.7%	1,734,582	10.7%
Information, culture and recreation	71,143	4.0%	735,138	4.5%
Accommodation and food services	108,729	6.1%	1,004,548	6.2%
Other services	82,577	4.6%	693,353	4.3%
Public administration	67,824	3.8%	833,069	5.2%
All industries	1,784,433		16,169,732	

Source: 2005 Statistics Canada Labour Force Survey micro datafile.

Median Wages

Median hourly wages for all workers in Alberta rose from \$15.06 in 2001 (a figure a bit below the median wage for Canada of \$15.30) to \$17.23 in 2005 (above the figure of \$16.91 for all of Canada). The increase over the four-year period was 14.4 percent.⁸

⁸ Source: 2005 Labour Force Survey micro datafile.

Consumer Prices

Table 3.3 presents information on changes in the Consumer Price Index (CPI) in Alberta and Canada between 2001 and 2005. Overall the index rose by 11.8 percent over this period, with higher increases for shelter (14.2 percent), transportation (20.9 percent), and alcoholic beverages and tobacco products (47 percent). Recent data show that CPI rose in Alberta by 3.9 percent from January 2006 to January 2007. This compares with an increase of only 1.2 percent for Canada overall in the same period.⁹

Table 3.3. Consumer Price Index by Item – 2001 to 2005 (1992=100)

	Canada			Alberta		
	2001	2005	%	2001	2005	%
			Change			Change
All Items	116.4	127.3	9.36%	120.1	134.3	11.82%
Food	117.2	128	9.22%	116.9	126.1	7.87%
Shelter	112.8	124.2	10.11%	121.5	138.8	14.24%
Household operations and furnishings	112.2	115.8	3.21%	113.9	117.3	2.99%
Clothing and footwear	106	102.6	-3.21%	103	102.2	-0.78%
Transportation	130.8	150.7	15.21%	133.3	161.2	20.93%
Health and personal care	114.2	120.8	5.78%	114.4	121.4	6.12%
Recreation, education and reading	124.3	127.4	2.49%	124.5	130.4	4.74%
Alcoholic beverages and tobacco products	105.1	147.2	40.06%	111.1	163.3	46.98%
Special Aggregates						
All-items excluding food	116.3	127.3	9.46%	120.6	135.8	12.60%
All-items excluding energy	114.9	124.5	8.36%	117.7	129.6	10.11%

Source: Statistics Canada, Consumer Price Index, by province at www40.statcan.ca/01/cst01/econ09a.htm.

Although the price increase for household operations and furnishings in Alberta was only 3 percent from 2001 to 2005, the increase for child care and domestic services (one component of the total household operations and furnishings index) was much higher over a similar time period. From 2002 to 2005 (data for 2001 were not available), the price of child care and domestic services increased by 10 percent in Alberta. This compares with only 5 percent for Canada overall over the same time period.¹⁰

Low-Paid Work in Alberta in 2005

In this section, we present data examining the extent of low pay in Alberta and Canada, as well as the characteristics of low-paid workers. There is no single agreed-upon definition of low pay, but a number of recent papers (Maxwell, 2002; Chung, 2004; Saunders, 2005)¹¹ looked at people earning less than \$8 and/or \$10 an hour (in 2000 or 2001 dollars). A similar approach is followed here, where we examine low-paid workers in Alberta and Canada using two wage boundaries: those making less than \$10 an hour and those making less than \$12 an hour (all in 2005 dollars).

⁹ Statistics Canada, *The Daily*, February 20, 2007, www.statcan.ca/Daily/English/070220/d070220a.htm.

¹⁰ Source: www40.statcan.ca/01/cst01/econ158a.htm.

¹¹ 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.

Custom analyses by CPRN of the 2005 Labour Force Survey micro datafile allow us to identify the incidence of low-paid work in Alberta and Canada, as well as the concentration of low-paid workers by various demographic variables, for the two low-pay wage categories. Calculations on these data are for employed persons aged 20 years of age or older who are not full-time students.

As shown in Table 3.4, a similar, but slightly lower, proportion of workers in Alberta have low hourly earnings compared to Canada overall. In Alberta, 9.8 percent of workers earned less than \$10/hour, and 18.5 percent earned less than \$12/hour. For Canada, the corresponding figures are 11.8 percent and 20.8 percent, respectively.

Table 3.4. Low Pay in Alberta and Canada

	<u>Earning Less than \$10/Hour</u>		<u>Earning Less than \$12/Hour</u>	
	proportion of workers		proportion of workers	
	<i>Alberta</i>	<i>Canada</i>	<i>Alberta</i>	<i>Canada</i>
TOTAL	9.8%	11.8%	18.5%	20.8%
	125,860 workers	1,441,227 workers	236,741 workers	2,546,242 workers

Source: 2005 Labour Force Survey micro datafile.
Calculations limited to employed persons 20 years of age or older who are not full-time students.

Table 3.5. Gender and Low Pay

	<u>Earning Less than \$10/Hour</u>		<u>Earning Less than \$12/Hour</u>	
	proportion of workers		proportion of workers	
	<i>Alberta</i>	<i>Canada</i>	<i>Alberta</i>	<i>Canada</i>
GENDER				
Men	5.9%	7.9%	12.0%	15.4%
Women	14.2%	15.9%	25.8%	26.4%

Source: 2005 Labour Force Survey micro datafile.
Calculations limited to employed persons 20 years of age or older who are not full-time students.

Table 3.5 shows that there is a strong gender dimension to low pay. In Alberta, and Canada overall, a much higher proportion of women earned low pay than did men in the two low-pay categories in 2005. In Alberta, 14.2 percent of women earned less than \$10/hour in 2005 compared to only 5.9 percent of men. Over 25 percent of women in Alberta earned less than \$12/hour in 2005 compared to only 12 percent of men. The incidence of low pay for women is disproportionately higher than it is for men. This pattern is consistent in Alberta and Canada overall.

The incidence of low pay for men was lower in Alberta than Canada overall for both low-pay categories. However, as noted above, the incidence of low pay for women was similar in Alberta and Canada overall. Women in Alberta at the lower end of the wage spectrum do not seem to be benefiting as much from the boom as their male counterparts in the province.

As shown in table 3.6, low pay is highly concentrated among young adults (those aged 20 to 24) in Alberta and Canada overall. Twenty-one percent of workers in Alberta aged 20 to 24 earned less than \$10/hour and almost 40 percent earned less than \$12/hour. The incidence of low pay was considerably lower for younger workers in Alberta compared with Canada overall for both low-pay categories, with a much smaller difference between Alberta and Canada in the older age groups. This could be partially explained by the higher proportion of younger men in the Alberta labour market that work in the oil and gas sector, which tends to pay higher wages.

Older workers (those 55 and over) had the second highest incidence of low pay reported for both low-pay categories. Among older workers (those 55 and over) in Alberta, 10.9 percent earned less than \$10/hour and 19.5 percent earned less than \$12/hour in 2005. These figures were almost identical to the numbers for Canada overall. Given the labour shortages reported in Alberta, and the desire to keep older workers in the labour force longer, wages offered to older workers may need to improve to provide a better incentive for them to stay in the workforce.

Table 3.6. Age and Low Pay

<i>AGE</i>	Earning Less than \$10/Hour Proportion of Workers		Earning Less than \$12/Hour Proportion of Workers	
	<i>Alberta</i>	<i>Canada</i>	<i>Alberta</i>	<i>Canada</i>
20-24	20.5%	30.9%	39.2%	51.4%
25-34	8.9%	11.1%	16.2%	20.2%
35-44	8.2%	8.6%	15.3%	15.8%
45-54	6.6%	8.6%	13.2%	15.4%
55 and over	10.9%	11.4%	19.5%	19.9%

Source: 2005 Labour Force Survey micro datafile.

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

As one would expect, there is a strong (inverse) relationship between level of educational attainment and the incidence of low pay, as seen in Table 3.7. Those with the lowest levels of education (8 years or less) are most likely to have earned low pay in 2005, in both low-pay categories.

It is noteworthy that Alberta workers with the lowest levels of education were more likely to be in low pay than Canada overall. Among those with the lowest levels of education in Alberta, 31 percent earned only \$10/hour, this compares with 27 percent for Canada overall. The figures were similar for those making less than \$12/hour in both Alberta and Canada overall at approximately 41 percent.

In both Alberta and Canada overall, about a third of workers with some high school, but no diploma, earned under \$12/hour. The incidence of low pay for this level of educational attainment is only slightly better in Alberta than the rest of the country. The oil and gas industry may be a lure for young men in high school, but there is a sizeable

risk that their wages will be quite low as adults unless they complete high school and move on to post-secondary education.

Table 3.7. Education and Low Pay

	Earning Less than \$10/Hour		Earning Less than \$12/Hour	
	Proportion of Workers		Proportion of Workers	
	<i>Alberta</i>	<i>Canada</i>	<i>Alberta</i>	<i>Canada</i>
LEVEL OF EDUCATION				
8 years or less of education	30.9%	27.0%	41.9%	41.7%
some high school	18.2%	21.0%	32.1%	34.7%
graduated from high school	12.6%	15.4%	24.6%	27.5%
some post secondary education	12.9%	17.2%	25.0%	30.2%
certificate or diploma	7.5%	9.4%	14.9%	17.5%
undergraduate degree	5.7%	6.3%	10.2%	11.1%
graduate degree	3.8%	4.0%	5.8%	6.8%

Source: 2005 Labour Force Survey micro datafile.

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

Although low pay is relatively concentrated among the less educated, a sizeable number of more educated workers in Alberta earned low pay in 2005 for both low-pay categories. For example, almost 8 percent of workers in Alberta with a college certificate or diploma earned less than \$10/hour and 15 percent earned less than \$12/hour. The figures for Canada overall were very similar, although slightly higher at 9 percent and 18 percent, respectively. Even among Alberta workers with an undergraduate degree, almost 6 percent worked for less than \$10/hour, while over 10 percent worked for less than \$12/hour. The figures for Canada overall were quite similar at 6 percent and 11 percent, respectively. Education helps to avoid low pay, but it is not a panacea (Saunders, 2005a). This may be in part attributable to difficulties faced in the labour market by immigrants whose credentials are not recognized by Canadian employers.

Table 3.8 presents data on low pay by family type. The incidence of low pay is greatest for lone parents for both low pay categories and the figures are almost identical for workers in Alberta and Canada overall. In Alberta, 16.5 percent of workers in lone parent families earned less than \$10/hour and 28.3 percent earned less than \$12/hour.

Workers in Alberta who are married but are the only earner in the family were less likely to be in low pay than the same group in Canada overall, in 2005. Eight percent of workers in Alberta who are the only earner in the family earned less than \$10/hour and 15 percent earned less than \$12/hour. In comparison, the figures for Canada overall were 13 percent and 22 percent, respectively.

Table 3.8. Family Type and Low Pay

	Earning Less than \$10/Hour Proportion of Workers		Earning Less than \$12/Hour Proportion of Workers	
	<i>Alberta</i>	<i>Canada</i>	<i>Alberta</i>	<i>Canada</i>
FAMILY TYPE				
members of a husband/wife dual earner family	8.9%	10.1%	17.3%	18.3%
unattached individuals	10.4%	12.3%	19.7%	21.9%
married but only single earner family	8.4%	13.0%	15.3%	22.3%
lone parents	16.5%	17.4%	28.3%	28.6%
other family type	12.2%	15.9%	22.2%	27.8%

Source: 2005 Labour Force Survey micro datafile.

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

Table 3.9 presents data on the incidence of low pay by industry in 2005. Perhaps not surprising, the highest incidence of low pay is found in retail, accommodation, food, and related industries.¹² The figures were quite similar for Alberta and Canada overall, although slightly lower in Alberta. Almost 47 percent of workers in accommodation, food, and related industries earned less than \$12/hour in Alberta. Forty-four percent of retail workers in Alberta earned less than \$12/hour in 2005.

In some industries, the incidence of low pay in Alberta was lower than the rate for Canada overall – this includes utilities, transportation, and wholesale trade, construction manufacturing. This may reflect higher wages being paid in these industries due to skills shortages reported in the province.

It is in primary industries where we see the largest differences in the incidence of low pay between Alberta and Canada overall. In Canada overall, workers in primary industries were approximately three times more likely to earn low pay than workers in Alberta in 2005. This is true for both wage categories. This is more evidence of the high wages being paid in the oil and gas sector in Alberta (primary industries) due to increasing demand and a shortage of labour.

The incidence of low pay in agriculture (which is among the primary industries) was also much lower in Alberta than Canada overall. However, the incidence of low pay in agriculture in Alberta was still much higher than the average for the Alberta economy. For example, 17 percent of workers in agriculture in Alberta earned less than \$10/hour in 2005 (Table 3.9), compared with 9.8 percent for the entire Alberta workforce (Table 3.4).

¹² There may be some overstatement of the incidence of low pay in accommodation and food industries as a result of unreported tip income.

Table 3.9. Industry and Low Pay

	Earning Less than \$10/Hour		Earning Less than \$12/Hour	
	proportion of workers		proportion of workers	
	Alberta	Canada	Alberta	Canada
BY INDUSTRY				
primary industries	3.5%	11.9%	6.5%	20.8%
utilities, transportation, and wholesale trade	4.8%	6.7%	12.3%	14.7%
construction	2.6%	3.7%	7.1%	10.0%
manufacturing	4.0%	7.9%	10.8%	16.1%
retail	28.4%	31.5%	44.4%	48.3%
financial, professional, management	8.2%	9.3%	17.5%	19.1%
education, health and social services	5.3%	5.2%	11.8%	10.2%
information, recreation and culture	11.9%	10.7%	23.6%	19.0%
accommodation, food, other	28.2%	32.3%	46.4%	49.6%
public administration	2.9%	2.8%	5.6%	4.9%
agriculture	17.0%	30.7%	30.0%	50.0%

Source: 2005 Labour Force Survey micro datafile.

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

Table 3.10 presents data on the incidence of low pay by occupation for Alberta and Canada overall in 2005. Sales and service occupations show a high incidence of low-paid jobs in Alberta and Canada overall. Almost half of workers in sales and service occupations in Alberta earned less than \$12/hour in 2005. Occupations in protective services and secretarial/clerical positions also had a high incidence of low pay. These figures were very similar for Alberta and Canada overall, although slightly lower in Alberta.

Table 3.10. Occupation and Low Pay

	Earning Less than \$10/Hour		Earning Less than \$12/Hour	
	proportion of workers		proportion of workers	
	Alberta	Canada	Alberta	Canada
BY OCCUPATION				
management positions	2.9%	2.6%	6.2%	6.1%
secretarial/clerical positions	6.4%	7.5%	16.9%	18.0%
professionals in business	1.8%	1.4%	2.4%	3.0%
natural, applied or social sciences	4.4%	3.6%	7.2%	7.5%
health & education occupations	2.6%	3.2%	7.0%	6.6%
arts & recreation	8.6%	7.2%	18.2%	14.7%
protective services	11.1%	12.4%	21.5%	21.9%
sales and service occupations	29.5%	33.8%	47.4%	50.4%
blue collar occupations ¹³	4.9%	9.3%	11.7%	19.0%

Source: 2005 Labour Force Survey micro datafile.

¹³ The variable for "blue collar occupations" includes eight occupational categories from the NOCS_01_25 variable in Labour Force Survey (No.'s 18-25), which include occupations such as: construction trades, trade helpers, machine operators and assemblers in manufacturing.

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

The incidence of low pay in blue collar occupations in Alberta was almost half the rate reported in Canada overall, reflecting the higher wages being paid for these occupations in Alberta. In Alberta, 4.9 percent of workers in blue collar occupations earned less than \$10/hour and 11.7 percent earned less than \$12/hour in 2005. The figures for Canada were 9.3 percent and 19 percent, respectively.

The incidence of low pay in some occupations was actually slightly higher in Alberta than Canada overall. Nine percent of workers in Alberta in occupations in arts and recreation earned less than \$10/hour and 18 percent earned less than \$12/hour. For Canada overall the figures were 7 percent and 15 percent, respectively.

In summary, Alberta's labour market in 2005 was clearly doing well on some key aggregate measures, such as the employment rate. Yet sizeable numbers were still earning low wages. Low-paid work among workers in Alberta (20 or older and not full-time students) is particularly high for: women; young people (20 to 24); older workers (55 and over); the less-educated; lone parents; those working in retail, the food/accommodation industries, and in agriculture; and those in sales and service occupations.

Low-paid workers are often disadvantaged with respect to other aspects of their jobs besides wages. Although Alberta-specific data was not available, findings based on national data (as reported in Saunders 2005a) indicate that low-paid workers are more likely than better-paid workers to experience poor access to benefits, more precarious work arrangements, less access to employer-sponsored training, and relatively low union coverage. Also, there is the risk that when wages are very low, people take on multiple jobs to make ends meet, which can have negative consequences for children and spouses as well as for personal health.

4. Forces of Change in the Labour Market

In Alberta, the overall demand for labour and the distribution of that across different skill needs will clearly be heavily dependent in the short- and medium-term on the level of activity in the oil and gas industry. Over the longer term, there are some broad forces of change that are affecting the development of labour markets in Alberta and elsewhere: globalization, technological change, and demographics.

Globalization

The globalization of the economy has been characterized by:

- more mobile capital (resulting in part from greater protection for foreign investors in trade agreements such as NAFTA or through the WTO);
- freer trade in goods and services;
- enhanced mobility of highly-skilled workers;

- enhanced mobility of highly-skilled jobs (e.g., information technology work for North American companies being located in Asia);
- the growth of multinational corporations with head offices in one country, components produced in others, assembly in yet others; and
- enhanced flows of new ideas and technology across borders.

In the context of a predominantly resource-based economy, such as Alberta's, globalization presents the risk of greater volatility in economic output, as the economy is heavily influenced by fluctuations in the prices of resources (oil/gas, forestry, and agriculture), which are determined by conditions in global markets. This can make it difficult to plan for the long-term, not only in the resource industries, but in related sectors such as housing and municipal infrastructure in resource-dependent communities.

Globalization, by making the markets for goods and services more competitive, has heightened the need for economic and social policies to foster competitiveness, and increased the pressure on firms to control costs. Firms can move when they feel overregulated, and establish complex supply chain networks, where parts of the final product may be produced overseas. Globalization 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 also evidence that globalization has contributed to a reduction in wage differentials across countries for labour of similar skill, but 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: 33-34).

Globalization has important implications for workplaces. "Labour issues pertaining to productivity, employee and workplace flexibility, employee adaptability, quality of work, commitment and effort of employees, and skills development become central to global competitiveness and the maintenance of high living standards for workers" (Chaykowski and Gunderson, 2001: 30-31). Many have argued that this search for greater flexibility has contributed to the decline of the "standard" job. It has undoubtedly led to risk being shifted from employers to workers. Some working people have thrived in this new environment, but some are disadvantaged.

Technological Change

Technological change has also increased the demand for highly skilled work relative to that for less skilled work, a phenomenon referred to in the economics literature as "skill-biased" technological change. Studies by Kuhn (see, for example, Kuhn, 1996) and others point to this as the main reason for the rise in the 1980s and early 90s in earnings inequality in Canada for both men and women. Kuhn notes, in particular, an increase in earnings differentials between more- and less-educated workers and between older and younger workers; greater variation across individuals in weekly hours worked; and an increase in the concentration of unemployment and non-working time among the least skilled.

Demographics

The ageing of the baby boom cohorts and declining birth rates is slowing population growth in Alberta and Canada (and many other countries). However, labour force growth in Alberta is expected to be sizeable – close to 2 percent per year – over the medium term, fuelled in large part by net in-migration from other parts of Canada and abroad. Labour force growth is expected to slow after 2011 (Research Institute for Quantitative Studies in Economics and Population, 2006).

Changes in family structure are also pertinent to a discussion of labour market change. Maxwell (2003: 6), speaking about data for all of Canada, points out that “Breadwinner families, where one spouse stays at home to provide care and support for family members, are no longer the norm. (They declined from 60 percent of all families in 1951 to 21 percent in 1999.)” Most families have two earners, 80 percent of women with school-aged children are working, and about 14 percent of all families are led by a lone-parent, usually a woman. However, family units have also become more unstable since the 1960s: the divorce rate in 2001 was six times the rate in 1961¹⁴. These changes increase employees’ need for flexible (or, in some cases, part-time) hours. The instability of family units also heightens the importance of decent wages for all adult workers, since, for the low-paid, family break-up can mean a descent into poverty.

The Growth of Non-Standard Work in Canada

These three forces of change, globalization, technological change, and demographics, have contributed to the decline of the “standard” job – permanent, full-time work. “Non-standard” work encompasses part-time work, employment on a short-term or time-limited contract basis, and employment through temporary help agencies. It also includes “own account” self-employment: the self-employed who work on their own and do not themselves employ others.

Vosko et al. (2003), using Statistics Canada data, provide a snapshot of the decomposition of total employment in Canada in 2002 into standard employment and the various forms of non-standard employment. (These data are not available at the provincial level.) Total employment that year was 15,412,000. Full-time, permanent, paid employees constituted 63 percent of that total.¹⁵ Of the remainder, the breakdown is as follows:

- permanent part-time, 11 percent of total employment;
- full-time temporary workers, 7 percent;

¹⁴ Source: Jenson (2004b), 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”.

¹⁵ Lowe and Schellenberg (2001) argue that standard employment should include only jobs that have lasted for more than six months. Using 1998 data, they find that full-time, permanent employees with job tenure of six months or less constituted 5.5 percent of total employment. Of the remaining workers with full-time, permanent jobs, 277,500, or 1.9 percent of the total, were multiple job holders. As a result, while 61.7 percent of employment in 1998 was paid, permanent, and full-time, they estimated that only 54.2 percent was in ‘standard’ work, leaving 46.8 percent in some form of non-standard employment.

- part-time temporary, 4 percent;
- own-account self-employed, 10 percent;
- self-employed employers, 5 percent.

There seems to be general agreement that the share of employment that is non-standard has been on an upward trend since the late 1970s, although it has stabilized in recent years, possibly due to the more favourable macroeconomic environment. Betcherman and Lowe (1997) cite estimates from Human Resources Development Canada that non-standard jobs accounted for about 25 percent of total employment in 1976, rising to 31 percent by 1994. Vosko et al. (2003) provide historical data back to 1989, showing total non-standard employment at 33 percent that year, 38 percent by 1997, and 37 percent in 2002. The increase between 1989 and 1997 is largely accounted for by the growth in own-account self-employment, which rose over that period from 7 percent to 11 percent. Moreover, most non-standard workers remain in such jobs for an extended period of time (Kapsalis and Tourigny, 2004).

Growth of own-account self-employment has been high for both women and men. However, Hughes (1999) notes that, although women once accounted for only one-quarter of the own-account self-employed, by 1997 they represented 40 percent of this group.

Temporary work has grown fairly rapidly among newly hired employees, rising from 12 percent in 1989 to 22 percent in 2004 (Morissette and Johnson, 2005: 18). The increase was widespread across genders, age categories, and levels of educational attainment of the affected workers.

Cranford et al. (2002) identify workers who were both part-time and temporary as having the most “precarious” employment – using firm size, union status, and hourly wage as indicators of precariousness. They find that women constituted 63 percent of this category in 2001, whereas women accounted for only 46 percent of the labour force overall that year.¹⁶

Some people who work part-time may prefer this to full-time work, but many do not. Involuntary, part-time employment is much more prevalent among women than men (Chaykowski, 2005: 15).

The recent report to the Government of Quebec on non-standard work (Bernier et al., 2003) identifies the following reasons for its growth: new technologies, global competition, the perceived need of businesses to be more flexible, new forms of organizing work, the needs of some workers seeking ways to balance work and family responsibilities, and the desire of some for greater independence. An additional reason is likely the desire to reduce the cost of benefit programs, since, as we will see below, non-standard workers have, on average, much less access to such programs than do regular employees.

¹⁶ Cranford et al. also note that among males, it is disproportionately young men (aged 15-24) who are concentrated in part-time and temporary work. (There is less such age concentration among women.)

It is important to keep in mind that not all non-standard workers are necessarily highly vulnerable to economic risk, and that for some, the opportunity to work on a part-time or self-employed basis best meets their needs. It is also important to recognize that some workers in standard employment relationships (particularly those who are low-paid and unrepresented) are vulnerable.

5. Low-Income Workers in Alberta

In section 3, we saw that about 10 percent of workers in Alberta earn less than \$10 per hour, with higher incidence of low pay among women, the young, and the less-educated. While this alone is of concern, people who earn low wages are not necessarily poor, as they may live in households where others have substantial earnings. And some with “decent” wages may be poor, if they have many dependents and are the sole earner in the family. In this section of the paper, we focus on people who are working at or close to full-time for most of the year, but whose family income is low. In particular, we look at how the incidence of low income among such workers varies by characteristics as age, gender, level of education, and family situation. We again compare results for Alberta to those for all of Canada.

Defining Low-Income Workers

Data Source

Our primary interest is to examine persons 18 to 64, whose main activity is working for pay (not in full-time studies), who work close to full-time hours or full-time hours in a year, and whose household income is below the low income threshold for the Market Basket Measure (MBM). The MBM measures the cost of a specific basket of goods and services in various communities across the country. The thresholds are more sensitive than other low income measures to variations in the cost of living across communities, especially regarding costs for shelter and transportation. The thresholds are also adjusted for family size. The MBM has been used in other research on low income in Canada (see HRSDC 2006, for example).

Table 5.1 provides examples of the 2004 MBM threshold in Alberta for a reference family (2 adults and 2 children) by community size. The thresholds for other family sizes (not shown) are determined using formula based on a labour market income (LMI) equivalence scale.

Table 5.1. 2004 Alberta MBM Low Income Thresholds (Estimated) for Reference Family (2 adults and 2 children), by Community Size

Alberta Rural	\$26,735
Alberta – population under 30,000	\$27,984
Alberta – population 30,000 to 99,999	\$26,637
Edmonton – Census Metropolitan Area (CMA)	\$25,809
Calgary – Census Metropolitan Area (CMA)	\$28,231

Source: 2004 Survey of Labour Income and Dynamics. These are estimates based on a CPI adjustment of the 2003 data.

An alternative set of low income thresholds is provided by Statistics Canada's Low-Income Cutoffs (LICOs). LICOs are set according to the proportion of annual family income spent on food, shelter and clothing. Statistics Canada is currently using LICOs based on 1992 family spending data, updated for inflation using the Consumer Price Index (Statistics Canada, 2004). The LICO thresholds vary by family size and by community size (but are the same for communities of similar size in different regions). The incidence of low income using the MBM tends to be higher than when the Low-Income Cutoffs (LICOs) are used (Human Resources and Social Development Canada, 2006). This is not because MBM thresholds are higher, but because disposable income in MBM analyses excludes payroll deductions and such expenses as child care, dental and vision care, prescription drugs, and aids for people with disabilities.

The data on low income have been provided to CPRN by Data Development and Evaluation (DDE) of Alberta Employment, Immigration and Industry (AEII). These data are based on the main file of the third panel, 1999-2004 Survey of Labour and Income Dynamics (SLID) by Statistics Canada. In this section of the paper, we focus mainly on the cross-sectional data for 2004. We also include an analysis of the persistence of low income among Alberta workers over the 1999-2004 period.

Because the MBM low income thresholds for 2004 are not yet available, changes in the Consumer Price Index (CPI) from 2003 and 2004 have been used by DDE to estimate the cost of the items in the basket for 2004. The average CPI of the community/community size, if it is known, was used, for all items in the market basket. Otherwise the average CPI for the whole province was used. For example, the CPI for Edmonton was used to estimate the cost increase from 2003 to 2004 of items in the market basket in Edmonton but the CPI for the whole of Alberta was used for rural Alberta.

The incidence of low income for a family (which, for our purposes, is defined to include a single person, living on their own) was determined by comparing a family's total annual disposable income with the MBM low income threshold for that family size and community/community size. The analysis focuses on families where the Major Income Earner (MIE) was 18 to 64 years old, not a full-time student, and worked for at least 1500 or 2000 hours (this will be discussed in more detail later) and the family disposable income was below the estimated MBM low income threshold.

The demographic and labour market characteristics reported are based on information for the Major Income Earner (MIE). The MIE in a family is the adult in that family who has the highest individual income.

The Incidence of Low Income in Alberta and Canada

Table 5.2 presents data on the incidence and number of low-income families by hours of paid work by the MIE of a family, in 2004. Not surprisingly, the incidence of low income decreases as the hours of paid work increase for the MIE of a family.

The incidence of low income in Alberta among families where the MIE worked close to full-time hours (1500 to 1999 paid hours) in 2004 was 7.9 percent (15,595). For Canada, the incidence of low income for this group was 6.7 percent (150,436 families).

For families where the MIE worked full-time hours or more (at least 2000 paid hours) in 2004, the incidence of low income in Alberta was 5.5 percent (29,849 families). For Canada overall, the incidence was 6.0 percent (260,464).

Although the incidence of low income for families headed by full-time workers is lower in Alberta than Canada (as noted above), approximately 25 percent of all low income families in Alberta are headed by a full-time worker compared with only 20 percent for Canada overall.

Table 5.2. Estimated Incidence and Number of Low-Income Families by Hours of Paid Work of the Major Income Earner (MIE), 2004

Hours of Paid Work	Canada		Alberta	
	Incidence of Low Income	Number of Low-Income Families	Incidence of Low Income	Number of Low-Income Families
0 Paid hours	50.7%	566,399	55.3%	38,412
1-909 Paid Hours	41.5%	221,812	40.7%	20,606
910-1499 Paid Hours	22.2%	136,127	28.0%	15,279
1500-1999 Paid hours	6.7%	150,436	7.9%	15,595
2000+ Paid hours	6.0%	260,464	5.5%	29,849
		1,335,178		119,741

Notes: The MIE in a family is the adult in that family who has the highest individual income. Working Age families refers to those families where the MIE is 18 to 64 years old, not a full-time student and his/her hours of paid work are known. Source: 2004 Survey of Labour Income and Dynamics.

Ideally in this report, we would have liked to have compared the incidence of low income for those working close to full-time (1500 to 1999 paid hours) and those at full-time (2000 or more paid hours). However, because of the limited sample size for Alberta for the Survey of Income and Labour Dynamics (SLID), many of the characteristics of low-income workers in Alberta in this hours-of-work category would be unavailable. Accordingly, for the rest of this section, we combine data for the 1500 to 1999 paid hours group with the 2000 plus paid hours group to create a new category: 1500 plus.

The 1500 plus hours group thus includes the 2000 plus hours group as a subset. We still compare the two, as any differences between them can be attributed to differences between those working 1500 to 1999 hours, and those working 2000 hours or more.

Table 5.3 presents data on the incidence and number of low-income families where the MIE worked near full-time or more (1500+ paid hours) and those where the MIE worked at full-time or greater (2000+ hours). For the rest of this section, we refer to these groups simply as “1500 hours +” and “2000 hours +.”

The incidence of low income in Alberta among families in the where the MIE worked 1500 hours + in 2004 was 6.1 percent (45,444 families). For Canada, the incidence of low income for this group was 6.2 percent (410,900). As noted earlier, for families where the MIE worked 2000+ hours in 2004, the incidence of low income in Alberta was 5.5 percent (29,849 families). For Canada overall, the incidence was 6.0 percent (260,464).

Table 5.3. Estimated Incidence and Number of Low Income for Families by Hours of Paid Work of the Major Income Earner (MIE), 2004

Hours of Paid Work	Canada		Alberta	
	Incidence of Low Income	Number of Families	Incidence of Low Income	Number of Families
1500 hours +	6.2%	410,900	6.1%	45,444
2000 hours +	6.0%	260,464	5.5%	29,849

Notes: The MIE in a family is the adult in that family who has the highest individual income. Working Age families refers to those families where the MIE is 18 to 64 years old, not a full-time student and his/her hours of paid work are known. Source: 2004 Survey of Labour Income and Dynamics.

For those families in low income, the depth of poverty can be calculated as the difference between their household disposable income and the MBM threshold. In 2004, the average depth of poverty for both the 1500 hours + and the 2000 hours + families in low income in Alberta was about 39 percent (Table 5.4). This means that such families, on average, would have needed an increase of 39 percent in their disposable income to reach their MBM low income threshold.

Table 5.4. Estimated Depth of Low Income for Low-Income Working Families, 2004

	Depth of Low Income	
	Canada	Alberta
1500 hours + Low-Income Families	0.324	0.393
2000 hours + Low-Income Families	0.329	0.389

Notes: For those families with disposable income below the low income threshold, the depth of poverty is the difference between their disposable income and their low income threshold expressed as a percentage of that threshold. For example, a depth of low income of 0.2 means that the family disposable income is 20% below the family's low income threshold. The above table is based on low -income families where the MIE was 18-64 years old, not a full-time student and worked for pay for at least 1500 or 2000 hours in 2004. Source: 2004 Survey of Labour Income and Dynamics

As seen in Table 5.5, mean and median hourly wages in 2004 are much higher in the non low-income families than for the families with income below the MBM thresholds. (The pattern of all of Canada is similar). About half of workers in low income in Alberta were earning less than \$13.33 an hour.

Table 5.5. Estimated Hourly Wages for Major Income Earner (MIE) in Family (Working for Pay at Least 1500 hours or 2000 hours), 2004

Hourly Wage	1500 hours +				2000 hours +			
	Canada		Alberta		Canada		Alberta	
	Low-Income Families	Non Low-Income Families	Low-Income Families	Non Low-Income Families	Low-Income Families	Non Low-Income Families	Low-Income Families	Non Low-Income Families
Mean	\$13.27	\$23.88	\$14.89	\$24.66	\$13.54	\$23.15	\$15.76	\$24.22
Median	\$11.00	\$21.43	\$13.33	\$22.33	\$11.49	\$20.65	\$13.33	\$21.96

Notes: The above based on hourly wages of the MIE who was 18-64 years old, not a full-time student and worked for pay for at least 1500 or 2000 hours in 2004.

Source: 2004 Survey of Labour Income and Dynamics

Table 5.6 provides the incidence of low income for working families by residence of the family as at December 31, 2004. In the Survey of Labour and Income Dynamics (SLID), residence of the family refers to the CMA (Census Metropolitan Area) or CA (Census Agglomeration). Due to limited sample size, all CMA data for areas other than Calgary and Edmonton have been grouped together to form the “Other CMA” category. This could be considered a crude estimate of “rural” Alberta.

Working families in Alberta’s largest urban centres were less likely to be in low income in 2004 than those outside of Calgary and Edmonton. The incidence of low income was lowest in Calgary (3.4 percent for the 1500 hours + group and 1.9 percent for the 2000 hours + group), followed by Edmonton (5.8 percent for the 1500 hours + group and 5.5 percent for the 2000 hours + group), and highest in the Other CMA group (8.7 percent for the 1500 hours + group and 8.2 percent for the 2000 hours + group). Working families in “rural” Alberta are more likely to be in low income.

Table 5.6. Estimated Incidence of Low Income by Residence¹⁷ of Near Full-Time and Full-Time Working Families, 2004

CMA/CA of Residence	Incidence of low Income for Near Full-time and Full-time Working families	
	1500 hours +	2000 hours +
	Calgary	3.4%
Edmonton	5.8%	5.5%
All Other CMA/CA	8.7%	8.2%

Notes: CMA/CA means Census Metropolitan Area or Census Agglomeration.

This Table provides the incidence of low income by the residence of the family where the MIE worked for pay at least 1500 or 2000 hours in 2004.

Source: 2004 Survey of Labour Income and Dynamics

¹⁷ In SLID, the following are the CMA/CA in Alberta. Calgary; Edmonton; Medicine Hat; Brooks (from RY1999 on); Lethbridge; Red Deer; Camrose; Lloydminster; Cold Lake (previously. named Grand Centre); Grande Prairie; Wood Buffalo (previously named Fort McMurray); Wetaskiwin.

Table 5.7 presents data on the incidence of low income for working families (1500 hours + and 2000 hours +) by characteristics of the MIE in 2004.

Table 5.7. Estimated Incidence of Low Income for Near Full-Time and Full-Time Working Families by Characteristics of the Major Income Earner (MIE), 2004

		Incidence of Low Income			
Hours of Paid Work		1500 hours +		2000 hours +	
		Canada	Alberta	Canada	Alberta
All MIE		6.2%	6.1%	6.0%	5.5%
Age					
	18-24	16.4%	11.0%	13.6%	10.7%
	25-44	6.1%	5.8%	5.9%	4.4%
	45-64	5.4%	5.8%	5.4%	6.1%
Gender					
	Male	5.2%	4.0%	4.9%	3.8%
	Female	8.4%	11.7%	9.8%	11.7%
Marital Status					
	Married	4.1%	4.3%	4.4%	4.1%
	Common law	3.1%	**	1.9%	**
	Separated	13.9%	13.5%	16.5%	10.3%
	Divorced	9.3%	10.0%	9.2%	9.5%
	Widowed	8.5%	**	10.7%	**
	Single (Never married)	**	7.8%	**	6.8%
Aboriginal Background¹⁸					
	Yes	8.4%	**	4.8%	**
	No	5.6%	**	5.7%	**
Immigrant					
	Yes	10.3%	8.7%	10.6%	8.6%
	No	5.1%	5.4%	4.6%	4.6%
Period of Immigration					
	1945-1959	7.7%	**	11.0%	**
	1960-1969	4.2%	**	4.1%	**
	1970-1979	6.8%	**	5.9%	**
	1980-1989	10.4%	**	10.9%	**
	1990-1999	17.4%	**	17.6%	**
	2000-2009	**	**	**	**
Disable Status¹⁹					
	Yes	8.2%	8.2%	7.2%	5.7%
	No	5.8%	5.6%	5.8%	5.4%
Highest Level of Education					
	Less than High school	9.7%	9.1%	9.3%	6.9%
	Graduated High School	7.0%	8.3%	6.5%	9.4%
	Non-university Post secondary	5.8%	4.0%	4.8%	2.5%
	University Degree or Certificate	3.6%	3.5%	4.2%	3.5%

Notes: Too few observations to allow reliable estimates.

This Table provides the incidence of low income by the characteristics of the MIE in the family where the MIE worked for pay for at least 1500 or 2000 hours in 2004. Source: 2004 Survey of Labour Income and Dynamics

¹⁸ Refers to whether the person reported an Aboriginal background. SLID data does not include persons living on Indian Reserves.

¹⁹ This is a summary flag in response to several questions. This variable is “yes” if any of these questions is “yes”. “if person has any difficulty hearing, seeing, communicating, walking, climbing stairs, bending, learning or doing any similar activities”; “if person has a physical condition or mental condition or health problem reducing the amount or the kind of activity he/she can do at home; if person has a physical condition or mental condition or health problem reducing the amount or the kind of activity he/she can do at a job or business or at school”; “if person has a physical condition or mental condition or health problem reducing the amount or the kind of activity he/she can do in other activities, for example, transportation or leisure”; “if person has a physical condition or mental condition or health problem reducing the amount or the kind of activity he/she can do at work”.

The incidence of low income for working “families” – which could include individuals living on their own – that were headed by younger workers (18 to 24 years old) in Alberta was almost double the rate for the other age groups. This pattern was also true for Canada overall. These findings are consistent with the findings noted earlier in Table 3.5 which showed that younger workers were more likely to be in low pay.

Low-income families in Alberta and Canada (both the 1500 hours + and 2000 hours + groups) were more likely to be headed by women (approximately 12 percent) than men (approximately 4 percent). This is again consistent with the findings noted earlier in Table 3.4 which found that women were more likely than men to earn low pay.

It is noteworthy that the incidence of low income in families headed by women in Alberta was higher than for families headed by women in Canada overall. Approximately 12 percent of families headed by women in Alberta were in low income (for both the 1500 hours + and 2000 hours + groups). This compares with 8 percent in Canada for the 1500 hours + group and 10 percent for the 2000 hours + group.

Regarding marital status, the incidence of low income was lowest for families where the MIE was married or in a common law relationship at about 4 percent for 1500 hours + and 2000 hours + families. The figures were almost identical for Alberta and Canada overall. Perhaps not surprisingly, the highest incidence of low income was found in families where the MIE was separated, divorced, or widowed. (Alberta data were not available for the “widowed” category due to small sample size). These families must rely on the income of a sole individual.

Data for all of Canada indicate that there is a relatively high incidence of low income for Aboriginals (off reserve)²⁰ in the 1500-1999 hours category, but for Aboriginals working long hours (2000 hours +), the incidence of low income is lower than for non-Aboriginals. However, the Alberta data are unavailable because of low cell counts.

Immigrants who work near full-time or more have a higher incidence of low income than non-immigrants in Alberta (almost 9 percent compared to about 5 percent), but the gap is more pronounced in the rest of Canada. Data for all of Canada indicate that the problem is particularly acute among immigrants who arrived in the 1990s. The high incidence of low income among recent immigrants likely reflects the relatively high incidence of low pay among recent immigrant full-time workers.²¹

The incidence of low income for families headed by a worker who was disabled was the somewhat higher than for non-disabled workers in Alberta who worked 1500-1999

²⁰ As indicated in Section 2, Aboriginals living on reserve are not included in the data.

²¹ Morissette and Picot (2005), looking at data for all of Canada derived from the 2000 Census, find a high incidence of low pay among full-time working immigrants who have been in the country 15 years or less.

hours²², but almost the same as for non-disabled workers in the 2000 hours + category. It seems that for disabled workers in Alberta, the biggest issue is getting enough hours.

As we might expect, there is a strong (inverse) relationship between the level of educational attainment of the MIE of a family and the incidence of low income for that family. This is also consistent with the findings on low pay noted earlier where higher levels of education are associated with a low incidence of low pay (see Table 3.6). In both Alberta and Canada overall, families headed by those with lower levels of education were more likely to be in low income in 2004. This was true for both the near full-time (1500 hours +) and full-time (2000 hours +) groups, with one notable exception. The incidence of low income for full-time (2000 hours +) working families in Alberta headed by someone who has a high school diploma (9.4 percent) was actually higher than for those who did not graduate high school (6.9 percent). One possible explanation is that some of those who drop out do so because they are lured by attractive wages in the oil and gas sector.

Table 5.8 shows the incidence of low income by family type. The incidence of low income for those families headed by an unattached individual was similar for 1500 hours + and 2000 hours + families in Alberta and Canada – at approximately 10 to 11 percent. Families headed by lone-parents in Canada had the highest incidence of low income reported in 2004 (16 percent for the 1500 hours + group and 17 percent for the 2000 hours + group). Data for families headed by a lone-parent was unavailable for Alberta due to small sample size. However, one could expect the patterns in Alberta to be similar to those found in Canada given the similarity of the data reported earlier on low pay and family type (see Table 3.7).

Table 5.8. Estimated Incidence of Low Income for Near Full-time and Full-time Working Families by Family Type, 2004

			Incidence of Low Income	
	1500 hours +		2000 hours +	
Family Type	Canada	Alberta	Canada	Alberta
Unattached Individuals	10.8%	11.0%	10.8%	10.2%
Non-Elderly Married Couples	3.8%	3.9%	3.9%	3.5%
Lone parent Families	15.8%	**	17.1%	**
Other Non-Elderly Families	5.4%	**	5.0%	**

Notes: Too few observations to allow reliable estimates.

This Table provides the incidence of low income by the characteristics of the MIE in a family where the MIE worked for pay for at least 1500 or 2000 hours in 2004. Source: 2004 Survey of Labour Income and Dynamics

These findings regarding unattached individuals and lone parent families reflect the fact that such persons, by definition, do not benefit from other earners in the household.

²² The 1500 hours + group includes the 2000 hours + group as a subset. Any major differences between them can be attributed to differences between those working 1500 to 1999 hours, and those working 2000 hours or more.

Policy-makers ought to be concerned if near full-time or full-time, full-year work leaves people in low income (or poverty). Moreover, with the instability of family units – as noted above, the divorce rate in Canada in 2001 was six times the rate in 1961 – one cannot rely on spousal attachments as a basis for keeping people out of poverty (Saunders, 2005).

Table 5.9 provides data on the incidence of low income on labour market characteristics of the MIE for 1500 hours + and 2000 hours + categories in 2004. Not surprisingly, the incidence of low income was higher where the MIE had been employed only part of the year, or only worked part-time. This pattern was consistent in both Alberta and Canada. The incidence of low income appears to be especially high – almost 30 percent in Alberta – for part-time workers in the 1500 hours + category. (However, once those who work part-time accumulate more than 2000 hours, perhaps through multiple jobs, the data for Canada show that the incidence of low income declines, as one would expect.)

Table 5.9. Estimated Incidence of Low Income by Labour Market Characteristics²³ of the Major Income Earner (MIE) for Near Full-time and Full-time Working Families, 2004

		Incidence of Low Income			
		1500 hours +		2000 hours +	
		Canada	Alberta	Canada	Alberta
Labour Force Status					
	Employed all year	5.9%	5.5%	5.9%	5.2%
	Employed part year, unemployed part year	11.8%	11.9%	8.7%	**
	Employed part year, not in the labour force part year	10.5%	**	**	**
	Employed, unemployed, not in labour force	8.4%	**	**	**
Full Time/Part Time Status					
	Full-time	5.9%	5.6%	5.9%	5.3%
	Part-Time	22.7%	28.5%	14.2%	**
Job Type					
	Permanent	3.8%	4.0%	3.1%	3.0%
	Not Permanent	8.1%	10.9%	**	**
Multiple Jobs					
	Yes, in at least one month	9.7%	9.6%	7.8%	8.8%
	No	5.8%	5.6%	5.8%	5.0%
Job Stability					
	Yes-MIE change jobs during any month	9.3%	10.1%	7.8%	7.5%
	No	5.8%	5.8%	5.7%	**
Employer Provided Pension Plan					
	Yes	1.6%	1.8%	1.4%	**
	No	7.7%	7.7%	5.9%	6.0%
Employer offered Medical Insurance					
	Yes	2.0%	1.9%	1.6%	1.0%
	No	11.8%	16.3%	9.7%	14.3%
Employer Provided Dental Insurance					
	Yes	2.0%	1.9%	1.4%	0.9%
	No	9.8%	16.0%	8.7%	14.6%

Notes:

** Too few observations to allow reliable estimates.

This Table provides the incidence of low income by the characteristics of the MIE in a family where the MIE worked for pay for at least 1500 or 2000 hours in 2004.

Source: 2004 Survey of Labour Income and Dynamics

²³ For clients with multiple jobs, these characteristics are that of their main job.

Families headed by someone who worked on a non permanent basis were also much more likely to be in low income. The incidence of low income in Alberta was almost 11 percent for 1500 hours + working families where the head of the family was in a non permanent job. This compares with only 4 percent for those in permanent jobs in Alberta.

The incidence of low pay was also higher for families where the MIE had worked multiple jobs or had changed jobs in the past year, though less so for those who managed to accumulate at least 2000 hours over the course of the year, as one would expect.

The incidence of low income was much higher for working families where the MIE indicated that they did not receive employer sponsored benefits such as a pension plan, medical insurance plan, and dental insurance. In cases where the MIE does not have medical or dental benefits, the jump in the incidence of low income is higher in Alberta than the rest of the country. For example, in Alberta, where the MIE works 1500+ hours, the incidence of low income jumps from only 1.9 percent for those with medical benefits to 16.3 percent for those without such benefits. For Canada overall, the rise in incidence of low income is from 2 percent (similar to the Alberta figure) to 11.8 percent.

Looking at this issue another way, Table 5.10 indicates that of all low income families in Alberta where the MIE worked 1500 hours +, only about 20 percent had extended medical and dental benefits, compared to almost three-quarters of non poor families, and only 14 percent had an employer-sponsored pension plan, compared to half of non-poor families. (The results for all of Canada are similar.) The gap in access to benefits is even larger in the 2000 hours + category. In section 6, below, we shall see that access to benefits is strongly correlated with wage rates.

Table 5.10. Estimated Distribution of Benefit Coverage²⁴ for Heads of Families who Work Near Full-Time or Full-Time hours, 2004

	Canada		Alberta	
	Full-time Low-Income Families	Full-time Non-Low-Income Families	Full-time Low-Income Families	Full-time Non-Low-Income Families
MIE working 1500 hours +				
Benefits provided by Employer				
Medical Insurance/Health Plan	22.5%	72.1%	21.8%	73.6%
Dental Insurance	20.5%	67.2%	21.5%	73.2%
Pension Plan	13.5%	53.7%	14.3%	50.8%
MIE working 2000 hours +				
Benefits provided by Employer				
Medical Insurance/Health Plan	17.0%	68.4%	12.4%	70.7%
Dental Insurance	14.4%	64.6%	11.7%	70.8%
Pension Plan	10.3%	48.0%	**	**

Notes:

** Too few observation allow reliable estimates.

The above profile is based on the labour market characteristics of the main job of the head of the family (Major Income Earner-MIE) where the MIE was 18-64 years old, not a full-time student and worked for pay for at least 1500 or 2000 hours.

²⁴ For clients with multiple jobs, these characteristics are that of their main job.

Table 5.11 provides data on the incidence of low income for some additional labour market characteristics of the MIE.

As one might expect, data for Canada—the Alberta data are unavailable—show that the incidence of low income was very high among families where the MIE worked at least 1500 hours but the family was still receiving social assistance benefits (which are typically clawed back as earnings increase).

Workers in a union are quite unlikely to be in low income, with an incidence in Alberta of about 2 percent in the 1500 hours + category. The incidence of low income is also very low for workers in the public sector.

The incidence of low income was relatively high (about 15 percent in Alberta and Canada overall) for working families where the MIE worked for an organization with less than 20 employees. It was much lower in every other firm size category, though in Alberta, somewhat higher in firms with 500-999 employees than in firms in the 20-499 categories.

Table 5.11. Estimated Incidence of Low Income by Labour Market Characteristics²⁵ of the Major Income Earner (MIE) for Near Full-time and Full-time Working Families, 2004 (cont'd)

	Incidence of Low Income			
	1500 hours +		2000 hours +	
	Canada	Alberta	Canada	Alberta
Received Social Assistance²⁶				
Yes	37.8%	**	30.0%	**
No	6.0%	**	5.9%	**
Union Membership				
Member of a union & covered by CBA	1.8%	2.3%	1.2%	**
Covered by CBA but not a union member	**	0.0%	**	0.0
Not a union member nor covered by CBA	5.3%	5.2%	4.4%	4.1%
Number of Employees²⁷				
< 20	15.8%	15.6%	15.5%	14.9%
20-99	4.8%	2.1%	4.3%	**
100-499	3.7%	3.7%	2.4%	**
500 -999	1.5%	6.5%	1.5%	**
1000+	2.1%	**	1.4%	**
Employer Type				
Public Sector	1.5%	2.4%	1.2%	**
Private Sector	7.5%	7.0%	6.8%	6.3%

Notes: ** Too few observations to allow reliable estimates.

The above table is the incidence of low income by the labour market characteristics of the MIE who was 18-64 years old, not a full-time student and worked for pay for at least 1500 or 2000 hours in 2004.

Source: 2004 Survey of Labour Income and Dynamics

²⁵ For clients with multiple jobs, these characteristics are that of their main job.

²⁶ At least one month in the reference year.

²⁷ Employees at all locations of the employer.

In summary, we have seen that the incidence of low pay in Alberta families where the main earner worked at close to full-time hours or more was sizeable in 2004: 7.9 percent for those working 1500-1999 hours and 5.5 percent for those working 2000 hours or more. The incidence of low income is particularly high for earners with the following characteristics:

- Living outside of Calgary or Edmonton,
- Young (aged 18-24) (but still quite sizeable in the older age categories),
- Female,
- Separated or divorced,
- Recently immigrated (based on data for Canada),
- Disabled (but not if they are working more than 2000 hours),
- Aboriginal (not if working more than 2000 hours; based on data for Canada)
- Less-educated (high school or less),
- Unattached,
- Lone-parent (based on data for Canada),
- Working part-time or part year or on a temporary basis,
- Working in a small (under 20 employees) firm, and
- Not receiving medical or dental benefits from the employer.

Persistence in Low Income

Our focus so far has been on low income among working Albertans in a single calendar year. However, it is also useful to examine the extent to which low income persists. Custom analyses by Data Development and Evaluation (DDE) of longitudinal data from the Survey of Income and Labour Dynamics (SLID) allows us to identify the persistence of low income in Alberta and Canada overall. The methodology involves first identifying families in which the MIE worked for pay at least 1500 hours in the year 1999.²⁸ Data are then obtained on the number of families within that group who experienced low income during the period 1999-2004. Table 5.12 presents the results, for Alberta and for Canada overall, in four categories: zero years in low income; 1 year in low income; 2 years in low income; and 3 or more years in low income.²⁹

Over the six year time period, 85.1 percent of working families in Alberta were found to never be in low income, which was similar to the rate for Canada at 85.9 percent. A

²⁸ Because the MBM low income thresholds are only available for the years 2000-2003, changes in the Consumer Price Index from 1999 to 2000 were used to estimate the 1999 thresholds and changes in the CPI from 2003 to 2004 were used to estimate the 2004 thresholds. The average CPI for the community was used, where available; otherwise the CPI for all of Alberta was used.

²⁹ When doing longitudinal analysis it is necessary to fix the status of the group being analyzed at the beginning of the period and then follow them for the remainder of the period even though their status may change in later years of the period.

slightly higher proportion of working families in Alberta were in low income for one year compared with Canada – 7.4 percent in Alberta and 6.8 percent for Canada overall. A similar proportion of working families in Alberta and Canada were in low income for 2 years – 3.2 and 3.3 percent, respectively. The proportion of working families that were in low income for three years or more, arguably persistent low income, was similar for Alberta and Canada at approximately 4 percent.

Table 5.12. Number of Working Age Families in Low Income : MBM 1999 to 2004, Canada and Alberta

All Working Age Families	0 years in low income		1 year in low income		2 years in low income		3 year or more years in low income	
	Number	%	Number	%	Number	%	Number	%
Canada	4,924,933	85.9%	389,042	6.8%	185,096	3.2%	236,013	4.1%
Alberta	531,019	85.1%	45,877	7.4%	20,396	3.3%	26,361	4.2%

Source: Statistics Canada Survey of Labour and Income Dynamics (SLID) 1999-2004.

Notes: The longitudinal sample used consisted of individuals who responded to all 6 years of the SLID survey between 1999 and 2004.

These were economic families in which the Major Income Earner (MIE) was between 18-59 years old, not a full-time student and worked for pay at least 1500 hours in 1999. Only families where the MIE hours of paid work and full-time student status were known in 1999 are included in this analysis

We are also interested in examining how persistence in low income varies depending on characteristics of the head of the family, or MIE. As shown in Table 5.13, families that were headed by a woman were more likely to report persistent low income than those headed by men. This pattern was true for Alberta and Canada overall. In particular, the proportion of working families headed by a woman in Alberta that were in low income for 3 or more years was 5.4 percent, compared to 3.8 percent for families headed by men. (Families headed by women were even more likely than men to experience a single year of low income: 12.5 percent versus 5.5 percent).

Interestingly, the proportion of families headed by men who were in low income for 2 years and 3 years or more was greater in Alberta than Canada overall.

Table 5.13. Proportion of Working Age Families in Low Income over 6 year period:MBM 1999 to 2004, Canada and Alberta

Selected Person Characteristics of Major Income Earner	0 years in low income		1 year in low income		2 years in low income		3 or more years in low income	
	Canada	Alberta	Canada	Alberta	Canada	Alberta	Canada	Alberta
Both sexes	85.9	85.1	6.8	7.4	3.2	3.3	4.1	4.2
Male	88.3	87.6	6.0	5.5	2.5	3.1	3.2	3.8
Female	79.8	78.3	8.7	12.5	5.1	3.8	6.4	5.4
All education levels	85.9	85.1	6.8	7.4	3.2	3.3	1.7	4.2
Less than high school	81.4	83.4	7.8	**	3.6	7.9	7.2	7.1
Graduated high school	82.8	80.5	7.7	7.3	4.4	4.4	5.1	7.8
Non-university post secondary certificate	85.7	80.6	7.1	13.7	3.5	2.5	3.7	3.3
University degree or certificate	92.5	96.6	**	**	**	**	**	0.0
Education level unknown	93.2	100.0	**	0.0	**	0.0	**	0.0
Aboriginal Background								
Yes	75.0	**	**	**	**	0.0	9.8	0.0
No	86.1	85.8	6.7	6.5	3.2	3.4	4.0	4.4
Don't Know	90.5	**	**	0.0	**	0.0	0.0	0.0
Immigrant								
Yes	81.1	88.4	8.7	**	3.5	**	6.7	6.3
No	86.9	84.6	6.4	**	3.2	**	3.6	3.8
Don' Know	**		0.0		0.0		0.0	
Refusal	**		0.0		0.0		0.0	

Source: Statistics Canada Survey of Labour and Income Dynamics (SLID) 1999-2004.

Notes: The longitudinal sample used consisted of individuals who responded to all 6 years of the SLID survey between 1999 and 2004.

These were economic families in which the Major Income Earner (MIE) was between 18-59 years old, not a full-time student and worked for pay at least 1500 hours in 1999. Only families where the MIE hours of paid work and full-time student status were known in 1999 are included in this analysis.

As we might expect, low levels of education are associated with both the incidence of low income among working families and its persistence. In both Alberta and Canada overall, families headed by those with lower levels of education were more likely to be in low income for 1 year, 2 years, and 3 or more years. The patterns were generally consistent for Alberta and Canada overall, with two notable exceptions. The proportion of families in low income for one year of the 1999-2004 period in Alberta headed by someone with a non-university post secondary certificate was almost double the rate for Canada overall (13.7 percent versus 7.1 percent). Also, the incidence of persistent low income for 3 or more years was much higher for families in Alberta headed by someone who graduated high school than for the same group in Canada overall (7.8 percent versus 5.1 percent).

Data for Canada indicate that persistent low income is greater for Aboriginals (off-reserve)³⁰ than for non-Aboriginals. Families where the MIE was Aboriginal were more than twice as likely to be in low income for three or more years as those headed by a non-Aboriginal. Alberta specific data is not available for these categories due to low cell counts arising from the smaller sample size.

Working families in Alberta that are headed by an immigrant were less likely to be found in low income over the period 1999-2004: they were more likely to report zero years of low income compared with families headed by a non-immigrant (88 percent versus 85 percent). However, they were also more likely than non-immigrant families to be in persistent (3 year or more) low income: 6.3 percent compared to 3.8 percent (implying that a relatively small share of immigrant families was in low income for 1 or 2 years).

In summary, persistent low income in Alberta is particularly high for working families with MIEs who are:

- Female,
- Less-educated (less than high school),
- Aboriginal (based on overall Canada data), and
- Immigrants.

Other Evidence on Workers in Low Income in Canada

Fleury and Fortin (2004, 2006) provide another perspective on low-income workers. They look at individuals aged 18 to 64 who are not full-time students and who worked for pay at least 910 hours (a lower threshold than that used in the analysis above) 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.³¹ In 2001, there were 653,000 working poor in Canada (using their thresholds), and 1.5 million living in a working poor family, accounting for about 5.6 percent of all “workers” (working 910+ hours) and about 40% of low-income adults (aged 18-64, not full-time students, low family income). Almost half (48 percent) of workers in low income earned less than \$10/hr.

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, 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 incidence of low income is 2 percent if a worker has a

³⁰ As indicated in Section 2, Aboriginals living on reserve are not included in the SLID data.

³¹ 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.

spouse who also works for pay; it is 27 percent for sole earners with more than two dependent children.

Fleury and Fortin report that low-income workers have much weaker access than other workers to work-related benefits, they more likely to be self-employed, and they are less likely to be in a union.

Fleury and Fortin also look at the extent to which individuals working at least 910 hours in 1996 and living in a low-income family 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.

Human Resources and Social Development Canada (2006) look at persistence of low income over the three year period 2000-2002. Their definition of persistence is that the cumulative disposable income of the economic family (or families) in which the individual was residing is less than the cumulative MBM thresholds for those families over the period. Of all persons aged 18-62 in 2000, 19.0 percent experienced low income at least one of the 3 years; 9.5 percent, of half of this group, experienced persistent low income. For families headed by someone who worked 910+ hours in 2000, 11.8 percent experienced low income at least one year during the period, and 42 percent of them (or 4.9 percent of the total) experienced persistent low income.

Chen (2005) uses Census data for 1980, 1990, and 2000 to look at workers aged 16-64 who were employed (full-time or part-time) at least 27 weeks in the year (a similar threshold to the one used by Fortin and Fleury) and whose pretax household income, adjusted for family size, falls below one-half of the national median. It is important to keep in mind that the use of pretax income likely means some overstatement of poverty rate. Also, the threshold she uses for low income is not sensitive to community differences in the cost of living.

In 2000, 8.7 percent of those who worked 27 weeks or more in Canada were poor according to Chen's analysis. This is up from 7.3 percent in 1980 and 8.0 percent in 1990. For women the figure in 2000 is 9.3 percent, for men 8.1 percent. It varies inversely with level of educational attainment. The rate for recent immigrants is 18.3 percent, for unattached individuals 18.1, for single parents 16.9, for those aged 16-24, 14.9 percent. Workers in low income constitute about 35 percent of all poor aged 16-64 in 2000 (Chen, 2005, Table 1).

Seventy-nine (85) percent of male (female) workers in low income in 2000 had low weekly earnings (below the poverty line divided by 52), up from 58 percent (73 percent) in 1980 (Table 5). Their earnings on average were 47 percent of the poverty line (in 2000). Workers who experienced unemployment or part-time jobs were also likely to experience low weekly earnings. Government benefits provided a buffer (rising in size over time), reducing the poverty gap substantially for single-parent and couple/children families. However, government benefits have been less helpful to poor, unattached workers, who suffered from cuts in social programs in 90s and do not benefit from the

Canada Child Tax Benefit. The incidence of poverty among working single parents remained high in 2000, however (at 16.9 percent, Table 8).

Statistics Canada (2006) analyses low income and low wages since 1993 in relation to the LICO thresholds. They report that the total percentage of Canadians in low income after taxes was 14.3 percent in 1993, rose to 15.7 percent in 1996, and fell to 11.2 percent in 2004. The average low-income gap (the amount below the LICO threshold) has remained in the range of \$6400-6700 each year between 1996 and 2004.

They define low pay as earning under \$10/hr in 2001 dollars. The incidence of low pay among full-time employees in Canada was 16.1 percent in 1993, 20.6 percent in 1996, and in the range of 14-15 percent since 1999 (or about 1 in seven). There is a clear gender gap. The incidence of low pay since 1999 has been 10-11 percent for males and about 20 percent for females. In 2004, the incidence of low pay was 45.6 percent for those full-time workers aged 16-24, 12.9 percent for those aged 25-34, and 10.2 percent for the 35-44 category. In 2004, it was 22.5 percent for those with high school or less, 11.4 percent those with a non-university post-secondary certificate, and 4.2 percent for those with a university degree. In Alberta, the incidence of low wages among full-time workers was 19.1 percent in 1993, peaked at 24.9 percent in 1996 and has fallen since then to 13.7 percent in 2004 (or just slightly below the Canadian average).

Of the low wage full-time workers in Canada who are the major income earner for their family (almost half of total low wage workers), almost 25 percent lived in low income (below LICO) families in 2004. Among major income earners in low wage jobs in 1999, 18.5 percent experienced low income for at least 2 years between 1999 and 2004.

Among low wage major income earners, single people (35 percent of low-waged singles) and lone parents (32 percent) had the highest rates of low income in 2004.

Workers in Low Income in Europe

The European Foundation for the Improvement of Living and Working Conditions (2004) has examined low income among working people in the EU. Again, the data are not comparable to the data for Alberta in our study, since the both the low income thresholds and the degree of workforce attachment used in the European research are different. Specifically, the EU poverty threshold is based not on the ability to purchase a market basket, but on having income less than 60 percent of the median for the country (adjusting for family size). The work threshold used is working at least half the year, a lower threshold than that used in our study. The incidence of low income among working people among those (employed or self-employed) working at least 6 months of the year is 7 percent, ranging from 4 percent in Denmark to 15 percent in Portugal (Fig 3, p.16).

6. Factors Contributing to Low Income among Working Albertans

Key factors that could leave someone with a low household income even though they are working at or close to full-time include: family structure; low pay; little or no employment benefits; problems with employer compliance with employment standards laws; lack of key supports such as affordable child care, and a lack of access to skills upgrading opportunities (especially for those with low levels of educational attainment). In this section, we look briefly at each of these influences.

Family Structure

In a multiple-person household with only one regular earner of income, it can be difficult to make ends meet, even if the wages of that earner are fairly good. The data reported in section 5 indicate, for Canada as a whole—the Alberta figures are unavailable – a high incidence (15.8 percent) of low income for lone parents working at least 1500 hours in the year. They also indicate, for both Canada and Alberta, a high incidence of poverty for working families where the MIE was separated or divorced. The work of Fleury and Fortin has pointed to a high incidence of low income among workers with multiple dependents (which may include a non-earning spouse).

This speaks to the importance of policies and programs that support lone parents, such as services that help single parents obtain the child support to which they are entitled. In the case of couples with only one earner, it is important to facilitate the labour force participation of more than one adult in the family. Ensuring the availability of affordable child care and providing access to skills upgrading for those looking to re-enter the labour force may be helpful in this regard. More on that below.

Lack of Access to Skills Upgrading Opportunities

Access to and participation in learning opportunities is clearly important for people to be able to obtain well-paying jobs.

Completion of high school is an important step in this regard. 11.2 percent of people aged 20-24 in Alberta in 2002 had neither completed high school nor were engaged in further studies (de Broucker, 2005b, Table D2). This “drop-out” rate is higher for young men in Alberta (13.5 percent) than young women (8.7 percent) as is the case in the rest of the country. In Alberta, the attraction of jobs in the oil and gas sector is likely a contributing factor to the drop-out rate. Yet we have seen that the incidence of low pay in Alberta for those who did not complete high school is somewhat higher for those who did, and much higher compared to those with a post-secondary diploma or degree. However, the gains for completion of high school alone are not large, and de Broucker (2005b: Table D18) has shown that for both Alberta and Canada overall, completion of high school, without further educational credentials, does not much improve one’s chances of finding a skilled job. This raises concerns about access to vocational options in high school. The OECD’s (1999) review of school-to-work transition programs in Canada concluded that Canada’s education systems offer relatively few opportunities to pursue a vocational stream of

adequate scope, quality, and integration with other educational streams. This is partly because employers are not active participants and rely on academic-based recruitment.

There is little tradition in Canada of direct involvement of employers in the design and provision of initial education and training. Attempts to develop work experience placements for students...involve costly and labour-intensive processes (OECD 1999: 29).

The OECD found that failure to offer vocational pathways with clear links to more advanced levels of the education system has contributed to a decline in popularity of vocational courses, given the better labour market prospects for university graduates.

There is also reason for concern about literacy levels in the adult population. Results from the International Adult Literacy and Skills Survey show that 39.5 percent of Albertans aged 16 and over in 2003 had a level of prose literacy regarded as inadequate to live and work in today's society³². (This is better than the Canadian average of 47.7 percent, but still high.) Yet only 19.4 percent of Albertans aged 25-64 with educational credentials of no more than a high school diploma participated in job-related employer supported training in 2002 (Peters, 2004).

Less-educated individuals are likely to experience relatively poor labour market outcomes over the entire course of their career, in the form of lower wages, a higher likelihood of unemployment, and lower-status jobs. Differences in labour market outcomes based on education take effect early in a workers' career, and persist throughout their lives. In fact, the least-educated will likely fall farther behind their more-educated counterparts over the course of their careers, as 'learning begets learning' – those with high initial levels of education are more likely to take advantage of future educational and training opportunities, and reap the rewards in the form of better, higher-paying jobs. The difference in labour market outcomes between the least-educated and their more educated counterparts has become larger in the past 20 years (Myers and de Broucker, 2006: iii).

Similarly, low-paid workers also have relatively poor access to employer sponsored training. Data from the *2001 Workplace and Employee Survey* show that, for Canada as a whole, fewer than 20 percent of workers who were paid less than \$10 per hour benefited from employer-sponsored classroom training, compared to over 45 percent of those paid \$20 or more per hour. Furthermore, low wage workers were much less likely to say the amount of training available to employees has increased since they began working for their current employer.

Myers and de Broucker found that adult learning systems—if one could call them that—in Canadian provinces were generally characterized by lack of co-ordination, lack of easy-to-navigate information, limited financial aid for adults wanting to return to school (high school or post-secondary education), minimal employer support for training the

³² Statistics Canada, *The Daily*, November 9, 2005. The results are worse for numeracy, with 48.7 percent of Albertans and 55.1 percent of Canadians performing at the lowest two levels.

less-educated, insufficient government investment in skills upgrading, and lack of data on the outcomes of initiatives. They did note that there have been some positive recent steps in Alberta, particularly the development of integrated labour market services for both the unemployed and workers looking to improve their prospects.

From the point of view of the individual, barriers to participation in adult learning include cost, finding the time (especially if working, or if facing family responsibilities), lack of confidence, lack of awareness, and doubts about the usefulness of training (Myers and de Broucker, 2006). From the point of view of employers, barriers to offering training include concerns about poaching, lack of information about available programs/deliverers, and costs of customizing training materials.

Low Wages

Low wages are clearly (and obviously) an important contributing factor to low income among working Albertans. The data reported in section 3 for employees in Alberta aged 20 years or older (who are not full-time students), show that almost 10 percent earned less than \$10/hour in 2005, and 18.5 percent earned less than \$12/hour. The Alberta boom has not meant an end to low pay for large numbers of workers. Indeed the incidence of low pay in Alberta is not much less than that for all of Canada. The incidence of low pay is particularly high among women, the young (though less so in Alberta than the rest of Canada), the less educated, and lone parents, but is sizeable outside of these categories. It is also relatively high for those working in the retail and hospitality industries.

The data reported in section 5 indicate that about half of individuals working 1500 or more hours and heading poor families earned wages under \$13.33 an hour.

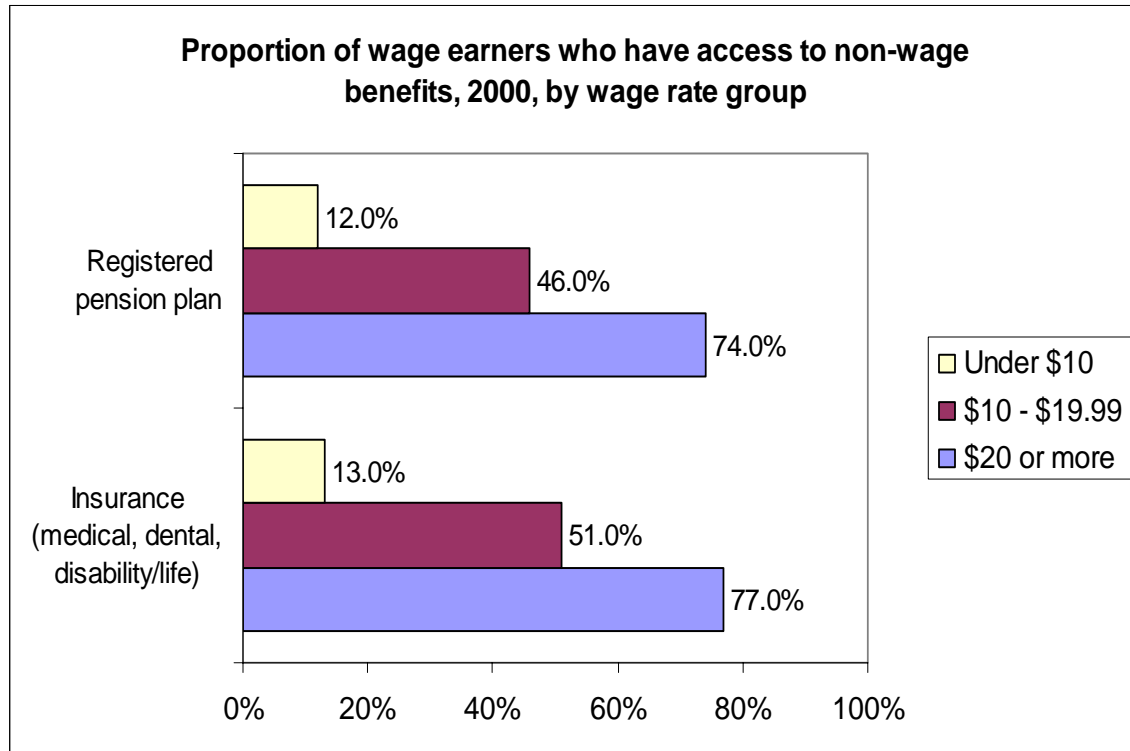
Cooper and Bartlett (2006) note that occupational forecasts for Alberta predict growth in both skilled jobs requiring post-secondary education as well as low-skilled low-wage work. For low-skill jobs, although some tightening of labour market is expected, it is unlikely that wage increases will be enough to keep low-skilled workers out of poverty.

Little or No Employment Benefits

Many benefits that some of us take for granted, such as extended medical care or dental insurance, are not mandated by law. Employers choose whether or not to offer such benefits (or negotiate a benefit package with the union, where there is a collective agreement).

The data reviewed in section 5, above, indicate that workers experiencing low income in Alberta have a low rate of benefit coverage: almost 80 percent of the 1500+ hours group with low income do not have extended medical or dental coverage; this is the case for almost 90 percent of the 2000+ hours group. Recall that medical and dental expenses are, appropriately, deducted from income to arrive at disposable income for the MBM low-income calculations, so high expenses in these areas could put a family below the MBM threshold.

Figure 1. Non-Wage Benefits and Low Pay, Canada



Source: Marshall (2003).

Data for Canada as a whole show that access to employment benefits is strongly associated with wage rates. Marshall looks at three wage rate ranges: under \$10 per hour, \$10-\$19.99, and \$20 or more. As illustrated in Figure 1, 13 percent of the low wage group was covered by the insurance package (medical, dental, disability/life) in 2000, compared to 51 percent and 77 percent for the mid-wage and high-wage groups, respectively. The pattern for Registered Pension Plan coverage is very similar, 12 percent, 46 percent, and 74 percent for the ascending wage categories. This means that most low-paid workers (many of whom work in non-standard jobs) lack coverage for pharmaceuticals, yet such benefits are available to people on social assistance. This is not only unfair to the low-paid working people, it also contributes to the “welfare wall”: the loss of non-cash benefits when one exits social assistance upon finding a job can lead to effective marginal tax rates of over 100 percent (Drummond and Manning, 2005).

Lack of Key Supports

Access to social supports can clearly make a difference to worker well-being. For obvious reasons, vulnerability is exacerbated when low-paid workers cannot find affordable housing or child care services.

Housing

Hay (2005) notes that nearly 16 percent of Canadians are unable to afford shelter that meets accepted norms for adequacy, suitability, and affordability.

According to the Calgary Homelessness Foundation, half of those who are homeless in Calgary have jobs, but cannot find affordable accommodations.³³

There has been a substantial tightening of the Alberta rental markets in 2006. According to the Canadian Mortgage and Housing Corporation (CHMC), all of Alberta's major urban centres reported a decrease in vacancies between October 2005 and October 2006.³⁴

The CHMC report also notes:

- In Edmonton CMA (Census Metropolitan Area), apartment vacancies decreased from 4.5 percent in 2005 to 1.2 percent in 2006, the lowest rate since 2001. The average rent for a two-bedroom apartment in an existing structure increased by 10.4 percent in October 2006 compared to the year earlier.
- The apartment vacancy rate in Calgary CMA fell from 1.6 percent in 2005 to 0.5 in October 2006. At the same time, the average rent for a two-bedroom apartment in an existing structure increased by 18.3 percent.
- Tight vacancy rates were also found in the rest of the province. Seven of Alberta's 11 Census Agglomerations (CAs) saw their vacancy rates fall below one percent and two recorded a vacancy rate of zero. This led to increases in average rents in all of Alberta's CAs. In fact the Wood Buffalo CA (which includes Fort McMurray) was the most expensive centre in which to rent across Canada in 2006 with a two-bedroom apartment renting for an average of \$1,717 per month.

This situation is likely to be further compounded by the skyrocketing price of housing in parts of Alberta. For example, the average price of a new single-family detached home in Calgary is expected to rise by 38 percent in 2007, according to The Canadian Mortgage and Housing Corporation.³⁵ As a result, availability and accessibility to affordable housing is a major concern. The City of Calgary website notes:

“Calgary is a high growth community with a significant need for affordable housing development. Over 58,000 households in Calgary are having difficulty affording adequate housing due to the high cost of living and low wages. The low-income people that live and work in this city are important members of the community – child care providers, cashiers, cooks, tailors, service station attendants and students. Many of these people often spend a majority of their income just to cover the costs of housing with little money remaining for other necessities such as food and clothing. The reality is that accessing safe and appropriate housing is not easy. There is a waiting list for accommodation through the Calgary Housing Company (CHC), The City's primary non-market housing

³³ Globe and Mail (October 7, 2006) *There's no place like homelessness*. Katherine Harding and Dawn Walton. Page A7.

³⁴ Canadian Mortgage and Housing Corporation. 2006. *Housing Market Information, Rental Market Report, Alberta Highlights*. Ottawa: CHMC.

³⁵ National Post (January 11, 2006). *Calgary home prices to soar*. CanWest News Service.

provider. In early 2006, there were 1750-2000 people on CHC's waiting list³⁶ (emphasis added).

Food Bank Usage

According to a study by the Canadian Association of Food Banks (CAFB), 15.1 percent fewer people in Alberta visited a food bank in March 2006, compared to the previous year. However, despite the economic boom, over one quarter (27.7 percent) of food bank recipients are those with job income. The report also notes that Alberta is the province with the highest percentage of employed clients visiting food banks (CAFB, 2006). This may be explained in part by the high cost of housing.

Child Care

With regard to care for family members, while the development of maternity and parental leaves helps some workers, for a limited time, to care for infant children, much of our social policy framework is still built on the old and out-dated “male breadwinner” model. Lack of affordable child care can limit the hours that a lone parent can work and limit the ability of a second parent in a two-parent family to work. We have seen evidence that the incidence of low income among workers is particularly high for lone parents and families with multiple dependents.

Lack of Access to Basic Employment Protections

Some workers lack access to protections regarding terms of employment (e.g., minimum wages, overtime pay, vacation entitlements, notice of termination, maternity and parental leave), either because they fall outside the coverage of the law (such as self-employed workers) or they are reluctant to complain about violations as this could put their job at risk. Some are unaware of their rights under the law.

7. Policy Options to Help Low-Income Working Albertans

We have seen that low income among working people (in Alberta and elsewhere) is a multidimensional issue: the factors causing it can be individual (low education/low skill, gender, age, immigrant status), household (size, composition, number of earners) and/or societal (labour market conditions, social and economic policies). The solutions need to be multidimensional as well.

In *Risk and Opportunity: Creating Options for Vulnerable Workers*, CPRN set out the following objectives, all rooted in the belief that people who work should be able to live decently:

³⁶ www.calgary.ca/portal/server.pt/gateway/PTARGS_0_2_356363_0_0_18/Affordable+Housing.htm

- **Opportunities to move up.** Workers who are low-paid or able to find only part-time work should have opportunities to improve their labour market prospects, such as through participation in skills upgrading activities.
- **Adequate income.** The combination of market wages, plus any government income supplements for workers in low income, should be enough for an individual working full-time and living by themselves to avoid poverty. (Our analysis also referred to the need to increase the National Child Benefit to support the cost of raising children.)
- **Basic social benefits.** All workers (and arguably, all individuals, whether working or not) should have access to benefits and supports (such as coverage for catastrophic pharmaceutical costs, access to affordable housing, access to good quality, affordable child care) that are important to well-being.
- **Basic protections regarding conditions of work.** All employees should have real access (and not just “on paper” entitlements) to basic protections such as minimum wages, overtime and vacation pay, public holidays, and job-protection for maternity or parental leave.

We concluded that a mix of instruments is necessary:

- improving opportunities to move up by enhancing the assets of vulnerable workers, be these financial assets (savings), or human capital (skills);
- directly increasing income by increasing the minimum wage and providing income supplements for workers in low income;
- improving access to basic social benefits through investments in on affordable child care and affordable housing, providing access insurance to pay medical costs that are not currently covered by public plans, and widening eligibility for Employment Insurance for those between jobs; and
- improving basic protections regarding conditions of work by promoting compliance with laws that set up minimum employment standards.

Here we provide an outline of how this framework could be applied to the Alberta context.

7.1 Improving Opportunities to Move Up: Helping Low-Income Workers Build Assets

If we are to maximize the potential of people in the labour market (serving both prosperity and inclusiveness objectives), we need to do more than just help low-paid workers make ends meet. We also need to ensure that they can build their capacity to deal with change and transitions over their life course, such as the loss of a job or a spouse, or changing skill requirements. More fundamentally, we need to ensure that our young people have every opportunity to acquire the skills they need to succeed in the labour market.

There is a growing recognition that asset-building strategies should be part of the anti-poverty toolkit. Assets can involve “human capital” – one’s skills, knowledge, and abilities – as well as financial assets.

Building Human Capital: Providing Better Access to Learning Opportunities

In section 5, we reported that the incidence of low income among working Albertans is particularly high among those with low levels of educational attainment. In section 6, we noted evidence of gaps in learning achievement for many Albertans. 11.2 percent (13.5 percent for men) of people aged 20-24 in Alberta in 2002 had neither completed high school nor were engaged in further studies. 39.5 percent of Albertans aged 16 and over in 2003 had a level of prose literacy regarded as inadequate to live and work in today’s society. Only 19.4 percent of Albertans aged 25-64 with educational credentials of high school or less participated in job-related employer supported training in 2002.

As noted in section 6, for many of workers in low income, their skills issues trace back to poor preparation for the labour market at the point of leaving school (OECD, 1999). The biggest concern is for those who do not complete high-school. But even those with a high school diploma (and no further credential) have difficulty finding a skilled job. This suggests that more effort is needed to provide high school students with opportunities to obtain occupational qualifications. In its New Jobs Strategy, the OECD (2006a) notes evidence that school systems in member countries often fail to provide all young people with the skills needed to operate effectively in the labour market.

Efforts by some Alberta high schools and colleges to partner in offering dual credit programs in high school are a promising step in this area, and these initiatives should be monitored, evaluated, and, where the results warrant it, emulated. Partnerships between high schools and employers are also important in this regard.

Such offerings need not deter people from pursuing a university degree. Indeed, vocational options should allow one to bridge into an academic path. And we need to ensure that students from low-income families do not face financial or other barriers to participation in post-secondary education.

CPRN has recently launched a project, *Pathways for Youth to the Labour Market*, that involves looking at how to facilitate learning pathways that lead to successful outcomes in the labour market. This includes mapping the paths young people take in the first few years after high school (whether into post-secondary education or directly into the labour market), and identifying institutional barriers to successful pathways.

Issues of skill development go well beyond the preparation of our youth. We have seen that less-educated adults often lack access to learning opportunities, which can leave them stuck in low-wage jobs. They are unlikely to receive employer-sponsored training. Because Canada has no employment leave policy and because their incomes are low, workers in low income are unlikely to be able to take a leave from work to attend college or university (and it is difficult to attend evenings and weekends while keeping up with

other responsibilities). Because they are employed, they are generally ineligible for EI benefits for training.

Alberta's recent development of a more integrated system for employment and training services, which does not distinguish between EI-eligible clients and others, is a move in the right direction. Alberta is also unique among provinces in offering income support for participation in education/training programs (albeit in limited circumstances) to adults who are already employed. This option is particularly important for workers in low income. And for those who are not employed, it is important that employment programs not emphasize getting any job quickly, but rather look to giving people the skills and supports needed to obtain and sustain decently-paid jobs.

For those who have not completed high school, dual credit programs for adults that enable the learner to obtain a high school diploma while earning credits towards a college diploma offer the possibility of being both attractive to the individual and providing employers with skilled workers more quickly. While several provinces have dual credit programs for young people in high school, Manitoba has extended this opportunity to adults (Manitoba Advanced Education and Training, 2003).

Between 2001 and 2003, 712 Manitoba students received credit for courses that were recognized by post-secondary institutions. One-third of these students were adults. Manitoba recently collected feedback from both high school students and adult learners. While both groups were positive in their appraisal of dual credit courses, adult learners identified the greatest benefits. About 50 per cent of adult learners stated that having a dual credit influenced their decision to pursue a post-secondary program. Offering dual credits has allowed students to achieve the empowering symbol of a high school diploma and make a smoother transition to post-secondary education.

Myers and de Broucker (2006) put forward a vision for an adult learning system characterized by the following principles.

- No one will leave school without an appropriate minimum set of employability skills.
- All adults will have access to learning opportunities to enhance their basic skills as well as continuing opportunities to maintain, enhance or transform more advanced skills.
- All adults will have access to easy-to-follow information about learning opportunities and counselling will be readily available. Supports will be co-ordinated, and the system will be easy to navigate.
- All adults who are willing to upgrade their skills will get appropriate assistance
- The skills development of all workers will be considered important and worthwhile investments.

They suggest five key steps towards realizing this vision.

1. Implement a public policy framework that acknowledges the ‘right to learn.’
2. Develop financial support programs appropriate to the needs of adult learners. This would include:
 - Making high-school-related skills-upgrading programs free to all individuals regardless of age;
 - Providing participants such programs with a minimal level of financial assistance to help them meet basic living expenses.
 - Reviewing post-secondary aid systems to ensure all adults have access to a reasonable combination of student loans and grants.
3. Provide incentives for employers to support training of their less-skilled employees. (Employers need to increase their investment, but government incentives may be necessary to help make this happen.)
4. Increase government investment in training for basic skills; identify and disseminate information on best practices in the delivery of such training (and in the assessment and recognition of adults’ prior learning).
5. Develop a coordinated approach to respond to adult learners’ needs. (Nova Scotia’s School for Adult Learning is a promising in this regard. AEII’s move towards “one-stop” employment and training services is a helpful step.)
 - Governments should ensure that potential learners have access to easy-to-digest information to make informed decisions about their learning options and to advice about how to access the learning opportunity that is best for them.
 - Learners should be able to enter the adult education system at any point, have their prior learning assessed and recognized, participate in the appropriate learning program(s), and proceed to the next step, whether employment or further education, in the shortest time possible (Wynne, 2005).

Special Measures for Recent Immigrants

The data for Canada reported in section 5, above, indicate that recent immigrants are disproportionately likely to be among workers in low income.

Alboim, Finnie, and Meng (2005) identify a range of measures that could be used to improve the integration of new immigrants into the labour market. They include:

- Better selection criteria in the immigration process (e.g., looking to Canadian equivalencies for foreign-earned credentials);
- Assessment of immigrants’ skills and education (ideally, before they immigrate) to identify what is needed to meet Canadian standards;
- Collaboration among post-secondary institutions, regulatory bodies, and employers in the development and use of competency-based assessment tools;

- Government incentives to sector councils and occupational regulatory bodies to develop sector-specific language tests; and
- Implementation of remedial interventions such as bridge upgrading (e.g., completion of a few academic courses to have a foreign credential turned into a Canadian one), and higher-level language courses, some of which could be offered before the immigrant arrives in Canada.

Alboim et al. note that some progress is being made in this area. Citizenship and Immigration Canada is funding pilot projects with employers on the development of labour market language training. Human Resources and Skills Development Canada is funding a variety of initiatives under its Foreign Credential Recognition Program. Ontario is funding post-secondary institutions to look at their capacity to provide bridging programs. Some colleges are offering overseas courses or Internet courses to potential immigrants. These are promising initiatives. They need to be evaluated, and the ones that are working well should be widely implemented.

In addition to initiatives focused on integrating individual immigrants into the labour market, it is also important to ensure that there are adequate supports to help integrate immigrant families in their communities.

Special Measures for Aboriginals

The data in section 5 indicate that Aboriginal workers are disproportionately likely to be living in low-income households. It is also clear that the potential of Aboriginal workers to contribute to the economy is underutilized across Canada. Alberta's workforce development strategy, *Building and Educating Tomorrow's Workforce*, notes the importance of improving high school completion rates and participation in post-secondary education and training among First Nations, Métis, Inuit and other under-represented groups.

As Lamontagne (2004) notes, "The road to long-term Aboriginal development will require concerted actions from Aboriginal, municipal, provincial and territorial, and federal governments. Each of these levels of government and their partners have a responsibility for ensuring that Aboriginal peoples have an equitable access to employment and other economic opportunities."

Special Measures for Persons with Disabilities

In a labour market where skilled workers are in short supply, it becomes increasingly important, and cost-effective, to invest in helping groups who have had difficulty in fully participating in the workforce to realize their potential to contribute. As just noted, this is one of the reasons for paying increasing attention to helping Aboriginals advance in the labour market. The same rationale can be applied to persons with disabilities.

Employers ought to be able to bear part of the costs of accommodations for disabled workers, since they gain capture part of the resulting gains in productivity. But employers cannot capture all of these gains, so some government co-financing of such costs is appropriate.

A detailed examination of current Alberta and federal government policies around persons with disabilities is beyond the scope of this paper. A framework that could guide policy in this area was released in 1998 by federal, provincial, and territorial Ministers responsible for Social Services³⁷. The report, *In Unison: A Canadian Approach to Disability Issues* (HRDC, 1998), describes a vision and long term policy directions aimed at promoting the full citizenship of people with disabilities in all aspects of Canadian society within three key areas: disability support, employment and income.

The report outlines a number of policy directions to enhance the employability of persons with disabilities. These include:

- Widespread understanding and application of the concept of accommodation (modifications to a given job and/or workplace to promote the employment of persons with disabilities).
- Measures that provide more assistance to offset work-related disability costs.
- Greater support for community economic development and self-employment.
- Enhanced employability through better access to education, training and transition mechanisms (e.g. school-to-work transitions).

Building Financial Assets

Low-paid workers who have savings have greater capacity to deal with transitions in work and family life, and to invest in the future. Maxwell (2002), citing Schreiner et al. (2001), outlines the use of Individual Development Accounts (IDAs) in some jurisdictions to encourage savings by poor families.

In Canada, the learn\$ave program, an experiment funded by the federal government and managed by Social and Enterprise Development Innovations (SEDI), provides, at 10 sites across Canada, an incentive for low income Canadians to save for learning opportunities.

Such initiatives hold promise for improving the resilience of workers in low income. However, we need to sound a cautionary note on strategies to encourage savings by poor families. As long as we have programs (for example, social assistance or grants for post-secondary education) that include asset tests, poor families who save may find their savings clawed-back by the terms of these programs. If we want to encourage savings by those with low incomes, we need first to address (remove, or at least, reduce) these clawbacks.

³⁷ Note: The Quebec government did not participate in this initiative.

7.2 Directly Increasing Income

Providing low-income workers with opportunities to acquire skills and knowledge is clearly a key instrument in addressing the problem of workers in low income. However, not everyone can be a “knowledge worker” and not all jobs will require a high level of knowledge. Data in section 3 of this report indicate that about 10 percent of workers in Alberta aged 20 or more (excluding full-time students) earned less than \$10 per hour in 2005. While we do not have data on the incidence of such low pay among low-income workers, the data in section 5 do indicate that low-income workers have lower wages on average than others. Policies like higher minimum wages and income supplements can be important tools to ensure that all working people can earn their way out of poverty.

The Minimum Wage

Alberta’s minimum wage currently stands at \$7.00 per hour, which is below that of all other provinces except New Brunswick and Newfoundland and Labrador (which have the same minimum wage).³⁸ In real terms, the minimum wage in Alberta is well below the peak it reached in 1977 of \$8.72 in 2002 dollars (Battle, 2003: 196) or over \$9.50 in 2006 dollars.

In Alberta in 2004-05, when the minimum wage was \$5.90, only 0.8 percent of all workers were earning the minimum wage or less. In 2005-06, after the increase to \$7.00, 2.9 percent were earning minimum wage or less, still the lowest share of all provinces. Just over 2/3 of minimum wage earners were aged 15-24 (and over half were aged 15-19), 60 percent were women (Alberta Employment, Immigration and Industry, 2006).

Minimum wages in Canada are not very high by international standards. A report by the UK’s Low Pay Commission (2005: Table A4.1) includes information on minimum wages in 13 OECD countries. The weighted average of provincial minimum wages in Canada stands 9th in this group when exchange rates are used to adjust the national currency figures, 8th when “purchasing power parity rates” are used. Countries with higher minimum wages than Canada include Australia, Belgium, Ireland, the Netherlands, New Zealand, and the United Kingdom. Countries with lower rates include the US, Portugal, Spain, and Greece.

Minimum wage increases clearly benefit low-paid workers – minimum wages are binding for some, and a ripple (or “spillover”) effect leads to increases for those previously at, or just above, the new minimum (OECD, 1998). In other words, increases in the minimum wage benefit not only those whose wages were below the new minimum, but also other low wage workers, because when minimum wages rise, employers who were paying above the minimum tend to adjust their pay scales. So even in Alberta, where only about 3 percent of the workforce earns at or below the current minimum, the minimum wage is far from irrelevant as a policy tool—increases can affect a sizeable share of the workforce.

³⁸ Current minimum wage rates for adults in Canada are available on the HRSDC website at www110.hrdc-drhc.gc.ca/psait_spila/lmnc/eslc/eslc/salaire_minwage/report1/index.cfm/doc/english

The main argument against substantial increases in the minimum wage (or, in its extreme form, against minimum wages altogether) is that this will lead to job loss, particularly among the lowest skilled workers. In a competitive labour market, setting a minimum wage rate above the rate that would otherwise be found in the market leads to a decline in demand for low-skilled workers and, therefore, a decline in employment. On the other hand, in a labour market with employers large enough to influence market wages, the theory is not so clear about the employment impact (and even allows for the possibility that employment could increase when minimum wages increase). In addition, if increasing minimum wages improves motivation and productivity among low-paid workers, and/or stimulates employers to invest more in productivity-enhancing skills development, negative employment effects would be mitigated.

An unpublished background paper prepared for CPRN (Edagbami, 2004) reviews a large number of studies of the employment effects of increasing the minimum wage. While papers can be found covering a wide spectrum of research results, most studies indicate that minimum wage increases have a significant negative effect on teenage employment (in range of 1 percent to 3.7 percent for a 10 percent increase in minimum wage), with much smaller effects for youth (aged 20-24) employment, and little or no effect for people 25 and older. Moreover, the effects on teenagers are mitigated in jurisdictions (such as the UK) that have a minimum wage rate for youth below the rate for adults.³⁹ A recent review of the literature by Neumark and Wascher (2006) comes to similar conclusions: evidence of negative employment effects for teenagers and young adults, but with these effects reduced in jurisdictions with a youth subminimum, and few studies reporting negative employment effects for adults.

The UK Low Pay Commission (2003), citing research by Stewart (2003), reports that increases in the minimum wage have had little or no adverse effect on employment, when macroeconomic conditions are controlled for. The OECD, reviewing evidence from pooled, cross-country data over time, finds employment effects for prime age (25-54) adults close to zero, and not significantly different from zero for young adults (20-24). For teenagers, results suggest a 2-to-4 percent employment decline for a 10 percent increase in minimum wage (OECD, 1998, pp.45-47). These results are similar to those in the Edagbami report for CPRN, cited above, although Edagbami (and other recent studies, such as Neumark and Wascher) reports some evidence of negative employment effects for young adults. Moreover, they found little evidence that negative employment effects are larger in relatively high minimum-wage countries as compared with relatively low minimum wage countries. These results provide a strong case for increases in the minimum wage, though with the proviso that a lower minimum wage for teenagers (and perhaps also for young adults) is warranted.

Some argue that, because the minimum wage benefits all low-paid workers, including those who live in well-off households, it is a blunt instrument for alleviating poverty.

³⁹ There are three levels of minimum wage in the UK. The rates, as of October 1, 2006 are: £5.35 per hour for workers aged 22 years and older; £4.45 per hour for workers aged 18-21; £3.30 per hour for all workers under the age of 18, who are no longer of compulsory school age. (See the UK website on the national minimum wage: www.hmrc.gov.uk/nmw/#b.) At current exchange rates (Jan. 24, 07), the top UK minimum wage rate of £5.35 represents about \$12.50 Canadian.

Others argue that work should pay regardless of family status. The OECD (1998) notes that in countries where there are large numbers of full-time, full-year low income or low wage earners – the US and Canada would fit this diagnosis – there is a greater potential for increases in the minimum wage to alleviate poverty and reduce income inequality. In addition, minimum wages are easier to administer than income supplements and avoid the disincentives to spousal employment (discussed below) associated with the latter.

Fleury and Fortin (2006) conclude, from simulation analysis, that a 25 percent increase in minimum wage rates in Canada would have had little impact on the incidence of poverty. However, their simulations assume no ripple effect on wages. (This is acknowledged by the authors.) That is, they assume that a minimum wage increase from say \$7.20/hour to \$9.00/hr has no effect on anyone currently earning \$9/hr or above, which is unlikely. In addition, it is important to keep in mind that the definition of working poor used by Fleury and Fortin includes people working as little as 910 hours/year, or the equivalent of about 1/2 time throughout the year. For very low paid workers who are not working close to full-time, it is not surprising that increasing the wages alone would not be enough to raise them above poverty – they also need more hours.

Table 8.6 (not shown) of the Fleury and Fortin study indicates that earnings gains were an important factor in getting people out of poverty: about half of 1996 working poor who exited poverty 'definitively' after 1996 did so because of increased earnings of that individual. Some of this would be more hours, but some of it would be higher wages.

Moreover, there is evidence that minimum wages do disproportionately benefit the less well off. Fortin and Lemieux (2000) find that individuals in the lower half of the distribution of family income (adjusted for family size) account for almost 70 percent of the earnings of all minimum wage workers in Canada, which implies that increases to the minimum wage have a progressive impact on income distribution.

There is clearly room for Alberta to increase its adult minimum wage substantially higher than the current \$7.00 per hour. To minimize the impact on employment, increases could be staged over time, higher in the first few years, with regular adjustments thereafter, and with a minimum wage for youth set below the adult rate. Higher minimum wages should be part of the mix of policies to avoid poverty among working people.

Income Supplements

Another approach to raising the incomes of workers in low income is for government to top-up market wages through a transfer of income to working people who are poor. Sometimes these are referred to as “in-work benefits.” They can be delivered in the form of tax credits.

Income supplements have become major policy tools in the US and the UK.⁴⁰ The UK Working Tax Credit provides an income supplement to working people that depends on amount worked and family size, and requires a minimum number of hours worked per

⁴⁰ For a more detailed description of income supplements in the US and UK, see Saunders (2005b), pp.14-15.

week (16 hours in most cases). The tax credits and clawbacks take account of total family income. The Earned Income Tax Credit in the US (EITC) is primarily designed to raise the incomes of low-income working families with children. The credit is based on labour market earnings of the family, phasing-in at 40 percent of earnings until the threshold for the maximum benefit is reached. (This threshold was \$10,020 for a household with two or more children in 2001.) There is then an income range where the payment stays at the maximum, followed by a phase-out through a claw-back of the benefit at higher levels of family earnings. In 2001, the phase out for a family with two or more children began at \$13,090, and occurred at a rate of 21 percent, so that complete phase-out was reached at \$32,121. Nearly one-third of state governments in the US supplement the federal program, generally by a fixed percentage of the applicable federal credit. The total cost of the EITC has been estimated at 0.33 percent of US GDP (OECD, 2003).

The National Child Benefit (NCB) program in Canada also provides an income supplement to low-income families and, in some provinces, including Alberta, has been implemented or supplemented in a way designed to enhance work incentives. The NCB is slated to reach a maximum of \$3,243 per child by 2007 (Stapleton, 2004). The Alberta Family Employment Tax Credit (AFETC) provides a tax credit of up to \$560 for a first child, with smaller credits for subsequent children, to low-to-moderate income working families.⁴¹

The Caledon Institute has suggested that the NCB needs to reach \$4,400 per child by 2010, subject to further research, in order to cover the costs of raising a child in a low-income family (Battle and Torjman, 2002). Improvements to the NCB and/or AFETC would undoubtedly help working single parents and working families with children to avoid poverty. However, both the NCB and AFETC go only to families with children.

Evidence from evaluations of income supplement programs suggests that a modest income supplement increases incomes of workers in low income and improves participation of single parents in the labour force. Census data indicate that EITC removed almost 5 million people (over half, children) from poverty in 2002 (Eissa and Nichols, 2005). Eissa and Nichols (2005) note that the participation rate of lone mothers in the US increased by 14 percentage points between 1989 and 2002, a period of substantial growth in size of the EITC. However, if the clawback is based on family income, it can have adverse effects on the participation of married people.

The OECD points out one risk associated with income supplements for low-paid workers: by increasing the supply of labour by such workers, these measures can lead to a lowering of the wage rate paid in the market. The OECD suggests that the minimum wage and income supplements might best be used together, “with a moderate minimum wage to act as a floor below which wages cannot fall.” (OECD, 2003: 115) The New Jobs Strategy recently launched by the OECD confirms their assessment in this regard.

⁴¹ The tax credit is eight per cent of income from employment over \$2,760. As family net income exceeds \$25,475, the credit is clawed back at a rate of four percent. The maximum benefit for a family with four or more children is \$1,478. For details, see the Alberta Finance website: www.finance.gov.ab.ca/business/tax_rebates/alberta_family_employment_taxcredit.html.

Recent developments suggest that a moderate legal minimum wage generally does not undermine employment, but also that adequate allowance for wages below that level for youth and possibly other vulnerable groups is essential. A few countries that have introduced in-work benefits in order to boost employment have at the same time found it useful to introduce moderate minimum wages to ensure that the in-work benefits raise the rewards from work rather than leading to lower wages. (OECD, 2006a: 13)

Taking these considerations into account, income supplements for low-paid workers do seem to be a useful part of the policy mix to make work pay, provided they are accompanied by increases in the minimum wage. If they are coupled with regular increases in the minimum wage, the danger that supplements will lead to a reduction in wages paid in the market can be averted. While the NCB and AFETC address costs of raising children, there is a case for adding to the mix an income supplement program for low-income workers independent of whether they have children.

The recent federal Budget (2007) outlines plans for a Working Income Tax Benefit. It is limited in size (maximum of \$500/year for singles, \$1000/year for families) and the claw back of the benefit begins at very low income levels (\$9500 for singles, \$14,500 for families), but it is a useful step.⁴²

Improving the Reliability of Child Support Payments

In section 5 (Table 5.8), we saw that, based on data for Canada, the incidence of low income among working families is much higher for families headed by a lone parent than for other households. For example, the incidence of low income for lone parent families where the MIE worked 2000+ hours was 17.1 percent in 2004 compared to 6.0 percent for all families in Canada.

Child support payments can be an important part of income for lone parents. Research in Washington State (Formoso, 2004) points to the importance of efforts to obtain compliance with child support orders. Custodial parents who receive regular child support payments (compared to those who receive irregular payments) are less likely to use government assistance through programs such as Temporary Assistance for Needy Families (TANF), Medicaid, or Food Stamps. The estimated savings in government spending was \$80.4 million a year and \$146.4 million additionally earned by these families. Families that were receiving regular child support payments were also more likely to be employed and to be generating higher earnings when employed.

Programs to improve compliance with child support orders can reduce the incidence of low income among working families headed by lone parents.

⁴² For more detail about this, see the section on the Working Income Tax Benefit in Annex 5 of the Budget Plan, available at www.budget.gc.ca/2007/bp/bpa5ae.html.

7.3 Improving Access to Basic Social Benefits (Employment Benefits and Social Supports)

Some rights, benefits, or supports ought to be available to all Canadians, regardless of work status. As we argued in *Lifting the Boats: Policies to Make Work Pay* (2005), coverage for catastrophic drug costs and basic dental care are strong candidates for universal or “progressive universal” provision (with the latter involving a partial clawback of the benefit at high levels of income). Pharmaceuticals can obviously be a necessary part of health care. A society that values publicly funded health care ought to ensure that everyone has access to necessary drugs. At the very least, working people with family members who have a chronic need for high-cost drugs ought not to be impoverished by this need. (In section 6, we noted that medical and dental costs contribute to the incidence of low income among workers in Alberta, as low-paid workers typically do not have extended medical or dental benefits.) Moreover, provision of coverage for drug costs (or, at least, “catastrophic” drug costs) would reduce the “welfare wall” – the financial penalties that can arise as people move from welfare to work – since social assistance recipients generally have drug coverage, while low-paid workers not receiving a welfare cheque do not. Currently, we have a society in which benefits are available to the very poor and to those with good jobs, but not to those who are working and poor.

Alberta does provide supplementary health benefits to low-income workers and their children, but the eligibility rules are quite restrictive. The Alberta Adult Health Benefit is available only to former Income Support (IS) or Income for the Severely Handicapped (AISH) clients, not to workers in low income who have never been clients of these programs. Moreover, the income thresholds for eligibility are quite low. For example, for a single adult who is leaving IS, the income threshold is currently \$13,175 (net of health care expenses). This means that a single adult working 2000 hours at minimum wage with \$800/year in health outlays would be ineligible for assistance. Health benefits for children are more widely accessible, in that they do not require that the parents have been IS or AISH clients, but the income thresholds are still quite low: \$26,397 in total household income for a family with 2 children.⁴³

To be sure, a national pharmacare program would be costly, even one focused on insurance against “catastrophic costs.” This concern about fiscal implications undoubtedly was the key factor in the previous federal government’s refusal to fund such a program. However, the costs involved are for an essential part of health care (and can be limited to some extent through the use of a formulary for drugs that would be covered by a public plan). These costs must be borne by someone. The current system, whereby low-paid workers may be impoverished by such costs (and potentially be left worse off than people on social assistance) makes no sense. Governments are better able to absorb such risks, and should find a way to do so.

⁴³ Source: the website of Alberta Employment, Immigration and Industry (accessed January 25, 2007): www.hre.gov.ab.ca/hre/hb/reg/Display.asp?EntityCode=HLEVEL.

There is also an argument for basic dental coverage for all (again, with a possible clawback at high incomes). Again, this is a benefit that tends to disappear as people move off welfare. But bad teeth can mean no prospect for advancement in the labour market, trapping able people in low-paid jobs.

A more universal approach to benefits like drug costs and dental care would also benefit employers, by taking away the pressure for them to fund such benefits.⁴⁴

An alternative approach to financing the costs of prescription drugs would be the mix of private and public plans found in Quebec. Residents of Quebec who have access to a group benefit plan (e.g., through an employer or a professional association) covering drug costs are required to subscribe to that coverage. Those who have no access to private group insurance are covered by a government plan administered by the Régie de l'assurance maladie du Québec (RAMQ).⁴⁵

Saskatchewan requires that, under certain conditions, employers who provide drug, dental, group life, or accidental death or dismemberment benefit plans for full-time (30 hours or more per week) employees, make such benefits available also to part-time employees. However the conditions are fairly restrictive: the law only applies to businesses with 10 or more full-time equivalent employees; to be eligible, the employees must have worked at least 26 consecutive weeks and averaged at least 15 hours/week; and they must work at least 780 hours in a calendar year to maintain eligibility. The required benefit rate is 50 percent of the benefits provided to full-time employees. Except for pharmaceutical insurance, the employer can provide employee-only coverage, so that other family members may be excluded.⁴⁶

Child care costs can be another barrier to advancement in the labour market, with low-income parents having to work only part-time, or not at all, because of difficulties in finding affordable child care services. As noted above, this undoubtedly contributes to the relatively high incidence of low income among single parents and working families with multiple dependents: it limits the ability of parents to participate in the workforce (or limits the hours they are able to work). One indicator of insufficient investment in early childhood development is that in 1998, Canada spent a smaller share of its Gross Domestic Product (GDP) on public preschool education (for children aged 3-6) than most industrialized countries, including the United States and the United Kingdom (Jenson, 2004a: 18). The OECD (2004) noted some progress since then, especially in Quebec, but also the need for further investment as well as steps to improve the quality of early childhood services.

⁴⁴ Related to the issue of universal access to programs that are crucial to well-being is the issue of hidden fees associated with school programs. Public schools often seek to recover costs of certain programs, such as field trips, from the parents. It is important to ensure that such fees are waived for low-income families.

⁴⁵ For information about the drug insurance system in Quebec, see the RAMQ website: www.ramq.gouv.qc.ca/en/citoyens/assurancemedicaments/index.shtml.

⁴⁶ See the Saskatchewan Labour website: www.labour.gov.sk.ca/standards/guide/benefits.htm.

Everyone should also have access to housing that meets basic needs. Most can afford to purchase adequate housing in the market. However, the stock of affordable housing – which is not the same thing as “social housing” – needs to be large enough to provide everyone with decent shelter. We noted above that one in six Canadians is unable to afford shelter that meets accepted norms for adequacy, suitability, and affordability. In Alberta today, this is not just a social issue—the lack of affordable housing may make it difficult to attract skilled workers to areas where they are needed, thereby impeding economic growth.

7.4 Improving Basic Protections Regarding Conditions of Work: Enhancing Compliance with Employment Standards Laws

Every province (and the federal government, for the 10 percent of workplaces that are in its jurisdiction) has laws setting minimum standards of employment. These standards include minimum wages, rules regarding overtime pay, the provision of paid vacations and public holidays, and job protection for employees who take maternity or parental leave. They are meant to provide a floor for the terms of employment.

We all benefit from having these minimum standards of employment. Decent pay and working conditions promote the well-being of all employees. Employers find that workers who are treated fairly are more productive and less likely to call in sick or quit. A floor set of standards also provides a level playing field, so that fair employers cannot be undercut by those offering substandard terms of employment. Taxpayers save money on social programs, since workers who are paid adequately are less likely to need social assistance.

Yet, for the laws to be meaningful, there must be widespread compliance with them. We should care about achieving such compliance. Without it, all the benefits noted above are undercut: workers may not receive the wages or overtime pay to which they are entitled, pushing them into the ranks of workers in low income; fair employers are undercut by those who fail to comply with the law; taxpayers face extra costs as people who didn't get their pay are forced to draw more heavily on social programs.

Achieving compliance can be challenging for several reasons.

- Employers, especially new ones, may be unaware of the requirements of the law; workers, particularly new entrants to the labour market such as young people or recent immigrants, may be unaware of their rights.
- The relationship with the employer may be structured so that, on the surface, it appears that the worker is an independent contractor, whereas if the usual legal tests were applied, he/she would be regarded as an employee.
- In cases where temporary agencies are involved, there may be confusion over whether the employer is the agency or the host workplace.
- There may be willful non-compliance by employers.

- Workers may be reluctant to complain because of the real risk of losing their jobs, or, in the case of people employed by a temporary help agency, the risk of losing future assignments.

There are ways of responding to the challenge of improving compliance without huge new expenditures.⁴⁷ Many of these tools are already in use to some degree.

- **Promote awareness of rights and responsibilities.** Governments could partner with business and labour groups, school boards, and with non-governmental organizations that assist vulnerable workers to promote awareness of the law. The key is to focus on new entrants to the labour market (youth in school, new immigrants, new employers) and high-risk sectors (e.g., retail, restaurants).
- **Conduct random audits in high risk sectors.** To address the reluctance of some employees to complain while they still have a job, governments need to use their powers to audit an employer's payroll records, without waiting for a complaint. Governments can make the most of limited resources by focusing on high risk sectors, such as those with low pay rates, little union representation, and large numbers of young people or recent immigrants among their employees. In such sectors, enforcement officials should randomly select employers for audit.
- **In high-risk sectors substantiated claims should trigger a broader inspection of the workplace** to check whether the violations extend to other employees. Similarly, violations of employment standards ought to trigger investigations in other areas, such as occupational health and safety and compliance with tax laws. There should also be **follow-up audits of employers found to seriously violate the law**, without waiting for new complaints.
- **Avoid the overuse of mediation to settle employment standards claims.** For workers who do not have much power in their relationship with their employer, mediation can mean agreeing to settle for much less than what they are entitled to. In cases of small claims, a mediated outcome may still be better for all concerned than a long, drawn-out process leading to adjudication. But in cases where the monies at stake are sizeable from the point of view of the employee, mediation might not be the right instrument.
- **Allow anonymous complaints in some circumstances.** Given the understandable reluctance of some employees to complain while they still have a job, it may be appropriate to allow complaints to be made anonymously. Some jurisdictions have moved in this direction. However, there are practical limits to the utility of anonymous complaints. If it is a small workplace and/or the issue remains confined to one individual, it is difficult – in some cases, impossible – to protect anonymity as the

⁴⁷ For a more detailed discussion of tools to improve compliance, see the report published by CPRN and the Institute of Public Administration of Canada, *New Approaches in Achieving Compliance with Statutory Employment Standards* (Dutil and Saunders, 2005). The report was based in large part on information gathered through interviews with government officials (in Canada and elsewhere), representatives of business and labour groups, and people in non-profit organizations working on the front-lines to assist vulnerable workers. Government officials also completed a questionnaire about current practices.

case proceeds. Anonymity can be useful in a larger workplace where it triggers a broader investigation.

- **Penalize serious violations.** Penalties can involve administrative fees, monetary penalties assessed by employment standards enforcement officials, tickets, or prosecutions leading to potentially large fines or imprisonment, depending on the severity of the offence. While education and persuasion may be appropriate for minor offences (and an effective awareness campaign may avoid many minor offences), there should be real penalties for serious violations, even if the employer agrees to pay what they owed, and the identity of those who seriously violate the law should be publicized. Otherwise, the incentive is for some employers deliberately not to comply, knowing that the worst that can happen is that they have to pay what was owed to begin with. Indeed, the prospect of a compromise settlement reached through mediation can mean that even if a complaint is registered, the amount paid might be less than what full compliance would entail.
- **Measure compliance.** The use of random audits to enhance detection of violations of the law would also allow governments to generate a measure of compliance with key standards that can be tracked over time. Just measuring how quickly complaints are resolved or how many are voluntarily settled is inadequate to assess compliance.

Moving in these directions will require some temporary increase in resources, since more active measures (such as random audits in high-risk sectors) will uncover violations that had not been previously detected. However, partnerships on awareness initiatives can help keep costs down. Most importantly, once a culture of compliance is established, the rate of violations should decline, so that the additional resources may be needed only in the process of transition to a new context in which everyone understands what the standards are and that they need to be taken seriously.

7.5 Other Studies Looking at Policies for Workers in Low Income

Others who have looked recently at how to help workers in low income in Canada have recommended a similar mix of policies:

- The recommendations of the **Canadian Association of Social Workers** (2006) to promote the well-being of low-income women include: significant increases to minimum wages; adequate income supports for women without a full-time job at a living wage; improved access to high-quality job training programs and post-secondary education; expansion of federal government funding for a national licensed child-care program; better access to EI benefits, and expansion of health policy and health promotion to focus more on the social determinants of health.
- In *Time for a Fair Deal*, **The Task Force on Modernizing Income Security for Working-Age Adults (MISWAA)** (2006) notes that many full-time workers cannot make ends meet, because of low wages, insufficient hours, and/or inability to get paid for the work they do. Many people get trapped on welfare, which strips their assets, and then takes away key benefits after they return to the workforce. The MISWAA recommendations include: better access to EI, gradual minimum wage increases, stronger enforcement of employment standards, new income-tested tax benefits – most

members felt this should be federal – including one designed for low-income workers, extending drug and dental coverage to low-income workers, reduced asset stripping for social assistance recipients, and increased access to training programs for quality jobs.

- **Cooper and Bartlett's** (2006) study for the **United Way of Calgary**, starts from the concern about large numbers of working poor amidst an apparently booming local economy. They recommend a multifaceted response, citing CPRN's framework, including increasing the minimum wage; improving protections for temporary and domestic workers; more actively enforcing labour/employment legislation; expanding support for participation in education and training programs (including larger grants for living expenses while registered in a training program and supports for child care and transportation costs); and supporting community programs to help workers maintain jobs. Cooper and Bartlett put particular emphasis on skill development: good jobs are increasingly available only to well-educated, skilled workers.
- **Jackson** (2006) argues that a response to the problem of workers in low income calls for improved access to collective bargaining, higher minimum wages, improved employment standards, improved access to EI and social services. He also sees room for income supplements to play a supporting role in assisting workers in low income.

The mix of initiatives we propose is also broadly consistent with the **New OECD Jobs Strategy** launched in June 2006 with the release of *Boosting Jobs and Incomes: Policy Lessons from Reassessing the OECD Jobs Strategy* and the 2006 edition of the *OECD Employment Outlook*.

The New Jobs Strategy has a broader purpose than the previous focus on reducing unemployment: the key priority is now removing barriers to participation in the labour market, “made more urgent by the need to limit the adverse consequences of population ageing” (*Boosting Jobs and Incomes*, p.5); a second is to ensure that people and firms can adjust quickly and effectively to pressures associated with technological change and globalization. The inclusion of “and Incomes” in the title of the report is quite significant, implying that it is not enough just to get people into any job.

The OECD notes that, across member countries, “[A] significant share of low-paid workers finds it difficult to climb the job ladder and/or experiences frequent spells out of work” (p. 8).

As noted above, the policy mix advocated by the OECD includes the possibility of moderate minimum wages (higher than what we now have in North America) and targeted income supplements for workers in low income. In the area of skills development, the OECD calls for governments to:

- Facilitate the recognition of competencies gained by adults through training or work experience, and the recognition of immigrants' credentials;
- Ensure training relates to employers needs and monitor quality of training providers;
- Support co-financed worker training and improve learning opportunities for the low-educated and disadvantaged;

- Broaden vocational programs in the schools, strengthen links between general and vocational education, and improve career guidance; and
- Facilitate combining education and work.

8. Conclusion

Our analysis points to the need for a mix of instruments to help workers in Alberta avoid poverty. Below we summarize the recommended mix, with items likely to have the biggest impact (based on our review of the policy literature) highlighted in bold.

Improving opportunities to move up

- Continued efforts to reduce the high school drop-out rate, particularly for Aboriginals, through such approaches as strengthening/rebuilding vocational options in the high school curriculum and dual credit partnerships between high schools and community colleges;
- **An easy-to-navigate, co-ordinated adult learning system that provides the necessary supports to all adults who are motivated to improve their level of skills and knowledge;**
- Incentives for employers to support training of their less-skilled employees;
- Increased government investment in training for basic/essential skills;
- Collaboration among post-secondary institutions, regulatory bodies, and employers in the development and use of competency-based assessment tools for immigrants and in the development of bridging programs to help immigrants acquire Canadian credentials;
- **Reduced clawback of assets in the eligibility rules of social programs and post-secondary financial aid programs;**

Directly increasing income

- **A substantially higher minimum wage for adults**, achieved in stages: higher increases in the first few years, with regular annual adjustments thereafter (and with a minimum wage for youth set below the adult rate).
- As a complement to higher minimum wages, an income supplement program for workers in low income, not contingent on having children (i.e., that would be an addition to the NCB and AFETC programs). To some extent, this has been addressed by the recent federal Budget initiative.
- Efforts to improve compliance with child support orders.

Improving access to basic social benefits

- **Improved access of workers in low income to coverage for pharmaceutical costs**, either through an extension of the scope of the Alberta Adult Health Benefit or a national pharmacare program.
- **Greater investment in affordable housing;**
- **Greater investment in the quality and quantity of services providing early childhood care;** and

Improving basic protections regarding conditions of work

- More active efforts to obtain compliance with the laws governing minimum standards of employment.

Some of the instruments we advocate, such as income supplements for workers in low income, are quite targeted in nature. Others, such as the minimum wage, are more general. Some, such as coverage for catastrophic pharmaceutical costs, would be universal or “quasi-universal.” As Adam, Brewer, and Shephard (2006) point out, if one uses only programs targeted to those in low income, there is inevitably an increase in the marginal effective tax rate for such individuals once their income rises enough for the benefit to be clawed back. (However, the evidence is not clear that such financial disincentives have much impact on work effort.) On the other hand, it is expensive to provide universal measures. The mix we put forward tries to balance these considerations.

Some of the instruments we recommend (such as income supplements/tax credits) could involve some or all of the cost being borne by the federal government. But provincial governments need to help make the case (or make it again, as in the case of pharmacare).

Most of our recommendations would take time to develop and implement. However, at least two could be moved upon fairly quickly: increasing the minimum wage and improving efforts to obtain compliance with employment standards laws.

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