



Catalogue no. 75F0002MIE — No. 006

ISSN: 1707-2840

ISBN: 0-662-43141-3

Research Paper

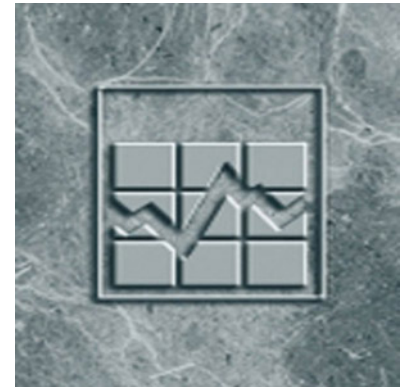
Income Research Paper Series

Low Wage and Low Income

by Income Statistics Division

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Low Wage and Low Income

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April 2006

Catalogue no. 75F0002MIE, Vol. 6

Frequency: Occasional

ISSN: 1707-2840

ISBN: 0-662-43141-3

Ottawa

La version française de cette publication est disponible sur demande (n° 75F0002MIF au catalogue).

Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

Abstract

This report examines the transitions into and out of low income and the persistence of low income among Canadians. It also examines the incidence of low wage among full-time workers and the extent to which low wage workers live in low income families.

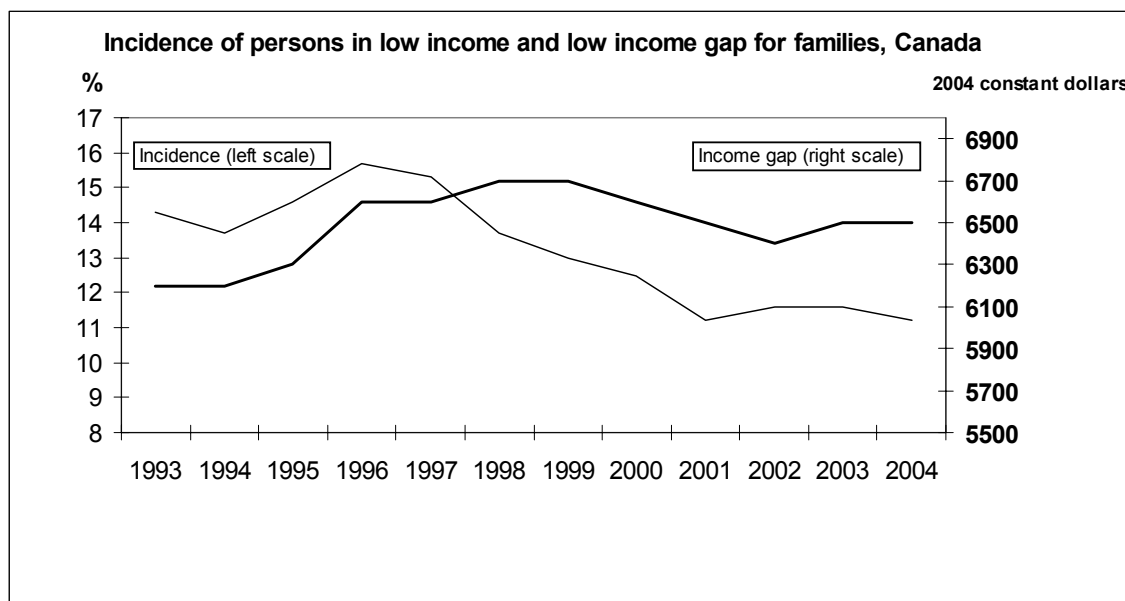
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Introduction

This study analyses the economic well-being of Canadians in terms of their exposure to low income and low wage. It relies on the longitudinal aspect of the Survey of Labour and Income Dynamics (SLID), which provides data on the fluctuations in income that families and individuals experiences over time.

The report is a follow-up of the [Income in Canada](#), which examined the most recent data of SLID and overall trends on family income and low income incidence among Canadian families and individuals.



Fewer Canadians live in low income

The percentage of Canadians in “low income” after taxes fell to 11.2% in 2004, after rising between 1993 and 1996 from 14.3% to a peak of 15.7%.

Statistics Canada’s low-income rate measures the percentage of persons who live in a family with an income below the low-income cutoff (LICO). The LICO is a statistical measure of the income thresholds below which Canadians likely devote a larger share of income than average to the necessities of food, shelter and clothing.

In 2004, about 3.5 million people were in low income down by 1.1 million from the peak of 1996.

The financial situation of those in low income remains stable since 1996

The financial situation of Canadians living below the low income cut-off changed little since 1996, the year the incidence was at its highest point. In 1996, a family or a single person needed on average an additional \$6,600 to bring their income up to the low income cut-off, compared to an income gap of \$6,500 in 2004.

Fewer people entering low income, more people exiting low income

Individuals and families can fall into low income with the loss of a job, birth of a child, a family breakdown, marriage, or many other factors (*Morrisette and Zhang, 2001*). They exit low income for many reasons as well.

As shown in the previous section, low income rates generally fell over the past ten years. This occurred because fewer people fell into low income, while at the same time more people got out of it.

For example, 5.5 % of Canadians not in low income in 1993 fell into it by 1994. The proportion of those entering low income dropped below 4% in 1998 - in 2004, it was only 3.3%.

Close to 28% of those in low income in 1993 exited it by 1994. The proportion of those that left low income between 2003 and 2004 rose to close to 34%.

Table 1. Proportion of persons entering and exiting low income

| | Entering low income | Exiting low income |
|--------------|---------------------|--------------------|
| | % | |
| 1993 to 1994 | 5.5 | 27.9 |
| 1994 to 1995 | 4.9 | 33.5 |
| 1995 to 1996 | 4.0 | 29.1 |
| 1996 to 1997 | 4.7 | 30.2 |
| 1997 to 1998 | 3.7 | 33.9 |
| 1998 to 1999 | 4.2 | 34.5 |
| 1999 to 2000 | 4.0 | 33.8 |
| 2000 to 2001 | 3.1 | 39.2 |
| 2001 to 2002 | 3.3 | 32.9 |
| 2002 to 2003 | 3.7 | 32.7 |
| 2003 to 2004 | 3.3 | 33.9 |

Source: Statistics Canada, Survey of Labour and Income Dynamics.

Low income is not a permanent state for most

Low income is a temporary state of existence for most Canadians who face it. Although 20% of the population experienced low income for at least one year between 1999 and 2004, only 2.2% lived in low income for every year of this period. By comparison, almost 4% lived in low income every year between 1993 and 1998.

Table 2. Proportion of persons in low income over 6 year period

| | Percent in low income | | |
|-----------|-----------------------|-------------------|---------------|
| | At least one year | Two or more years | All six years |
| | % | | |
| 1993-1998 | 24.5 | 16.6 | 3.6 |
| 1999-2004 | 20.0 | 12.3 | 2.2 |

Source: Statistics Canada, Survey of Labour and Income Dynamics.

Low income and low wage jobs

Low income is often linked conceptually with low wage jobs. How prevalent are low wage jobs and how has this changed over time? To what extent are low wage job holders likely to live in low income families?

Table 3. Number and proportion of full-time employees in low wage, by gender and age groups.

| | Number in low wage | Percent in low wage | | | | | | | | |
|------|--------------------------|---------------------|-------|---------|-------------|-------------|-------------|-------------|-------------|--|
| | | Total | | | Age groups | | | | | |
| | 000 | % | Males | Females | 16 to 24 | 25 to 34 | 35 to 44 | 45 to 54 | 55 to 64 | |
| | | | % | % | | | % | | | |
| 1993 | 1,231 | 16.1 | 12.0 | 22.4 | 48.5 | 16.2 | 11.9 | 11.1 | 12.4 | |
| 1994 | 1,345 | 17.0 | 14.0 | 21.7 | 51.5 | 18.4 | 11.3 | 10.8 | 15.9 | |
| 1995 | 1,201 | 15.0 | 11.1 | 21.0 | 50.9 | 15.9 | 10.3 | 8.9 | 10.8 | |
| 1996 | 1,628 | 20.6 | 17.4 | 25.4 | 56.9 | 20.5 | 16.3 | 15.5 | 17.7 | |
| 1997 | 1,492 | 18.0 | 13.2 | 25.1 | 56.3 | 19.9 | 12.4 | 11.8 | 15.2 | |
| 1998 | 1,433 | 16.7 | 12.9 | 22.2 | 50.6 | 18.5 | 11.9 | 12.1 | 13.4 | |
| 1999 | 1,228 | 14.3 | 10.1 | 20.5 | 45.1 | 15.1 | 10.0 | 10.3 | 11.6 | |
| 2000 | 1,251 | 14.0 | 9.8 | 20.0 | 45.3 | 13.8 | 10.3 | 9.4 | 12.1 | |
| 2001 | 1,289 | 14.0 | 9.9 | 19.7 | 44.7 | 14.1 | 9.8 | 9.6 | 13.0 | |
| 2002 | 1,262 | 14.0 | 9.8 | 20.0 | 47.5 | 13.4 | 9.7 | 9.9 | 12.9 | |
| 2003 | 1,344 | 14.8 | 10.9 | 20.1 | 47.2 | 13.2 | 11.3 | 11.1 | 12.5 | |
| 2004 | 1,338 | 14.4 | 10.2 | 20.0 | 45.6 | 12.9 | 10.2 | 11.5 | 12.9 | |

Source: Statistics Canada, Survey of Labour and Income Dynamics.

One in seven full-time employees held low wage jobs in 2004¹

In 2004, nearly 1.4 million full-time employees aged 16 to 64 held low wage jobs, representing 14% of all full-time employees². This rate has been fairly steady over the past decade, peaking from 16% in 1993 to just over 20% in 1996. The decline in low wage workers from 1993 to 2004 is small, but statistically significant. Low wage workers are defined here as those whose composite wage rate from all jobs is lower than \$10 per hour (in constant 2001 dollars).

Throughout the period from 1993 to 2004, the proportion of women in low wage jobs remained roughly twice as high as that of men. One explanation for this may be that women are more likely to be in low paid occupations such as clerical, sales and service jobs (Chung 2004).

Also the proportion of youngest workers aged 16 to 24 in low wage jobs was consistently 3 to 4 times that of older workers aged 25 to 64. This is to be expected, since wages increase with experience and job tenure.

1. Full-time students and those who had any self-employment income were excluded from this analysis. Employees with a zero wage rate and zero hours worked were also excluded. Full-time employees are those who worked at least 30 hours per week during the weeks they were employed.

2. Previous studies, using Census data, have generated different numbers from those presented here. For example, Chung (2004) found 1,675,000 full-time low wage workers in 2000, representing 16% of all full-time workers, compared to 1,251,000 and 15% in this analysis. Though this analysis used conceptually similar definitions of low pay (under \$10 an hour) and full-time work (at least 30 hours per week) as those used by Chung (2004), the questions and methods used to operationalize the definitions on SLID are quite different from those used on the Census. On the Census, hourly wage is derived from annual earnings, weeks worked and an implicit assumption of 37.5 hours per week, rather than measured directly. Also, on the Census full-time work is measured using a single question ("During most of those weeks, did this person work full time or part time") rather than a series of questions for each job.

Low wage work was far more prevalent for those with lower levels of education. The proportion of low wage workers among those with high school or less was never less than 20% between 1993 and 2004, while among those with university degrees, it was never higher than 10%.

At first glance, the decline in low wage jobs among recent immigrants between 1993 and 2004 appears to be large. However, this difference is not statistically significant mainly due to small sample sizes.

Table 4. Incidence of low wage, by highest level of education and immigrant status

| | Percent in low wage | | | | | | |
|------|---------------------|-------------------------------|---|-------------------|--------------------------------------|-------------------|------------------------|
| | Total | By highest level of education | | | for immigrants and the Canadian born | | |
| | | High school or less | Non-university post-secondary certificate | University degree | Canadian born | Recent immigrants | Established immigrants |
| | | % | | | % | | |
| 1993 | 16.1 | 23.4 | 12.4 | 4.5 | 15.2 | 45.7 | 13.6 |
| 1994 | 17.0 | 24.0 | 13.4 | 6.8 | 16.7 | 35.7 | 13.0 |
| 1995 | 15.0 | 20.7 | 12.6 | 6.3 | 14.7 | 36.5 | 11.1 |
| 1996 | 20.6 | 27.2 | 17.4 | 9.8 | 19.9 | 37.8 | 18.4 |
| 1997 | 18.0 | 24.8 | 14.9 | 6.4 | 17.4 | 34.0 | 15.9 |
| 1998 | 16.7 | 23.6 | 14.1 | 5.9 | 16.3 | 33.0 | 15.0 |
| 1999 | 14.3 | 20.9 | 10.9 | 4.4 | 13.3 | 33.0 | 13.4 |
| 2000 | 14.0 | 20.9 | 10.6 | 3.5 | 13.6 | 26.5 | 12.2 |
| 2001 | 14.0 | 21.5 | 10.3 | 2.9 | 13.5 | 24.0 | 12.4 |
| 2002 | 14.0 | 21.1 | 11.0 | 4.3 | 13.3 | 27.1 | 12.5 |
| 2003 | 14.8 | 22.8 | 12.0 | 4.4 | 14.2 | 25.2 | 13.6 |
| 2004 | 14.4 | 22.5 | 11.4 | 4.2 | 13.7 | 26.4 | 13.4 |

Source: Statistics Canada, Survey of Labour and Income Dynamics.

Low wage work on the decline in Alberta and Saskatchewan

Alberta and Saskatchewan were the only provinces with significant declines in low wage workers between 1993 and 2004. For example, in 1993 the low wage worker rate in Alberta (19%) was not significantly different from the rates in New Brunswick (22%) and Nova Scotia (24%). However by 2004, Alberta's rate (14%) was significantly lower than both New Brunswick's (28%) and Nova Scotia's (24%).

Similarly, though Saskatchewan's rate of low wage workers in 1993 was not significantly different from those of Newfoundland and Labrador, New Brunswick and Nova Scotia, by 2004 it was lower than each of them.

Table 5. Incidence of low wage, full-time workers, 16 to 64 years old, by province

| Low wage, by province | | | | | |
|-----------------------|------------------------------|----------------------------|-------------|------------------|--------|
| | Newfoundland and Labrador | Prince Edward Island | Nova Scotia | New Brunswick | Quebec |
| | % | | | | |
| 1993 | 26.7 | 32.1 | 24.0 | 22.3 | 16.8 |
| 1994 | 26.2 | 32.4 | 27.1 | 29.1 | 16.9 |
| 1995 | 23.8 | 29.4 | 22.4 | 23.6 | 16.5 |
| 1996 | 29.8 | 41.0 | 26.2 | 32.2 | 21.3 |
| 1997 | 28.2 | 39.7 | 25.3 | 30.0 | 18.1 |
| 1998 | 28.5 | 33.5 | 23.9 | 29.6 | 17.9 |
| 1999 | 27.2 | 32.4 | 23.0 | 24.4 | 15.8 |
| 2000 | 27.2 | 32.1 | 23.3 | 24.4 | 15.1 |
| 2001 | 28.7 | 31.7 | 20.5 | 25.0 | 15.7 |
| 2002 | 29.3 | 33.9 | 23.2 | 25.9 | 14.6 |
| 2003 | 31.3 | 34.1 | 24.4 | 25.7 | 15.8 |
| 2004 | 32.2 | 33.4 | 23.9 | 27.5 | 14.6 |

| Low wage, by province | | | | | |
|-----------------------|---------|----------|--------------|---------|---------------------|
| | Ontario | Manitoba | Saskatchewan | Alberta | British Columbia |
| | % | | | | |
| 1993 | 13.5 | 22.1 | 24.5 | 19.1 | 10.9 |
| 1994 | 14.9 | 23.5 | 26.3 | 17.0 | 12.7 |
| 1995 | 11.5 | 22.1 | 23.7 | 18.1 | 10.4 |
| 1996 | 17.4 | 25.6 | 27.3 | 24.9 | 16.6 |
| 1997 | 14.8 | 23.7 | 24.5 | 22.0 | 14.4 |
| 1998 | 12.6 | 20.9 | 21.7 | 20.8 | 14.1 |
| 1999 | 11.0 | 18.9 | 17.9 | 16.5 | 11.3 |
| 2000 | 10.8 | 20.2 | 20.5 | 15.1 | 10.7 |
| 2001 | 10.5 | 19.3 | 18.8 | 15.6 | 11.0 |
| 2002 | 11.1 | 17.8 | 18.1 | 15.1 | 11.5 |
| 2003 | 11.8 | 20.5 | 18.7 | 13.9 | 12.8 |
| 2004 | 11.6 | 20.6 | 18.3 | 13.7 | 12.4 |

Source: Statistics Canada, Survey of Labour and Income Dynamics.

Almost half of low wage workers were their family's major income earners

Low wage workers consist of two quite distinct groups. Just over half are not their family's major income earner, and as a result are not very likely to live in low income. In 2004, only 3.5% of such workers lived in low income families³, compared to the 1.9% of higher-wage workers who lived in low income.

On the other hand, almost half of low wage workers are their family's major income earners. This group is much more likely to experience low income – almost 25% lived in low income families in 2004.

3. The after tax low income cutoff was used in this analysis.

Table 6. Low wage major income earners and low income

| | Total in low wage 000 | Proportion of low wage who are major income earners % | Percent in low income | | |
|------|-----------------------------|---|---------------------------------------|--|--------------------|
| | | | Low wage major income earner | Low wage, not major income earner % | Not in low wage |
| 1993 | 1,231 | 43.4 | 28.2 | 1.4 | 1.6 |
| 1994 | 1,345 | 49.4 | 22.9 | 5.2 | 2.7 |
| 1995 | 1,201 | 47.5 | 28.2 | 3.6 | 2.8 |
| 1996 | 1,628 | 53.1 | 20.7 | 2.6 | 2.2 |
| 1997 | 1,492 | 46.8 | 29.1 | 4.9 | 2.6 |
| 1998 | 1,433 | 48.5 | 22.4 | 2.9 | 2.2 |
| 1999 | 1,228 | 45.9 | 27.2 | 3.0 | 2.2 |
| 2000 | 1,251 | 45.5 | 27.2 | 2.7 | 2.2 |
| 2001 | 1,289 | 44.6 | 22.1 | 2.4 | 2.0 |
| 2002 | 1,262 | 42.8 | 24.6 | 3.4 | 1.6 |
| 2003 | 1,344 | 43.7 | 26.6 | 2.0 | 1.9 |
| 2004 | 1,338 | 44.1 | 24.7 | 3.5 | 1.9 |

Source: Statistics Canada, Survey of Labour and Income Dynamics.

Major income earners also more prone to experience low income repeatedly

Major income earners in low wage jobs were also more prone than other workers to experience low income repeatedly. For example, among major income earners in low wage jobs in 1999, almost 19% experienced low income for at least 2 (not necessarily consecutive) years between 1999 and 2004. This was true of less than 5% of other low wage workers and less than 2% of higher-wage workers.

Nevertheless, over 60% of 1999's low wage major income earners never experienced low income in any year between 1999 and 2004.

Table 7. Incidence of low income over 1999-2004

| <i>Situation in 1999</i> | Percent in low income, 1999-2004 | |
|-----------------------------------|----------------------------------|-------------------|
| | At least one year | Two or more years |
| | % | |
| Low wage major income earner | 39.2 | 18.5 |
| Low wage, not major income earner | 9.4 | 4.6 |
| Not low wage | 3.7 | 1.5 |

Source: Statistics Canada, Survey of Labour and Income Dynamics.

Among low wage earners, single people and lone parents are most vulnerable to low income

Among low wage major income earners, single people and lone parents experienced the highest rates of low income. In 2004, 35% of low wage singles and 32% of low wage single parents (mainly single mothers) lived in low income.

Married major income earners in low wage jobs were less likely to experience low income, especially if they had no children. Nineteen percent of those with children lived in low income in 2004, compared to less than 15% of those without children.

The vast majority of married major income earners in low wage jobs live in families with at least two earners. Families with two earners, even if both hold low wage jobs, can share major expenses such as housing, and are thus less likely than single-earner families to experience low income.

Table 8. Incidence of low income among low wage major income earners, by family types

| | Percent in low income | | | | |
|------|-----------------------|----------------------|-----------------------|--------------|-------|
| | Unattached | Married, no children | Married with children | Lone parents | Other |
| | | | % | | |
| 1993 | 47.2 | 6.6 | 20.1 | 35.7 | 23.4 |
| 1994 | 32.8 | 15.1 | 15.0 | 30.8 | 21.6 |
| 1995 | 41.0 | 4.0 | 30.3 | 28.6 | 8.7 |
| 1996 | 38.3 | 8.6 | 12.8 | 38.3 | 13.5 |
| 1997 | 46.4 | 11.3 | 20.5 | 39.2 | 8.3 |
| 1998 | 36.5 | 9.8 | 15.1 | 25.0 | 16.3 |
| 1999 | 39.7 | 8.9 | 20.5 | 30.8 | 11.5 |
| 2000 | 40.0 | 3.4 | 21.1 | 36.4 | 12.4 |
| 2001 | 35.3 | 8.0 | 14.3 | 23.6 | 4.8 |
| 2002 | 39.8 | 10.4 | 13.0 | 26.4 | 16.3 |
| 2003 | 39.8 | 9.6 | 22.6 | 22.9 | 17.9 |
| 2004 | 34.7 | 14.5 | 19.0 | 32.4 | 9.2 |

Source: Statistics Canada, Survey of Labour and Income Dynamics.

Sample

Data from SLID used in this analysis were drawn from both its cross-sectional sample and its longitudinal sample.

For the low wage analysis, the cross-sectional sample used consists of all Canadians aged 16 to 64 who were not self-employed, not full-time students, had a positive composite wage rate and a positive number of hours worked, and responded to the SLID survey at least once between 1993 and 2004.

The longitudinal sample used consists of those individuals in the cross-sectional sample who responded to the SLID survey for at least two consecutive years from 1993 to 2004, or in some cases those who responded for all six years between 1999 and 2004.