



LABOUR AND INCOME

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MOVING OUT OF LOW PAID WORK: 1993 TO 1995

On June 17, Statistics Canada released the third wave of data from SLID, which sheds new light – among other topics - on the upward mobility of low-paid workers in Canada between 1993 and 1995. This article summarizes the findings of a study titled “The upward mobility of low-paid Canadians: 1993-1995”.

According to SLID data, about 21% of Canadian workers who had a low-paying job in 1993 had managed to climb out of it by 1995. They were able to do so by changing jobs, working longer hours or receiving a pay increase from their employers. During those years, men were more likely to escape a low-paying job than women, and female lone parents had an especially hard time moving up to jobs that paid more.

This study covered the paid workers who were employed in both December 1993 and December 1995, and who had low earnings in December 1993. They ranged in age from 15 to 60, and they had not been enrolled in school full-time in either 1993 or 1995.

These workers were considered to have low-paying jobs if their weekly earnings in 1993 were less than \$404.16. This amount

Editor's Note

We are pleased to announce the official release of our wave 3 data, corresponding to reference year 1995. To mark the availability of data, an analytical study has been prepared which looks at upward earnings mobility of Canadian workers who had a job in both December 1993 and 1995.

In this issue of *Dynamics*, you will find the analytical text which was included in Statistics

Canada's *The Daily* on June 17. The complete study is available as Working Paper 98-07. Contact information for obtaining this document is included at the end of the article.

Nathalie Noreau

approximated Statistics Canada's low income cut-off for a family of two people living in an urban area of at least half a million people in 1993. A low earner in 1993 was said to have "moved up" in 1995 if his 1995 weekly earnings were at least \$455.25, that is at least 10% greater than the 1995 low weekly earnings threshold of \$413.86.

Men more likely to move up

In recent years, the wage gap between men and women has narrowed. Young women who have entered the labour market during the 1990s have generally been more educated and more career-oriented than in previous years.

Despite these significant changes, women have moved out of low paying jobs less frequently than men. This study showed that of all men who had low weekly pay in 1993, almost one-third had a better paying job by 1995. In contrast, only 17% of women did so.

The upward mobility of female lone parents was even more limited. Of all those who had low earnings in 1993 and were still employed in 1995, only 12% had moved up by 1995.

The reasons for the lower upward mobility of women are not well known. Low-paid women could experience slower earnings growth if they received less training or had more frequent work interruptions than low-paid men. They may also be over-represented in occupations such as sales and consumer services that exhibit little reward for experience.

The fact that low-paid women work more often than low-paid men in part-time jobs, which generally provide fewer opportunities for advancement, must be ruled out as an explanation. The reason is that the lower upward mobility of women remains even after accounting for this difference in part-time work.

Compared to other women, female lone parents may be more limited in the type of jobs they can choose. They may have to accept jobs that are close to home or school, part-time jobs that coincide with children's school hours or jobs that do not require long work weeks.



Changing employers: not always a good thing

In general, the study showed that workers who changed employers were more likely to escape low earnings than those who remained with the company. However, this was not true for all job changers.

Only 19% of employees who found a new job after being laid off moved up, compared with 24% of those who had quit their previous job. This likely reflected the fact that displaced workers were more vulnerable to earnings losses when moving to another job than workers who left the firm voluntarily.

Job changers who moved from a non-unionized to a unionized job were particularly successful at escaping low earnings. Between 1993 and 1995, 32% of job changers who did so succeeded in moving out of low paid work, compared with 20% of other workers.

Unskilled workers had lowest chances of moving up

Individuals who had only a high school diploma had much lower chances of moving out of a low-paying job than did university graduates. Between 1993 and 1995, only 16% of high school graduates managed to improve their level of earnings. This was less than half the corresponding proportion for university graduates (34%).

Similarly, 33% of highly skilled workers involved in professional, natural and social science occupations moved on to better pay, compared with 11% of those employed in sales and 12% of those in services-related occupations.

Workers in the consumer services industry were less likely to move up than other workers, likely because they had relatively low skills. The upward mobility of these workers might have been foiled because their abilities were not marketable in other better-paying sectors of the economy.

These results support the idea that in an economy increasingly based on knowledge, highly skilled workers are expected to be more successful than workers who have low education and training.

Older workers less likely to move up

Workers aged 55 to 60 were three times less likely to move out of low earnings than their younger counterparts. At least two factors may explain this result.

On the one hand, perhaps low-paid workers who are near the end of their career enjoy a relatively modest growth in their pay rates, compared to what they have experienced in the past. That is, they may be at a point where their earnings have already peaked and, as a result, are not experiencing further significant changes in their paychecks.

On the other hand, some of the older workers may currently keep receiving low earnings simply because they have decided to reduce their working hours as a means of moving gradually into retirement.

Mobility varied by province

Workers in different regions of Canada were faced with distinct upward mobility patterns. About one in four workers in Ontario and British Columbia moved out of low weekly earnings in 1995, compared to only one in 10 workers in the Atlantic provinces and in Manitoba.

Even if favorable economic conditions may have contributed to the upward mobility of Ontario and British Columbia workers, they cannot explain all the regional differences.

Table 1 : Percentage of low earners moving up, 1993 - 1995. *

| | % |
|--|------|
| All low earners | 21.1 |
| Gender and family composition | |
| Men | 31.3 |
| Women | 16.7 |
| Female - lone parents | 11.8 |
| Female - married | 15.9 |
| Female - not married, no children | 21.4 |
| Changed employer ? | |
| Yes - following a layoff | 19.2 |
| Yes - following a quit | 24.1 |
| Yes - for other reasons | 28.5 |
| Remained with employer - change in duties | 24.0 |
| Remained with employer - no change in duties | 18.6 |
| Moved from a non-unionized to a unionized job ? | |
| Yes | 32.1 |
| No | 20.3 |
| Education | |
| High school or less | 15.8 |
| University Degree | 34.2 |
| Occupation | |
| Professional, managers, natural and social sciences | 32.6 |
| Clerical | 20.3 |
| Sales | 10.9 |
| Services | 12.3 |
| Blue-collar | 25.9 |
| Industry | |
| Goods sector | 29.3 |
| Distributive and business services | 27.9 |
| Public services | 26.5 |
| Consumer services | 11.4 |
| Age | |
| 15-24 | 21.6 |
| 25-34 | 23.6 |
| 35-44 | 22.4 |
| 45-54 | 19.0 |
| 55-60 | 6.9 |
| Region | |
| Atlantic provinces | 11.9 |
| Quebec | 21.8 |
| Ontario | 24.7 |
| Manitoba | 11.1 |
| Saskatchewan | 14.9 |
| Alberta | 19.4 |
| British Columbia | 27.3 |

* The sample consists of paid workers who had low weekly earnings in December 1993 and were employed in December 1995. The family composition, the education level, the occupation, industry and region are as of December 1993.

For example, workers in Quebec escaped low weekly earnings more often than those in Manitoba and Saskatchewan even though average weekly earnings and employment grew as strongly in these last two provinces as they did in Quebec.


The regional differences observed could reflect the fact that upward mobility is more limited in thin labour markets. Large provinces generally have a more diversified industrial structure than smaller provinces and thus may offer low-paid workers more opportunities to find new jobs in better-paying sectors of the economy.

All the differences in upward mobility outlined in this report remain statistically significant when all factors are considered simultaneously. This includes differences between men and women, between workers who are laid-off and workers who quit, between workers who move from a non-unionized to a unionized job and other workers, between high school and university graduates, and so on.

For further information on this study, contact René Morissette (613-951-3608) or Marie Drolet (613-951-5691), Business and Labour Market Analysis Division.

The study “The upward mobility of low-paid Canadians: 1993 to 1995” (STC product number: 75F0002M; catalogue number 98-07, \$10 for a paper copy or free on the Internet) is now available. In addition, Statistics Canada is releasing the third wave of data from SLID corresponding to reference year 1995. To allow the next wave of data to be released earlier, no public-use microdata file will be produced for the third wave. However, these data will be included in the next public-use microdata file scheduled for release at the end of 1998. Third-wave data are available for access through custom data retrievals or remote access. For more information, or to order the study, contact Client Services, Income Statistics Division, at dynamics@statcan.ca or call 613-951-7355 or toll free: 1-888-297-7355.



WAVE 3: UPCOMING STUDIES
What Moves Children Into and Out of Low-Income: Marriage and Divorce, or Changing Labour Market Conditions of the Parents?

Issue: It is well known that both changes in family composition and labour markets play a role in low-income dynamics. The longitudinal nature of SLID allows us to pose two questions.


- ▶ What is the dominant factor that alters the probability that a child will move into or out of low-income; a marriage or divorce (or other family compositional change), or changes in wages or weeks worked among the parents?
- ▶ What is the role of each of these two factors in the aggregate flows into and out of low income?

Recent Canadian Evidence on Job Quality by Firm Size

Issue: How do the wages, fringe benefits, work schedules, working conditions and job satisfaction differ among workers in small and large firms?

Entry and Exit Into Self-Employment

Issue: Are there significant flows into self-employment? From which labour market states do workers enter self-employment and into which do they exit from self-employment. What are the characteristics of workers with a high probability of moving into self-employment? Are people being "pushed" into self-employment because of a lack of paid employment or "pulled" by the comparative advantages of self-employment over paid employment?


SURVEY OF CONSUMER FINANCES: ONE MORE YEAR

A previous issue of *Dynamics* announced that the Survey of Consumer Finances (SCF) would be discontinued, and that a "bidge" processing system would be implemented to allow the transition between SCF data and SLID income data in spring 1998. To provide a greater period of overlap between the two surveys, allowing more studies on the impact of the change in the source of the cross-sectionnal income data, the SCF has been conducted once more in April 1998. This change also removes the need for a "bridge" processing system.

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**CERF RESEARCH PAPERS
AVAILABLE ON THE
INTERNET**

■ A Canadian Employment Research Forum (CERF) conference was held on May 28 and 29 in Ottawa. Many studies have been presented at this conference, with a number of them using SLID data. Here is a list of those studies:

Multivariate Duration Models, Labour Supply and the Presence of Young Children

Padma Rao Sahib (Concordia University)

Economic Circumstances and the Stability of Non-Marital Cohabitation

Zheng Wu (University of Victoria)

Labour and Income Dynamics in the Canadian Cultural Sector

Benoît Laplante (Université du Québec)

Income and Employment Dynamics in Rural Areas: The Risk of Social Exclusion

Esperanza Vera-Toscano (St. Mary's – Kings' College)

What Do People Do When They Are Laid Off?

Paul Bernard & Stéphane Crespo (Université de Montréal) &
Johanne Boisjoly (Université du Québec à Rimouski)

Movement Into and Out of Low Income: Is It Due to Changes in Labour Market Conditions or Family Formation?

Garnett Picot, Myles Zybblock (Statistics Canada)

Although they are not yet all available, the studies presented at the conference can be found on the CERF Internet site. You will find those papers at the following address:

<http://www.ecn.ulaval.ca/~mvand/cerf>



**WORKING PAPER
SUMMARIES**

■ The following are recently released working papers which can be ordered individually (\$10) or by annual subscription (\$50 on disquette or \$100 for paper version for 12 to 15 documents). These documents are also available free of charge on the Internet through Statistic's Canada web site (www.statcan.ca).

98-03 SLID Labour Interview Questionnaire - January 1998
Ruth Dibbs, Debbie Lutz, Willo Wallace

Every January, the SLID labour interview is conducted using computer-assisted interviewing (CAI). CAI is paperless interviewing. This document is therefore a written approximation of the CAI interview, or the questionnaire.

A labour questionnaire is collected for all respondents 16 years and over. Starting in 1998 an annual cross sectional topup sample of 9,000 households was added and eligible members of this group also received the labour interview.

98-04 1998 Preliminary Interview Questionnaire
Ruth Dibbs, Debbie Lutz, Willo Wallace

A Preliminary Interview of background information is collected for all respondents aged 16 and over who enter the SLID sample. For the majority, this occurs when a new panel and a topup sample is introduced and is conducted as part of the annual Labour interview. However, all persons living with a longitudinal respondent are also interviewed for SLID. Thus some Preliminary interviews are conducted for new household members and longitudinal persons who have turned 16.

98-05 General Aspects of the Survey of Labour Income Dynamics
Mylène Lavigne, Sylvie Michaud

This working paper provides an overview of SLID's principal goals, as well as the detailed methodological aspects related to the survey. The following topics are discussed: selection and characteristics of sample; sample rotation plan; data collection; following rules; tracing with CAI; SLID response rates; imputation; weighting and confidentiality.

*98-06 Questionnaire and Collection Procedures for SLID Income
Data Collection - May 1998*

*Judy Sauvé, Debbie Lutz, Anne Palmer, Willo
Wallace*

In May 1998, SLID collected data on income from both its first and second panels and topup respondents. Approximately 9000 new households were added to the SLID sample in 1998 as a “top up sample” to help compensate for attrition to improve cross-sectional income estimates. This top up sample is in SLID only for one year.

*98-07 The Upward Mobility of Low Paid Canadians : 1993-1995
René Morissette, Marie Drolet*

This study examines the upward mobility of low-paid Canadians between 1993 and 1995. We follow workers with low weekly earnings in their main job in December 1993 and examine their upward mobility in December 1995. In this article, we first establish a profile of workers with low weekly earnings. Next, we investigate the determinants of upward mobility such as workers’ education, age, gender, occupation and industry of employment as well as changes in employers and the impact of these changes on the upward mobility of Canadian workers.