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Quality of Employment in Canada

Employees with low pay, 1998 to 2021

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Employees with low pay, 1998 to 2021

Overview

In the Canadian labour market, low pay is most commonly found among part-time employees and younger employees aged 15 to 24. Employees who are older or with higher levels of education are less likely to have hourly earnings below the low-pay threshold.

The United Nations Economic Commission for Europe (UNECE) Expert Group on Quality of Employment defines the low pay threshold as hourly earnings less than two-thirds the median hourly earnings (before tax and other deductions). The low pay threshold is calculated in relation to the median wage for all employees in their main job in each year, rather than separately for different groups of workers, to identify persons potentially disadvantaged compared with the median employee in Canada. The proportion of employees with low pay is an indicator of wage equity and social cohesion and may provide information on those at risk of economic hardship. This indicator should be interpreted in conjunction with the median and mean hourly wage to help identify trends in the level of earnings. Government programs and tax policies that are intended to support workers with low income may also mitigate the effects of low pay.

All data for the low pay indicator are from the Labour Force Survey (LFS). The analysis is restricted to employees and hourly wage data are adjusted on the basis of the Consumer Price Index (CPI) and expressed in 2021 constant dollars.

Public health restrictions introduced to limit the spread of COVID-19 in March 2020 resulted in unprecedented job losses in the Canadian labour market, with employment declining by 3 million from February 2020 to April 2020. These initial losses were disproportionately concentrated among lower-paying jobs in industries where working from home is more challenging, such as accommodation and food services, and information, culture and recreation. Based on the 2019 low-pay threshold, the number of employees earning low pay fell 37.7% (-1.2 million, not seasonally adjusted) from February 2020 to April 2020. In comparison, the number of employees with earnings above the low-pay threshold declined by 12.7% (-1.6 million). As a result, the proportion of employees earning less than two-thirds of the median hourly wage fell 0.9 percentage points to an average of 19.3% in 2020.

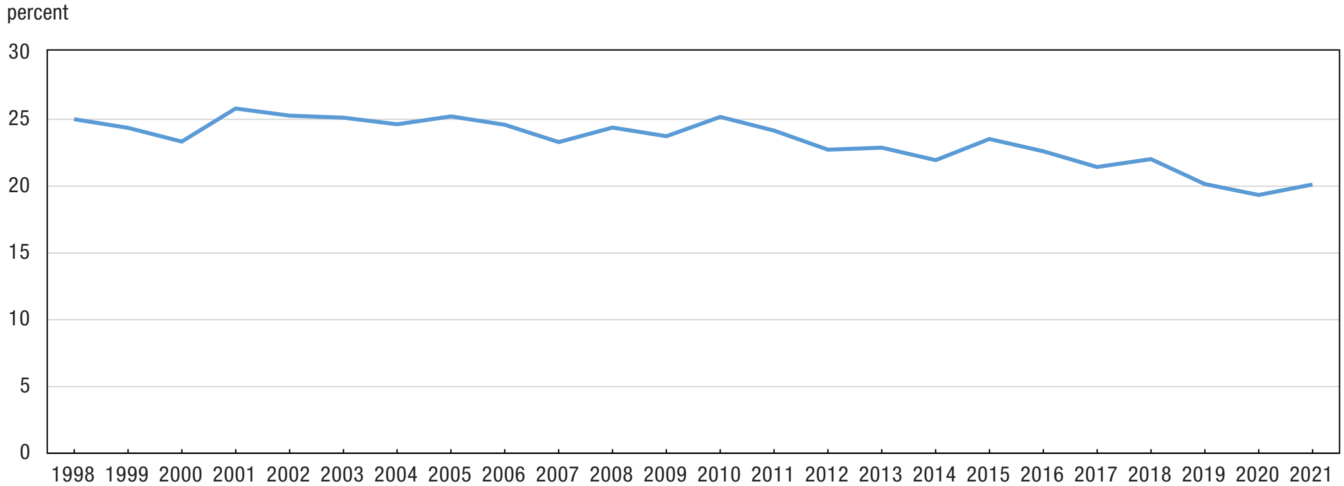
Despite the tightening and easing of public health restrictions throughout 2020 and 2021, employment among low-paid employees rebounded from 2020 to 2021 on average, leading to an increase in the low-pay rate to 20.1%.

Historical trends, 1998 to 2021

In 1998, the median hourly wage of employees was $22.16 and the low pay threshold was $14.77. During that year, an average of 1 in 4 employees (25.0%) earned less than the low pay threshold. By 2021, the median hourly wage had increased to $26.00 and the proportion of employees earning low pay was down nearly 5 percentage points to 20.1%. The low-pay threshold was $17.33 in 2021.

From 1998 until 2010, the low pay rate was relatively stable. The rate subsequently declined from 2010 to 2014, falling 3.2 percentage points to 22.0%. After hovering around the same level from 2014 to 2018, the rate fell to 20.2% in 2019 and 19.3% in 2020, reaching its lowest level since comparable data became available in 1998.

Chart 1
Percentage of employees 15 years and over earning less per hour than the low-pay threshold, Canada, 1998 to 2021



Notes: The low pay threshold is two-thirds the median usual hourly wage. Due to rounding, estimates and percentages may differ slightly between different Statistics Canada products, such as analytical documents and data tables.
Source: Statistics Canada, Labour Force Survey, custom tabulation.

A recent snapshot

From 2020 to 2021, the number of employees earning low-pay increased by 316,000 (+10.7%), which accounted for 32.6% of total employment gains among employees. Most of the increase in the number of low-paid employees was concentrated among youth aged 15 to 24.

This was particularly true in accommodation and food services, where the number of youth aged 15 to 24 who were earning low pay increased by 32,000 (+10.3%), accounting for nearly all of the gains among low-paid employees in the industry.

Retail trade contributed the most to the overall net increase in the number of employees earning low pay in 2021 (30.2%). The majority (58.2%) of the rise in this industry was among youth with a high school diploma or less who were working part-time.

Despite the wide-ranging impact of the COVID-19 pandemic on the Canadian labour market, the main characteristics of low-paid employees have remained relatively stable.

In line with their higher average hourly earnings, men had a higher median hourly wage ($28.00) than women ($24.40) in 2021. In addition, there was a smaller proportion of men (17.1%) earning less than the low pay threshold than women (23.2%).

The proportion of employees earning less than the low pay threshold was particularly large among young persons aged 15 to 24. In 2021, 60.4% of employees in this age group had hourly earnings below the threshold, compared with 12.0% for core-aged employees (25 to 54) and 16.9% for older employees (55 and over).

Among core-aged employees, full-time workers[1] tend to have higher weekly earnings due to their longer work hours. Data on hourly wages also indicate that part-time employees have a lower median hourly wage, and are more likely to have low pay than full-time employees. In 2021, full-time employees aged 25 to 54 had a median hourly wage of $30.00, compared with $20.25 per hour for part-time employees. At the same time, part-time employees aged 25 to 54 were over three times more likely (33.6%) to have hourly earnings below the low pay threshold than full-time employees (9.6%).

1. Employees who usually work 30 hours or more per week.

The likelihood that an employee has low pay is also tied to his or her level of education. In 2021, employees aged 25 to 54 with a bachelor's degree or higher had median hourly earnings of $35.90, and 7.7% earned less than the low pay threshold. In contrast, core-aged employees with a high school diploma or less had a median wage of $23.00 per hour and were more likely to have low pay (21.9%).

Information on the indicator

Description or definition

The **employees with low pay** indicator measures the proportion of employees earning less than two-thirds of the median hourly earnings (before tax and other deductions) at their main job, which is considered by the UNECE Expert Group framework to be the low pay threshold.

The analysis presented in this article is based on low-pay thresholds that are calculated in relation to the median hourly wage of employees in each year. As a result, the low pay rate is not only influenced by the increase and decline in the number of employees at the bottom of the wage distribution, but also by changes in the median hourly wage. Large losses in the number of employees at the bottom of the wage distribution and relatively fewer losses at the top of the distribution in 2020 resulted in a notable increase in the median wage. In consequence, the low-pay threshold rose, and many employees earning slightly above the low pay threshold in 2019 were added to the low-pay group in 2020. Fixing the low-pay threshold to its 2019 level provides a more accurate picture of the employment losses recorded within the low-pay group in 2020. Based on the 2019 low-pay threshold, the proportion of employees earning low pay fell to 17.8% in 2020. As noted above, based on the 2020 threshold, the proportion of employees with low pay was 19.3% in 2020.

Source

Statistics Canada, Labour Force Survey, 1998 to 2021.

Information for interpretation

For more information on the Labour Force Survey (LFS) methodology and population coverage, please consult the Guide to the Labour Force Survey, 2020.

The LFS estimates are based on a sample and are therefore subject to sampling variability. The analysis focuses on differences between estimates that are statistically significant at the 95% confidence level. Due to rounding, estimates and percentages may differ slightly between different Statistics Canada products, such as analytical documents and data tables.

Industry coding is based on the North American Industry Classification System (NAICS) 2017.

Beginning in January 1997, information is collected on the usual wages or salaries of employees at their main job. Respondents are asked to report their wage/salary before taxes and other deductions, and include tips and commissions. Weekly and hourly wages/salaries are calculated on the basis of usual paid work hours per week. Average hourly wages, average weekly wages and wage distributions can then be cross-tabulated by other characteristics such as age, sex, education, occupation, and union status. In the present article, the analysis is restricted to the 23-year period of 1998 to 2021.

Real hourly wages were calculated from nominal hourly wages, by dividing them by the Consumer Price Index (CPI) for the year, then multiplying the result by 100. For this study, CPI=100 in 2021, meaning that results are presented in 2021 constant dollars.

CPI values are from Statistics Canada Table 18-10-0005-01: Consumer Price Index, annual average, not seasonally adjusted.

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