



*Centre for the Study of Living Standards
Centre d'étude des niveaux de vie*

The Positive Impact of Higher Minimum Wages in Canada: a Lower Wage Gap

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The Centre for the Study of Living Standards (CSLS) today released a report entitled “Trends in Low Wage Employment in Canada: Incidence, Gap and Intensity, 1997-2014” by CSLS economist Jasmin Thomas. Using micro-data from the Labour Force Survey, the report provides a comprehensive analysis of the trends in low-wage incidence, gap and intensity. Low wage incidence is defined as the proportion of workers aged 20 to 64 earning less than two-thirds of the median hourly wage of full-time workers. The low-wage gap reflects the depth of low-wage employment. A measure of low-wage employment is arguably most the important component of job quality because an individual’s labour market earnings largely determine their living standards.

Key findings for 2014 are highlighted below.

- Slightly more than one in four employees aged 20 to 64 years (27.6 per cent) were considered low-wage. Furthermore, the average hourly wage for low-wage employees was \$12.66, on average, approximately one half of median hourly wages.
- Females had a low-wage incidence that was 1.5 times higher than that of males.
- Young workers had an incidence of low-wages that was approximately 2.5 times higher than that of middle-aged and older workers.
- Part-time workers faced a low-wage incidence that was nearly 2.5 times higher than that faced by full-time workers.
- Alberta had the lowest incidence of low-wage jobs (17.4 per cent), while Nova Scotia had the highest incidence (33.7 per cent).

- Accommodation and food services and retail trade had the highest rates of low-wage incidence at 72.6 per cent and 60.5 per cent respectively. These two industries accounted for 41.5 per cent of all low-wage workers.

The Canadian work force is both aging and becoming more educated. As older and better educated workers have lower incidences of low-wages, one might have expected to see a decline in low-wage incidence over time. But this has not been the case in Canada as the incidence of low-wage employment was virtually unchanged between 1997 (27.9 per cent) and 2014 (27.6 per cent). Indeed, the incidence of low-wage employment for all educational attainment categories actually increased between 1997 and 2014.

Since 2004 the hourly minimum wage in Canada has increased 47 per cent from \$7.07 to \$10.40, after advancing only 10 per cent from 1997 to 2004. This development has had little effect on the incidence of low-wage employment, as the minimum wage is well below the low-wage cut-off (\$16.01 in 2014). But it significantly reduced the depth of low-wage employment with the low-wage gap falling from 23.4 per cent in 2006 to 21.0 per cent in 2014.

The report investigates the impact of increasing minimum wages to \$15 per hour on the low-wage gap. Such a move would decrease the low-wage gap 15 percentage points to 5.8 per cent because 88.2 per cent of low-wage employees aged 20 to 64 years earned less than \$15 per hour in 2014.

The report is posted at <http://www.csls.ca/reports/csls2016-10.pdf> and the low-wage employment database at <http://www.csls.ca/data/low-wagejobs.xlsx>

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The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards, and economic well-being in Canada through research.