

15 IS FAIR

Profile of Low-Wage Workers in Alberta



June 2016

What is the current minimum wage in Alberta?

Alberta's hourly minimum wage was increased by \$1.00 on October 1, 2015 and is currently set at \$11.20.

Alberta also has a separate minimum wage for workers who serve liquor. The liquor server minimum wage is \$10.70.

Most provinces do NOT have different minimums for liquor servers or other categories of workers (like youth).

The current Alberta government has promised to eventually phase out the liquor server wage, in favour of a single minimum wage.¹

How does Alberta's minimum wage compare to other provinces and territories?

Most provinces and territories have set their minimum wages in a similar range as Alberta.

B.C. is at the bottom at \$10.45; the Northwest Territories is at the top at \$12.50. Ontario, Canada's most populous province, has set its minimum at \$11.25.

Most Canadian jurisdictions are currently considering plans to increase their minimum wages, as are jurisdictions across the United States (including states, cities and the U.S. federal government).

The goal of implementing a \$15 minimum wage is not unique to Alberta. Multiple jurisdictions across North America have either already enacted plans to move to \$15 or are in the process of formulating plans.

The difference is that Alberta is now a leader in the global movement towards a living wage, not a laggard.²

How much would a full-time worker have to earn to stay out of poverty in Alberta?

The Alberta Federation of Labour feels strongly that people working full-time hours should earn enough to ensure that they and their families can live above the poverty line. How much would a person have to earn in order to achieve that goal?

According to research conducted by Vibrant Communities Calgary and the Edmonton Social Planning Council, a person working 35 hours a week for 52 weeks per year would need to earn \$18.15/hour in Calgary and \$17.36/hour in Edmonton in order to avoid poverty. For a person working 40 hours a week for 52 weeks per year, that figure would be closer to \$15/hour.

Based on these calculations, it is clear that the current minimum wage of \$11.20 is not even close to being a living wage. The results of this gap between the current minimum wage and a real living wage can be seen in the growing number of people who have been forced to use food banks over the past decade.

In Alberta, reliance on food banks increased 23.4% from 2014 to 2015, and 82.8% since 2008. Just over 41 per cent of all food bank users are children and one third of households using food banks were led by people with jobs – the highest rate of “working poverty” in the country. Too many parents are making poverty level wages, even though they are working hard to provide for their families.

¹ Government of Alberta, Minimum Wage Profile, March 2016.

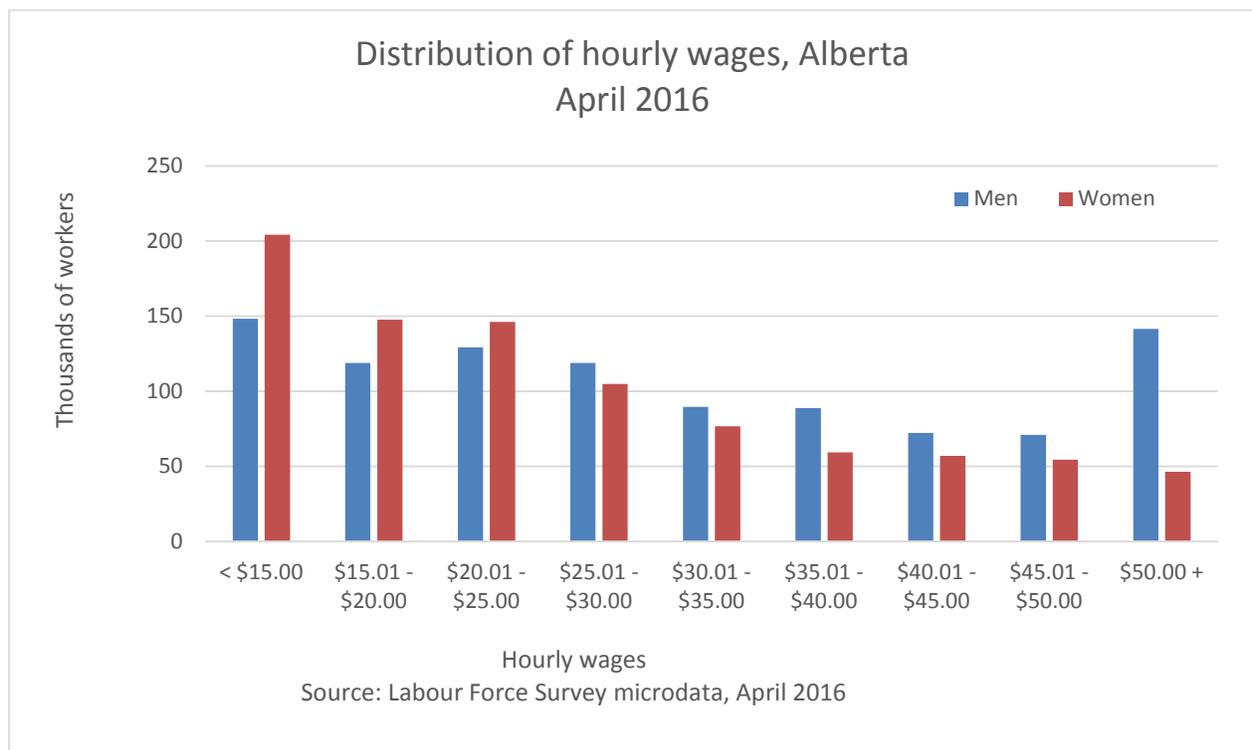
² Ibid.

How helpful are statistics about current minimum wage workers when it comes to the discussion about the provincial government's plan to move the minimum to \$15?

Critics of the current government's plan to increase the minimum wage in stages to \$15 by 2018 often argue that increases aren't really needed because so few Albertans actually earn the minimum wage. While it's true that only 3 percent of Alberta workers are paid the current minimum of \$11.20, these arguments completely miss the point.

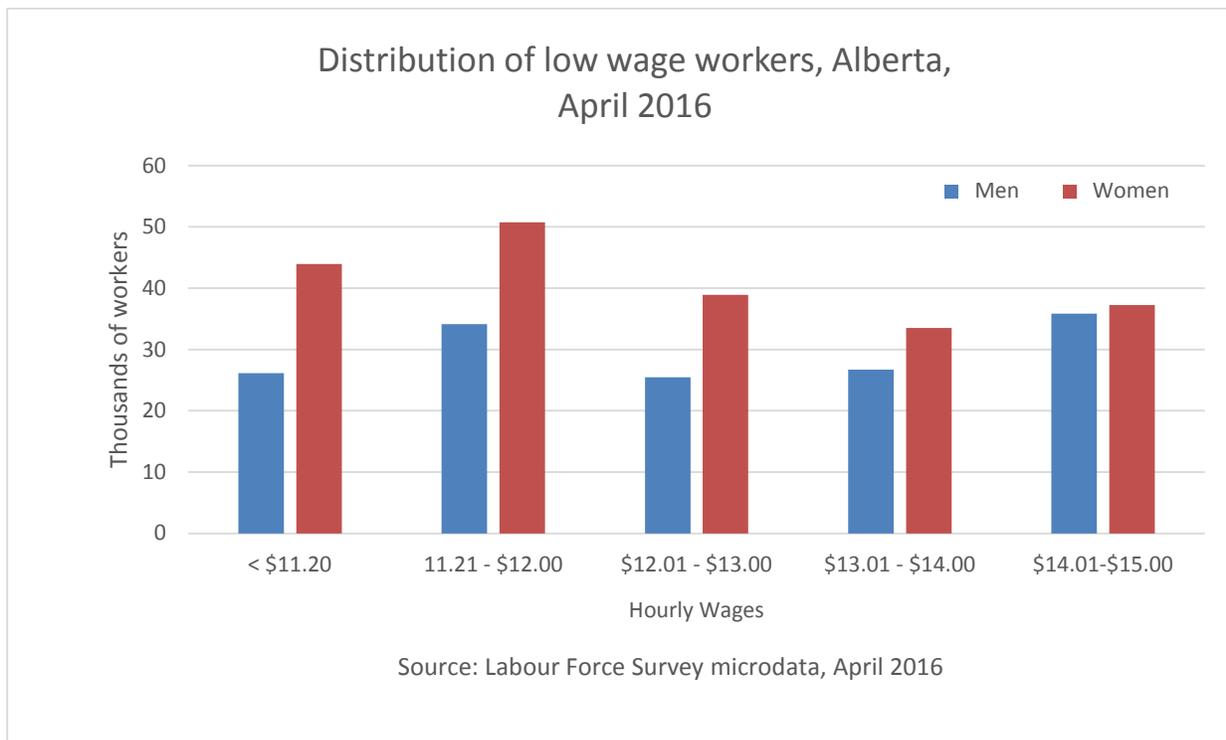
If our goal is to ensure that minimum-wage workers are not consigned to lives of poverty, then we should be looking at ALL workers who earn less than a living wage, not just those who are making the bare minimum of \$11.20.

That means that we should be looking at statistics related to all Albertans who currently earn low-wages (between \$11.20 and \$15 per hour), not just those who earn the lowest possible wage. This is the group that is struggling to make ends meet; it is the group that will be directly affected by the move to a \$15 minimum; and it's a MUCH larger group than the group of Albertans earning the exact minimum wage.



How many Albertans work for \$15/hour or less?

There are currently 334,400 Albertans who work for \$15 per hour or less. That translates to about 18 per cent of Alberta’s workforce. To put it another way, nearly one in five Albertans work for sub-poverty wages.³



What is the gender balance of Alberta’s low-wage workers?

As it stands today, 209,000 of the 334,400 Albertans who work for \$15 per hour or less are women. That translates to 63 per cent. Overall, one in four women active in Alberta’s labour force are paid \$15 per hour or less. In contrast, only 13 per cent of men active in the Alberta labour force are paid \$15 per hour or less.⁴

What is the age breakdown of Alberta’s low-wage workers?

Critics of the government’s minimum wage plan often argue that most low-wage workers are kids with no responsibilities. The implicit message is that it’s okay to under-pay and exploit workers if they happen to be young.

This argument would be an offensive enough even if it was true – but it’s not. The truth is that 56 per cent (187,000) of Albertans earning less than \$15 per hour are over the age of 25. So much for the argument that they’re all a bunch of teenagers!⁵

³ Statistics Canada, Labour Force Survey

⁴ Ibid.

⁵ Ibid.

How many of Alberta’s low-wage workers are students?

The same critics who argue that low-wage workers are kids also argue that they are mostly students. Again, this is an offensive argument. Don’t these guys know how much it costs to get a post-secondary education these days?! And, again, they’ve got their numbers wrong. The truth is that only 78,500 of Alberta’s 334,400 low-wage workers are students. That means that 77 per cent (255,900) of low-wage workers in the province are NOT students. For this group, work is their life, not a sideline pursuit.⁶

What proportion of students and young people active in the Alberta work force earn \$15/hour or less?

While the majority of low-wage workers in Alberta are NOT young and NOT students, if you happen to be a young worker or a student who is also holding down a job, you are MUCH more likely to be paid low wages than other Albertans. Thirty-seven per cent of Alberta workers between the ages of 15 and 24 earn \$15 per hour or less ... and a whopping 56 per cent of students with jobs fall into the same category.⁷

How many low-wage workers in Alberta are parents?

Of the 334,400 Albertans earning less than \$15 per hour, 60,000 (or 18 per cent) have at least one child under the age of 18. For many of these people, low wages are not just a “poverty sentence” for themselves – they’re a sentence for their children and families as well.⁸

Does unionization make a difference to low-wage workers in Alberta?

You bet it does! Of Alberta’s 453,000 unionized workers, only 26,300 (or six percent) earn \$15 per hour or less. In contrast, more than 324,000 of Alberta’s 1.5 million non-union workers (22 percent) earn \$15 per hour or less.

So, if business people don’t like the government’s plan to address poverty by increasing the minimum wage, perhaps they would prefer new rules making it easier for workers in stubbornly low-wage sectors of the economy to join unions. The evidence suggests that would do the trick, too.⁹

Are there significant difference between people working in permanent jobs versus people with temporary jobs when it comes to the prevalence of low wages in Alberta?

Not surprisingly, people with temporary jobs are much more likely to be paid \$15 per hour or less than workers with permanent jobs. Thirty-three per cent of temporary workers in Alberta fall into the low-wage category. The same can be said for only 16 per cent of permanent employees.¹⁰

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

Are there significant difference between people working in full-time versus people working part-time when it comes to the prevalence of low wages in Alberta?

The contrast is even more dramatic between full-time and part-time workers. In Alberta, a whopping 49 per cent of part-time workers are paid \$15 per hour or less. That compares to only 12 per cent of full-time workers.¹¹

Does the size of a company or employer matter when it comes to the prevalence of low-wage work?

The short answer is, yes, it does. About 26 per cent of the people working for employers with 20 or fewer employees are paid \$15 per hour or less. That's double the rate of low-wage employment that prevails at workplace with between 100 and 500 employees (13 per cent).¹²

Are there significant differences between the public and private sectors when it comes to the prevalence of low-wage employment?

Yes, big differences. Only five per cent of the 409,500 people who work for public-sector employers in Alberta are paid \$15 per hour or less. In contrast, 22 per cent of the 1.5 million Albertans in the private sector earn less than the \$15 per hour threshold.¹³

Which sectors and industries are most likely to pay sub-poverty wages?

Here in Alberta, two industries are particularly notable in terms of their over-reliance on low wages: the accommodation and food services sector, and the retail trade sector. More than two-thirds (67 per cent) of the people working in Alberta's accommodation and food services sector are paid \$15 per hour or less. In the retail trade sector the corresponding figure is 51 per cent.

No other sectors in the Alberta economy come close to these two sectors when it comes to the low wages they pay. This helps explain why it is employers from these sectors who have been most vocal in their opposition to a \$15 minimum wage. They've built their business models on a foundation of poverty wages – and they don't want anything to change.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

Proportion of Alberta Workers Paid Low Wage, by Industry (-000's)

Industry of main job	Low Wage		Total	Proportion low wage
	less than \$15	more than \$15		
Agriculture	7.6	12.7	20.3	37.7%
Forestry, Fishing, Mining, Oil and Gas	4.4	137.7	142.1	3.1%
Construction	6.7	190.1	196.8	3.4%
Manufacturing - durables	4.4	69.7	74.2	6.0%
Manufacturing non-durables	6.2	50.9	57.1	10.9%
Wholesale Trade	6.9	74.6	81.5	8.5%
Retail Trade	107.9	102.6	210.5	51.2%
Transportation and Warehousing	10.3	103.1	113.4	9.1%
Finance, Insurance, Real Estate and Leasing	8.3	75.7	84.1	9.9%
Professional, Scientific and Technical Services	6.3	110.9	117.3	5.4%
Management, Administrative and Other Support	15.2	44.8	60.0	25.4%
Educational Services	11.0	121.6	132.6	8.3%
Health Care and Social Assistance	19.9	210.5	230.4	8.6%
Information, Culture and Recreation	18.4	44.2	62.6	29.5%
Accommodation and Food Services	93.3	47.3	140.6	66.4%
Other Services	20.6	67.6	88.2	23.4%
Public Administration	2.5	91.9	94.4	2.7%
Total	350.5	1575.6	1926.2	18.2%

14

Is there a correlation between minimum wage increases and job losses?

The main argument made by low-wage employers opposed to minimum wage increases is that these increases will lead to job losses and business failures. At first blush, these arguments seem to make sense – if you increase a company’s costs, it seems reasonable that profits and payrolls would take a hit. However, more than 70 years of experience with minimum wage increases in North America demonstrates that this is simply not the case.

In fact, a recent study of minimum wage increases implemented in the United States over the past 70 years concludes that there is “no correlation between federal minimum wage increases and lower employment levels, even in the industries that are most impacted by higher minimum wages. To the contrary, in the substantial majority of instances, overall employment *increased* after a federal minimum wage increase.”¹⁵

Similar patterns of employment increases following the introduction of higher minimum wages have been observed in all Canadian provinces – including Alberta.

¹⁴ Ibid.

¹⁵ “Raise Wages, Kill Jobs? Seven decades of historical data find no correlation between minimum wage increases and employment levels”, Paul K. Sonn and Yannet M. Lathrop, National Employment Law Project, May 2016

How could this be? How could higher wages lead to more jobs, even in sectors that clearly prefer to pay the lowest wages possible?

The answer is threefold. First, companies don't simply absorb the higher costs associated with higher minimum wages; they pass them on to customers (who pay to cover these costs with no perceptible changes in their consumption patterns). In other words, a minimum wage increase, whether large or small, is more likely to lead to slightly higher prices than to lay-offs or business failures. The potential harm to employers is further reduced because the increases apply to all employers, meaning that it's more difficult for one company to use low-wages to undercut its competitors.

Second, higher minimum wages don't lead to job losses or reduced profits because they help reduce employee turnover, which can lead to dramatic productivity enhancements and cost savings for employers.

Third, higher minimum wages don't hurt jobs or profits because putting more money in the pockets of low-wage workers helps boost the purchasing power of those workers.

The evidence clearly shows that almost every dollar collected by low-wage workers gets recycled in the community in the form of enhanced consumer spending. Unlike wealthier workers, low-wage workers spend most of their money instead of saving it. And they spend it in the local economy – often at the same businesses that are complaining about the minimum wage increase – as opposed to spending it in other jurisdictions.

Is there a relationship between minimum wage increases and economic growth?

Critics of the Alberta government's plan to increase the minimum wage to \$15 by 2018 suggest that, if implemented, the policy will worsen the recession brought on by the collapse in oil prices. Not only is there little evidence to support this argument (see above) a growing body of research suggests that the reverse might be true. Specifically, there are good reasons to believe that a \$15 minimum wage might actually help the Alberta economy, not hurt it.

That is because higher wages help boost the purchasing power of low-wage workers, who are much more likely to spend all of their money locally than wealthy people. This is why many economists and groups like the International Monetary Fund (IMF) have concluded that increased minimum wages are actually more likely to boost economic growth than reduce it.

In fact, a recent study from the IMF concluded that boosting the wages of the bottom 20 per cent of wage earners in any economy would do far more to increase GDP growth than proportional increases in income for the top 20 per cent of income earners. Given that people earning less than \$15 an hour represent almost exactly 20 percent of Alberta's labour force, a strong argument can be made that the current plan to increase the minimum wage by \$2.80 over the next two years would provide exactly the kind of stimulus we need (and which the IMF was contemplating).¹⁶

¹⁶ Causes and Consequences of Income Inequality: A Global Perspective, International Monetary Fund, June 2015

Do social indicators like food bank usage point to a growing poverty problem in Alberta?

You bet they do! In Alberta, reliance on food banks increased 23.4% from 2014 to 2015 and 82.8% since 2008. Just over 41 per cent of all food bank users are children and one third of households using food banks were working – the highest rate in the country.¹⁷ Too many parents are making poverty level wages, even though they are working hard to provide for their families. In fact, nearly half of all Albertans would struggle to meet financial obligations if their pay cheque was delayed by just one week.¹⁸

Do we pay a larger social and economic cost for poverty linked to low wages?

Yes! Persistent and rising levels of poverty results in Alberta result in an annual expenditure of \$7.1 to 9.5 billion dollars through foregone economic opportunities and higher program spending costs.¹⁹

Which age group has seen the biggest increase in minimum wage workers?

(Hint: It's NOT teenagers.)

The age groups in Alberta seeing the greatest increase in minimum wage earners is actually those who are 30 to 34 (in other words, in their prime earning years) or over 55 (in other words, struggling to afford retirement).²⁰ Half of all minimum wage earners are over the age of 25. Nearly three quarters of minimum wage earners are in permanent jobs – not temporary, summer or internship placements.²¹

Do low-wage jobs have negative health effects?

Sadly, yes. Studies have found that the working poor have higher rates of chronic conditions including diabetes, heart disease, chronic bronchitis, migraines, multiple chemical sensitivities and learning disabilities, amongst others. They also have poorer self-reported health.²²

Low wage workers also have lower rates of coverage, or no coverage at all, for the kind of extended health benefits that could help treat or prevent conditions and improve overall health. They often live in substandard housing and have reduced access to nutritious food. All of these factors compound on each other to create and worsen health problems and an over reliance on acute care in emergency rooms for low wage workers and their families.

Other studies have found that increasing the minimum wage improves mental health and wellbeing, partly because it reduces financial strain and stress. In fact, one study found that increasing a worker's wages over the minimum wage had an equivalent effect as common anti-depressant medications for alleviating symptoms of depression.²³

¹⁷ https://www.foodbankscanada.ca/getmedia/01e662ba-f1d7-419d-b40c-bcc71a9f943c/HungerCount2015_singles.pdf.aspx?ext=.pdf

¹⁸ http://calgary-foundation.s3.amazonaws.com/mercury_assets/1111/original.pdf?1444832187

¹⁹ <http://www.vibrantcalgary.com/uploads/poverty-costs-2.5/>

²⁰ <https://work.alberta.ca/documents/alberta-minimum-wage-profile.pdf>

²¹ <https://work.alberta.ca/documents/alberta-minimum-wage-profile.pdf>

²² <http://socialplanningtoronto.org/wp-content/uploads/2009/02/sick-and-tired-for-web.pdf>

²³ Reeves et al. Introduction of a National Minimum Wage Reduced Depressive Symptoms in Low-Wage Workers: A Quasi-Natural Experiment in the UK. *Health Economics* 1–17 (2016)

How does the minimum wage compare to average and median wages in Alberta?

Alberta has the highest average and median wages in the country (by a very significant margin).

The average hourly wage in Alberta was \$30.10 in April 2016. The Alberta median was almost exactly the same as the average – an even \$30.

As a proportion of its median wage, Alberta still has the lowest minimum wage in the country – even after factoring-in last year’s jump from \$10.20 to \$11.20. Alberta’s current minimum wage is equivalent to only 37 per cent of the median wage for prime-age workers (aged 25-54).²⁴

How does Alberta’s minimum-median ratio compare to other provinces?

In Ontario and Quebec, the minimum wage is equivalent to 43 percent of the median wage. In Manitoba, the corresponding figure is 48 percent and in PEI it is 50 percent.

In order to reduce poverty and income inequality, policy experts suggest that the minimum wage should be set at something close to 50 percent of the median wage. In Alberta, that would mean a minimum wage of \$15 an hour – now, not two years from now.

Geography	Age group	2016				Min wage as % April Median
		January	February	March	April	
NL	25-54	\$24.73	\$24.04	\$24.04	\$24.79	42%
P.E.I.	25-54	\$21.63	\$20.95	\$21.56	\$21.19	50%
NS	25-54	\$22.44	\$22.80	\$22.50	\$22.82	47%
NB	25-54	\$21.33	\$21.03	\$21.18	\$21.63	49%
Quebec	25-54	\$24.73	\$24.38	\$24.04	\$24.73	43%
Ontario	25-54	\$26.00	\$26.15	\$26.27	\$26.15	43%
Man	25-54	\$23.00	\$23.00	\$22.17	\$22.96	48%
Sask	25-54	\$27.40	\$27.00	\$26.65	\$27.00	39%
Alberta	25-54	\$29.88	\$30.00	\$30.29	\$30.00	37%
B.C.	25-54	\$26.00	\$25.96	\$26.27	\$26.27	40%

25

²⁴ Statistics Canada, Labour Force Survey

²⁵ Statistics Canada, CANSIM 282-0072, Canadian Labour Congress