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Rising Job Tide not Lifting Low-Wage Boats

Job growth over past five years has barely affected wage inequality in Manitoba

by Errol Black and Todd Scarth

Manitoba has boasted the lowest unemployment rate in the country for most of the last five years. This might be expected to have resulted in a rapid rise in wages for Manitoba workers at the bottom of the wage scale, but no such increase has occurred. In 2002, 31% of Manitoba workers – fully one third of women workers and one quarter of men – earned low wages. These are actually slight improvements from five years earlier, but not enough to change the province's national ranking from 1997. While Manitoba experienced the third-best increase in median family incomes over the 1990s (with particularly strong growth in the second half of the decade), the province continues to sit below the national average on wage inequality.

We used customized Statistics Canada data to develop a picture of some key recent developments in Manitoba's labour force, in particular the distribution of hourly pay. (The data were specially commissioned from the Labour Force Survey by the Canadian Labour Congress.)

The data cover all paid workers, including those who are salaried. Monthly or weekly salaries are divided by hours worked. Hourly wages is the "purest" measure of wage inequality, since annual and weekly earnings differ between workers because of the number of hours worked in a week or year due to unemployment, seasonal work and part-time work.

For both 1997 and 2002, data are shown for low-paid workers and high-

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paid workers. (The hourly wage series and hourly wages by union/nonunion status have only been available since 1997.) Low-paid workers are defined as those earning less than two-thirds of the national *median* wage. A high-wage worker is defined as someone earning double the median wage. The OECD has used these measures to look at differences in the distribution of wages between countries.

The median hourly wage is the wage of a worker in the exact middle of the national wage distribution. Half of all workers make more, and half make less.

In 2002, the national median hourly wage was \$15.65 per hour, so a low-paid worker was someone earning less than \$10.42 per hour. A “high-paid” worker was someone earning more than \$31.30 per hour, or about \$65,000 per year if employed full-time for the whole year.*

National Ranking

While the national average trend between 1997 and 2002 was toward more low-wage jobs and more income disparity, Manitoba resisted these trends in a moderate way, and improved in all categories: the percentage of low-wage jobs fell; the percentage of high-wage jobs rose; and earnings inequality (measured by calculating the sum percentage of low-wage plus high-wage jobs) fell.

Still, these changes were all modest enough that the province’s national ranking in all categories did not change. Manitoba ranked fifth best (or sixth worst) in the incidence of low-wage jobs and high-wage jobs in both 1997 and 2002, and sixth best in earnings inequality in both of those years.

In Manitoba in 2002, the most recent year for which data are available, nearly one in three workers fall into the low-wage category. Fewer than one in twenty earn high wages.

Women are particularly disadvantaged: 36.5% earn low wages, compared with 25.8% of men. Approximately one in fifty Manitoba women earn high wages; for male workers that figure is approximately one in fourteen. Manitoba ranks worse than the national average in both of these categories.

Given the favourable economic conditions since 1997, why didn't Manitoba see greater improvements in wages at the low end of the labour market?

The proportion of unionized workers in Manitoba earning low wages has increased over the past five years. This may be because Manitoba unions have been actively organizing low-wage workers. Indeed, the percentage of young workers (15-24 years) who are unionized has risen from 14.4% to 15.9%.

In Manitoba, as across the country, the incidence of low pay was particularly high for young people 15-24, and worse in Manitoba than the country as a whole. In 2002, fully three quarters of young Manitobans were

working in low-pay jobs. Here again women fared badly compared to men, with eight of ten women working for low pay as compared to seven of ten men.

Union Advantage

The data confirm that unionized workers are much less likely to be earning low wages than their non-unionized counterparts. Thus, in 2002, 12 of every 100 union workers were low paid as compared to 42 of every 100 non-union workers.

The question that arises in relation to the situation in Manitoba is: given the favourable economic

Fig. I Percentage at Low Wages Both Sexes by Age Group, Canada and Manitoba, 2002		
Age Group	Canada	Manitoba
All	25.3	31.1
15-24	67.3	75.1
25-54	16.0	19.7
55+	19.8	25.8
<hr/>		
15-24		
Male	61.9	71.5
Female	72.9	78.8

Fig. I Low wage defined as less than two-thirds the national median hourly wage. High wage defined as double national median hourly wage. Median hourly wage: \$14.00/hr in 1997; \$15.65/hr in 2002. Source: Authors’ calculations based on Labour Force Survey.

*A couple of methodological cautions: because these data allow us to examine provincial wages relative to the national, rather than provincial, median, Manitoba’s relative performance is influenced by what is happening compared to the national median – over which provincial policy has very little control. This may cause Manitoba’s performance to look slightly worse than it really is. Having said that, hourly wage as a measurement does not reflect the reality that low-wage workers are more likely to work part-time and earn weak (if any) benefits. Therefore, the situation of low-wage workers is almost certainly even worse than these data show.

conditions since 1997, why didn't we get greater improvements in wages at the low end of the labour market?

The unemployment rate in Manitoba has averaged about 5% since 2000, down from roughly 6% in the previous three years. Moreover, since 1998 Manitoba has had the lowest unemployment rate in the country in every year but 2001. At the same time, the labour force participation rate has climbed from 66.6% in 1997 to 69.2% in 2002 (second only to Alberta).

These indicators are symptomatic of a tight labour market, a labour market characterized by labour shortages in some industries and occupations. These are precisely the sort of conditions that should result in rapid increases in wages as employers compete for available workers. However, this hasn't happened. We have heard much from employer organizations about worker shortages and predictions that things will get worse. However, there is little evidence that employers are prepared to raise wages as a means of recruiting the workers required to fill vacant jobs. On the contrary, they are insisting instead that the government cut personal income taxes to increase take home pay and support initiatives to recruit workers offshore (either as landed immigrants or indentured labourers here on worker visas) to work in Manitoba establishments.

Hollow Gains

Manitoba's combination of low unemployment and low wages suggests that a high proportion of the jobs created in recent years are low-wage jobs. The service sector, which accounts for 76% of all employment in the province, grew by 2.8% in 2002. The average private service sector worker is younger and much less likely to enjoy the protection of a union. Meanwhile, employment in the goods manufacturing sector fell by 1.8% (Manitoba Budget Papers 2003 p. A17).

The modest improvements that did occur at both the low and high ends of the job structure would seem to be attributable to two main factors, namely, increases in the minimum wage and the relatively high rate of unionization. (While the incidence of low-wages among unionized workers rose, so did the incidence of high pay; meanwhile, the incidence of high pay among non-unionized workers fell by more than 50%.)

The minimum wage in Manitoba increased by just over 20 percent (\$5.40 to \$6.50) from 1998 to 2002 — the biggest percentage increase among provinces over this period. This suggests that if we are to get further reductions in the proportion of low-paid workers in Manitoba, we need to look to government-initiated actions both to raise minimum wages for workers already

Fig. 2 Incidence of Low Wages, 1997 / 2002

	1997		2002	
	%	ranking	%	ranking
Canada	24.98		25.26	
PEI	41.80	1	40.18	1
NF	35.16	4	37.77	2
NB	36.28	2	36.43	3
NS	36.18	3	36.08	4
SK	33.37	5	31.27	5
MB	31.91	6	31.07	6
QC	25.31	8	25.96	7
AB	28.35	7	25.38	8
BC	19.82	10	22.86	9
ON	22.26	9	22.55	10

Fig. 3 Incidence of High Wages, 1997 / 2002

	1997		2002	
	%	ranking	%	ranking
Canada	7.49		8.31	
ON	9.09	1	10.26	1
AB	6.15	4	9.72	2
BC	8.19	2	8.51	3
QC	7.42	3	6.81	4
MB	4.11	5	4.76	5
SK	3.57	7	4.63	6
NF	3.72	6	4.19	7
NS	2.96	8	3.62	8
NB	2.75	9	2.87	9
PE	2.05	10	1.43	10

Fig. 4 Income Disparity, 1997/2002

	1997		2002	
	%	ranking	%	ranking
Canada	32.47		33.57	
NF	38.88	4	41.96	1
PE	43.85	1	41.61	2
NS	39.14	2	39.70	3
NB	39.03	3	39.30	4
SK	36.94	5	35.90	5
MB	36.02	6	35.83	6
AB	34.50	7	35.10	7
ON	31.35	9	32.81	8
QC	32.73	8	32.77	9
BC	28.01	10	31.37	10

Figs 1-3 Low wage defined as less than two-thirds the national median hourly wage. High wage defined as double national median hourly wage. Median hourly wage: \$14.00/hr in 1997; \$15.65/hr in 2002. Income disparity equals percentage of low wage plus percentage at high wage. Source: Statistics Canada Labour Force Survey.

Fig.5 Manitoba High/Low Wage by Sex

	1997	2002
Women % at low wage	38.18	36.49
Women % at high wage	1.97	2.23
Men % at low wage	26.04	25.82
Men % at high wage	6.11	7.18

Fig.6 MB High/Low Wage by Union or Non

	1997	2002
Union % at low wage	10.75	11.85
Union % at high wage	4.45	5.41
Non union % at low	44.65	41.94
Non union % at high	8.83	4.40

Figs 5-6 Low wage defined as less than two-thirds the national median hourly wage. High wage defined as double national median hourly wage. Median hourly wage: \$14.00/hr in 1997; \$15.65/hr in 2002. Source: Authors' calculations based on Labour Force Survey.

covered and to extend coverage to the agricultural sector.

In recent years, the government has adopted a practice of increasing the minimum wage by 25 cents an hour annually. The improvement in the proportion of low-wage jobs implies that these increases have had some positive effect, but overall have been insufficient. A strong minimum wage can be used to reduce wage inequality; it is a tool the government has used far too timidly. We need a more aggressive policy that provides for stronger minimum wage increases. Extension of coverage to the agricultural and, in particular, intensive livestock operations would also help.

The unionization rate in Manitoba is 35.6%. This rate is third highest in the country – exceeded only by Quebec (36.8%) and Newfoundland (39.9%). The evidence shows that, in general, membership in a union contributes to higher wage rates. It would seem logical, therefore, that the government of Manitoba (and indeed all provinces) should be promoting the growth of unionization by, for example, reducing the threshold for card-based certification from the current 65 percent to 50 percent plus one.

Fig. 7 Employment, Unemployment and Participation Rates, Manitoba 1997-2002

	Total Employment	Participation Rate (%)	Unemployment Rate (%)
1997	526,000	66.6	6.5
1998	536,000	67.0	5.5
1999	543,000	67.5	5.6
2000	554,000	67.7	4.9
2001	558,000	68.1	5.0
2002	567,000	69.2	5.2

Source: *Canadian Economic Observer*, various years.

Poverty and Beyond

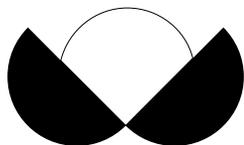
The fastest growing group of people living in poverty in Manitoba are those that have some connection to the labour market – in other words, the working poor. Since a growing proportion of poor Manitobans have some connection to the labour market, government interventions into the labour market should be central to the fight against poverty.

These data reveal a provincial labour market that has taken two steps forward and one step back. More people are working and fewer people of working age are unemployed. These are real gains. Yet the benefits have not been shared equally, and the biggest losers have been low-wage workers. ▀

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