Some shocking numbers came out of Statistics Canada last May: the median wage of full-time workers in Canada has barely budged in 25 years.

And B.C.’s performance was the worst of all the provinces: it dropped 11.3 per cent between 1980 and 2005 and, more surprisingly, dropped 3.4 per cent between 2000 and 2005. And 2007 figures show that B.C. has proportionately more people classified as low-income than any other province – a distinction we’ve held for eight years running.

But wait a minute. Weren’t those boom years? Isn’t that when the province became chock full of Olympics projects, help-wanted signs, containers and construction cranes? To the casual observer, it doesn’t make any sense. And together with rising costs for housing, food and fuel, it raises some serious questions about our standard of living.

We invited three experts to explain what’s going on. Craig Riddell (centre) is a professor specializing in labour issues at UBC’s Department of Economics. Roslyn Kunin (right) is an economics consultant who serves as chair of WorkSafeBC as well as senior fellow and director of the Canada West Foundation, a Calgary-based think-tank. Iglika Ivanova (left) is an economist with the Canadian Centre for Policy Alternatives (CCPA) specializing in public interest research.

Craig, what do last May’s census numbers tell us?
CRAIG RIDDELL: I would point to two key developments in the last 25 years. One is that, if you take the person in the middle of the earnings distribution, the real earnings haven’t changed much in Canada, if at all, and then for B.C. it’s actually fallen. The second part is that the inequality of earnings has been growing over the last 25 years. The real earnings of the people at the top have gone up something like 20 per cent; the real earnings of the bottom 20 per cent have gone down again by something like 20 per cent. So we have these two quite stark developments: no improvement in the standard of living for the average worker and greater inequality in earnings among workers in Canada.

ROSLYN KUNIN: But I think that we have to define earnings. Earnings are wages and salaries but not total income: it doesn’t include transfer payments, investment income or retirement income. So if we look at income as opposed to earnings, we get a different pattern. We see that real income has risen – very modestly in B.C., but it has risen. And the distribution has improved in the sense that, when we look at total income, it hasn’t turned against the people with low income. We’re also seeing a very old population, with the median age somewhere around 45, so we have an awful lot of older workers. They are beginning to think about working less and are beginning to shift their income, from earned income to other sources, and I think this is one of the big factors reflected in the changing pattern of median earned income.

IGLIKA IVANOVA: To clarify, these numbers are for full-time, full-year workers. So these aren’t the people who choose to work part-time or work only part of the year and spend the rest of the time on vacation in Mexico. These are people who in 2005 worked all year, full time, and 20 per cent of them made less than $15,000 a year. So sure, if we add income support from the government, their position is much better. But do we really think people who work full year, full time should rely on income support to get out of poverty? Because $15,000 is less than the low-income cut-off, even in rural areas and certainly in Vancouver. I agree that when looking at after-tax income, the inequality is smaller. However, if you compare B.C. to the rest of Canada, we are still at the bottom of the pack. So it’s dangerous to look at B.C. in isolation, without weighing it against the rest of the provinces.

So how do we compare to other jurisdictions?RIDDELL: Canada is not unique. Many developed countries have experienced growing inequality in the last 25 years, and this is a new development. It used to be said that studying the distribution of income was like watching grass grow because basically nothing happened. So the last 25 years have been unique in their inequality, and not just here. However, the growth in inequality in Canada has actually been relatively mild compared to other Anglo-Saxon countries: there is greater growth in inequality in the U.S., the U.K. and by most measures Australia and New Zealand. But it hasn’t been true of all countries. France and Germany, for example, have had relatively little change in income. So when we start to talk about what’s causing these things, we shouldn’t be thinking about things that are necessarily unique to Canada or B.C.

Another thing about B.C. is that we have the highest proportion of people in the low-income bracket in Canada. What does this tell us?

IVANOVA: In February a paper by Statistics Canada found that the share of jobs that pay low wages – under $10 an hour – has not changed between 1997 and 2007. In B.C. 16 per cent of jobs paid less than $10 an hour in 2007 – only 0.8 per cent less than in 1997. B.C. is the slowest or one of the slowest provinces in reducing low-paid employment. We hear that we have such a worker shortage, but wages don’t seem to be growing. If you look at hourly wages, they are growing slowly, although again B.C. is at the bottom. It seems that the economic boom since 1997 has not benefited the people at the low end.

Why is that?

IVANOVA: It’s a complex question that has not been resolved yet. We do not know exactly what the answer is.
KUNIN: I think we need a little bit more clarification on these low-income people. We have very, very high mobility. If you follow people in a five-year period, I think less than two per cent of the people earning low income were there for the entire period. The numbers at the bottom may stay the same, but the people don’t stay the same. A lot of people go through that group because they’re young and they’re starting their first job and then move on from there, or perhaps you go into the group later because you want to retire and you don’t want to stop working completely and you want the extra income above your pension. We do not have large numbers of people trapped in low-income jobs. It is a stage you frequently move in and out of. Again, the median income for both individuals and families has been rising in real terms, although it’s very, very little – too little.

So if people are moving up and unemployment is low, why are we not seeing higher wages?

KUNIN: I think one of the reasons is our productivity issue. No employer can afford to pay a worker more than that worker produces, and a lot of our workers aren’t as productive as they could be. Sometimes it’s because the worker doesn’t have the human capital – they need more training and skills; sometimes it’s because the company doesn’t give them enough physical capital. But the whole productivity issue has a dampening effect on our growth in real earnings. The person who comes in with a strong back – and, if I may say so, a weak mind – is not really very employable in today’s market. The other factor is that we are competing with international labour markets, and that puts a limit on wage inflation because an entire enterprise can move somewhere else in the global economy if wages rise too quickly.

RIDDELL: This widening inequality and modest growth in wages receives a lot of attention by economists and other social scientists. And probably the leading explanation is that technical changes in the last 25 or more years have raised the demand for skilled workers and reduced the demand for low-skilled workers. So the real earnings of people with limited skills have gone down. The days when you could be a high-school dropout and go get a middle-class job at the local mill or mine have been declining in an economy like B.C.’s. That’s not the only reason, but certainly that – plus the fact that you can move production around much more easily than in the past, especially for jobs that require less-skilled workers – has put a lot of downward pressure on people with wages at the bottom. This is something that has affected workers not just in B.C. or Canada but in other countries such as the U.S., the U.K. and Australia and so on.

IVANOVA: And it’s not just manufacturing that’s being shipped off to China, but increasingly it’s medical imaging, accounting, law and anything that can be delivered electronically. In the U.S., the average earnings of university graduates have fallen since 2000. Our university completion rate has been increasing dramatically since the ’80s, but our average income hasn’t. However, the average hours worked have been increasing; more people are working more hours per year, and yet their earnings are stagnant. So that’s a big problem.

Temporary foreign workers have become an important part of B.C.’s labour force. How has that affected wages?IVANOVA: There is a debate in the economic profession whether this reduces the wages of the local population. It’s not resolved. It depends on whether the workers we bring are substitutes for the workers we have here or whether they’re complementing them and bringing skills that we lack.

KUNIN: And you get into the skill dimension as well. Bringing in a few more workers at relatively unskilled jobs doesn’t do much to alleviate the shortage of skilled and qualified workers. In terms of immigrants, however, it is a very strong, sad trend that immigrants are not rising to Canadian-born equivalent incomes nearly as quickly, if at all, as they have in the past. Given our current labour shortages, and the fact that immigration is seen as one of the solutions, this is one real blot on our labour market right now. We need to do a lot more about language training and about credential recognition so that people can contribute to Canada with skills they’ve brought into the country.
RIDDELL: I’m glad you’ve raised that, Roslyn, because that’s one of the big stories of the last couple of decades. It’s part of the explanation for B.C.’s relatively poor performance in terms of growth in real earnings. Immigrants to Canada have been doing relatively worse compared to the past. There has always been a gap between new immigrants and native-born Canadians, but typically that gap narrowed over time as new immigrants acquired knowledge of the labour market and developed relevant skills. That process has gotten worse, and the gap in earnings has gotten wider. So you’ve got a wider initial gap and a slower process of catching up. That’s a big part of the Canadian story over the last 25 years.

KUNIN: That is exacerbated by the fact that Canada is competing for immigrants with all of the other industrialized countries that are facing similar demographics, similar labour shortages and even with the developing countries that are offering better opportunities for people so they don’t have to emigrate. This isn’t 1945 when we just opened the doors and the whole world would love to come to Canada.

RIDDELL: Interestingly, the immigrants who finish their high-school or post-secondary education in Canada do almost as well as native-born Canadians. That’s a group we should probably be trying to attract here.

Why does B.C. score lower than the rest of Canada in changes in earnings?

RIDDELL: On the B.C. side, you have to be a little careful because starting points matter. Especially with income inequality, it’s quite sensitive to the business cycle: inequality goes up in recessions and goes down in booms. The Statistics Canada release that got a lot of attention started in 1980, which was right at the peak of the business cycle just before the recession of the early ’80s. Most of the decline in earnings in B.C. actually occurred then. If you start at 1990, you’d find real growth in earnings in B.C. That’s an important thing to keep in mind. But the census figures also measured the change between 2000 and 2005, and B.C. had the biggest decline there as well. And those are boom years. How do we explain that?

RIDDELL: That’s true. But if you went from 1990 to 2005, we wouldn’t look like an outlier compared to the rest of Canada.

IVANOVA: But we do look like an outlier if you look at 2000 to 2005. Was 2000 a special year as well in B.C.? Was it somehow particularly good and has it declined since then? Because that’s what comes out. The CCPA is part of a five-year project together with SFU to look at how provincial policy changes in B.C. in 2000 and 2001 have affected economic well-being. We have documented a lot of negative effects in terms of less full-time jobs in favour of more part-time jobs, for example, which haven’t seen a large increase in wages. Sometimes when looking at averages, we are glossing over these facts. There are different groups of people that have very different experiences of the boom and how they share economic growth in B.C. The economy has grown since 2000, but the average worker hasn’t seen it.

KUNIN: If I can say something that I first heard on the CBC: the average worker in Canada has one breast and one testicle, so basically the average worker doesn’t exist. We can look at what’s happening to the bottom 20 per cent or the top 20 per cent, but the people who were in that group five years ago are not the same people that are in that group now.

IVANOVA: However, young workers or new immigrants starting a job today are getting lower real wages than those starting a job in 1980. Even though they will progress to higher wages, they are not going to be doing as well as their parents’ generation. True, mobility is high, people are moving out of the low-income group, but it is getting worse. In most countries where studies have been done, it has been declining in the past 10 to 20 years. This is a serious problem when you consider that inequality in earnings is increasing and mobility is decreasing.

If it is a problem that the economy is becoming more unequal, what can we do about it?
KUNIN: I think we need to ensure workers are more productive. They need to have the capital equipment and they need to get the skills so they can become productive, effective workers – even after they're hired.

RIDDELL: I fully agree with Roslyn. Part of the reason that there has been relatively little growth in the real earnings of the average worker is that there's been relatively slow productivity growth in the last 25 years; it's been slower than many other countries. Yet the productivity agenda is basically dead in Canada. The governments won't talk about it. Second on my agenda would be better integration of immigrants. It’s been a major source of growing inequality and growing poverty in Canada. We’ve got to do a better job on language skills, on selection of immigrants, on developing better procedures for recognizing the credentials of immigrants who arrive with good education. Third, we shouldn’t give up on investing in skills, so areas like high-school completion and the quality of post-secondary education. We’ve been putting lots of people through colleges and universities, but the quality has definitely gone down. Lastly, I think we should do more than we do for the working poor. A good set of policies – we’ve started to move in this direction – is earning supplementation. It makes work attractive relative to income assistance, and it’s a way of raising the earnings of people who work full time and yet have very low earnings. It can be a very effective way of reducing inequality.

IVANOVA: On the note of productivity, it is very important, but unfortunately it’s not a magic bullet. Even though the U.S. has much higher productivity than us, the average wage has not increased nearly as fast. And I strongly believe that “working poor” should be an oxymoron: we should not have full-time, full-year workers who are at the poverty line, and we do. B.C. used to have one of the highest minimum wages in Canada in early 2000, and now we have the second lowest. So it’s still a question of distribution. We should not continue in the direction that the B.C. government has gone, which is to make the tax system less redistributive, benefiting only the higher-income workers and not the middle or the bottom. I also think it’s important to enforce employment standards. Currently, you have to complain for someone to come and see if the situation is bad, and a lot of low-income people have a very unequal relationship with their employer, so they cannot complain necessarily. That’s a big problem. We need to have proactive enforcement where an exploitive employer is deterred by the possibility they’ll be inspected without warning.


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