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PERSPECTIVES

ON LABOUR AND INCOME

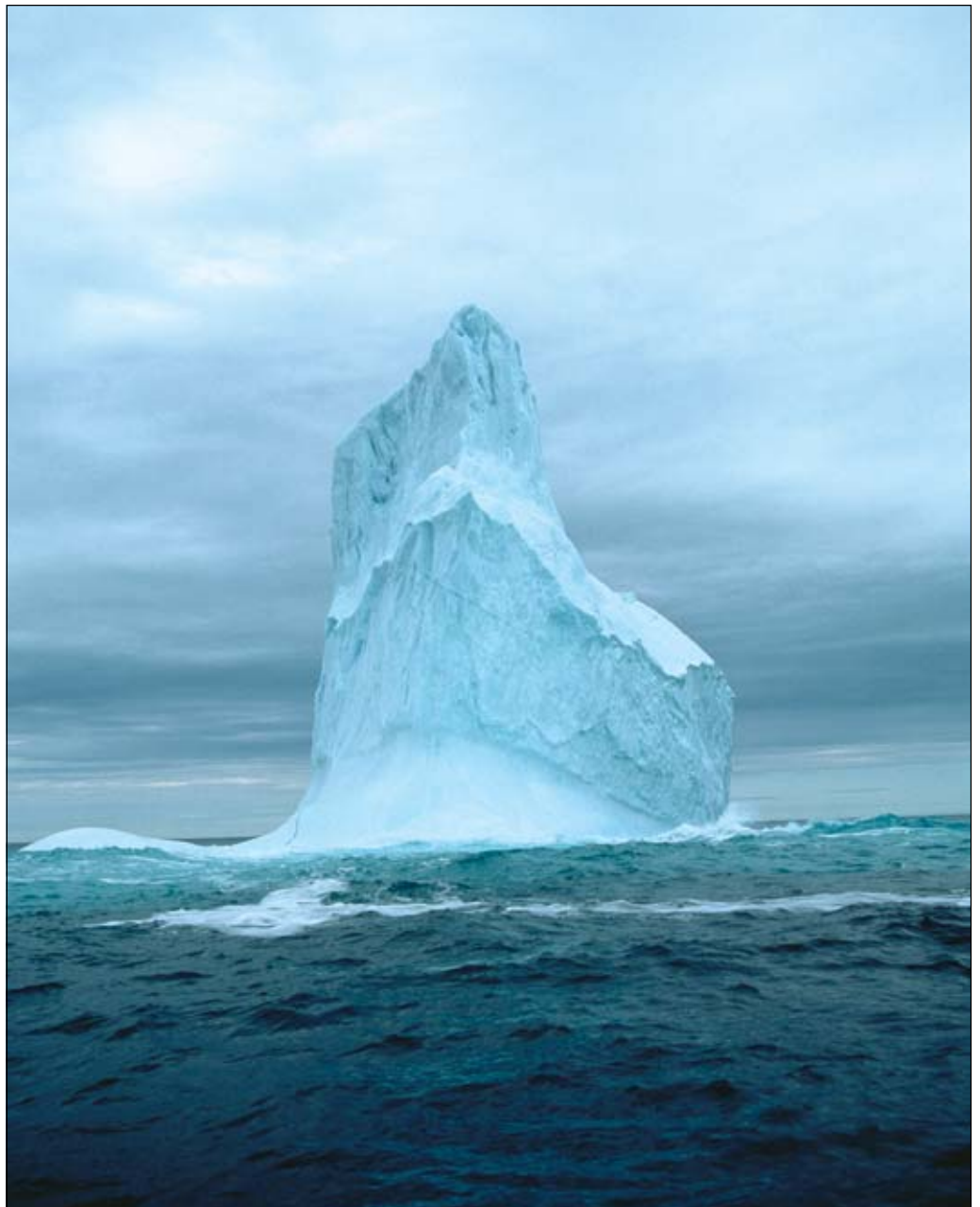
SEPTEMBER 2005

Vol. 6, No. 9

■ OUT-OF-POCKET
SPENDING ON
PRESCRIPTION
DRUGS

■ POST-RETIREMENT
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■ FACT SHEET:
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Perspectives on Labour and Income

(Catalogue no. 75-001-XIE; aussi disponible en français: *L'emploi et le revenu en perspective*, n° 75-001-XIF au catalogue) is published monthly by authority of the Minister responsible for Statistics Canada. ©Minister of Industry 2005. ISSN: 1492-496X.

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.	not available for any reference period
-	not available for a specific reference period
...	not applicable
p	preliminary
r	revised
x	confidential
E	use with caution
F	too unreliable to be published

Highlights

In this issue

■ Out-of-pocket spending on prescription drugs

- Over 300 million prescriptions are filled in Canada each year—about 10 for each man, woman and child. In 2002, over 6 in 10 households reported out-of-pocket spending on prescription drugs totalling \$3 billion.
- While out-of-pocket prescription drug spending remains a small percentage of the overall household budget (less than 1%), average expenditures rose 71% (in 2002 dollars) between 1992 and 2002, from \$127 to \$218.
- Prescription drugs make up the largest portion of out-of-pocket health care spending for senior households—27.3% of their health care budget in 2002 compared with 17.7% for non-senior households.
- Province of residence is the major factor affecting out-of-pocket prescription drug expenditures, even after taking into account income levels and other household characteristics. As a result, households with similar incomes spend different amounts depending on where they live.

■ Post-retirement employment

- Just over one-fifth of retirees (22%) returned to paid employment after their initial retirement.
- Post-retirement employment was most prevalent among individuals who initially left the labour force before age 60, had previously worked in a professional occupation, and were in good health.
- While financial considerations were cited most frequently as the reason for returning to paid employment, non-financial reasons were often mentioned as well.
- Almost half (45%) of retirees who returned to paid employment did so on a part-time basis.

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Out-of-pocket spending on prescription drugs

Jacqueline Luffman

Prescription drugs have had a huge effect on our lives. Seniors continue to enjoy a normal life because of heart medications, hospital stays are reduced because of pain relief medications, untold deaths are prevented by vaccinations and antibiotics, and so on. With the advent of new vaccines, cancer therapies and other potential 'wonder' drugs, pharmaceuticals are becoming a large factor in the overall cost of health care. Since 1997, government expenditure on drugs has exceeded physician services, and ranks second only to hospitals (CIHI 2004). The elderly have greater health care needs than younger people and tend to use more health services. This, coupled with population aging, means that health care costs can be expected to increase in the coming years.

Unlike other aspects of the health care system, no universal coverage is in place for prescription drugs. Nevertheless, they are a common household expense, with over 300 million prescriptions filled each year—about 10 for each man, woman and child (CFHCC 2002).¹ In 2002, over 6 in 10 households reported out-of-pocket spending on prescription drugs totalling \$3 billion.

In recent years, government cutbacks have led to concern that Canadians may be increasingly bearing the brunt of health care costs themselves—for everything from drugs to home care. Although public insurance is available for prescription drugs in all provinces, coverage varies widely and often depends on age and income.² Employer-sponsored private health care plans often offer some type of prescription drug coverage, but such plans are not mandatory and vary greatly in terms of coverage, method of reimbursement, co-payments, and deductibles. People with no coverage (such as the self-employed) can enrol in private plans.

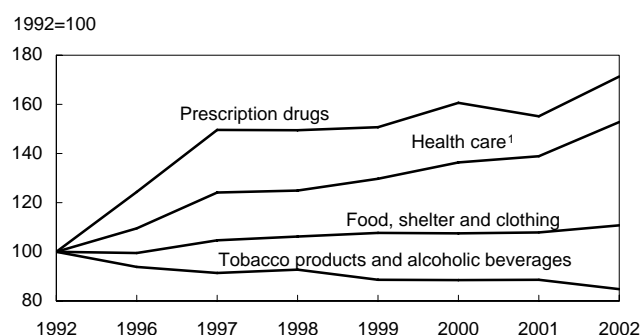
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This study explores out-of-pocket prescription drug spending using the Family Expenditure Survey and the Survey of Household Spending (SHS) (see *Data sources and definitions*). Questions explored include: Are Canadians spending more than previously? Does spending increase with household income? Are seniors paying more than younger families? Which households spend a high percentage of income on prescription drugs? Does spending vary by region?

Still a small portion of the overall budget

While out-of-pocket spending on prescription drugs remains a small percentage of the overall household budget (less than 1%), the average expenditure rose 71% (in 2002 dollars) between 1992 and 2002—from \$127 to \$218 (Chart A). (Among those who reported out-of-pocket spending, the average was \$222 in 1992 and \$378 in 2002.) In comparison, overall household health care expenditure rose 53%, while food, clothing and shelter increased only 11%.

Chart A Household spending on prescription drugs jumped over 70% in 10 years.



Sources: Family Expenditure Survey (1992, 1996), Survey of Household Spending (1997–2002)

Note: Based on constant dollars.

¹ Includes prescription drugs.

Data sources and definitions

The **Survey of Household Spending (SHS)** is an annual survey conducted since 1997. It gathers detailed information about household spending during the previous calendar year. The survey covers about 98% of the population in the 10 provinces. People living in residences for senior citizens (such as nursing homes) as well as those in all types of institutions (including hospitals and prisons) are excluded. Data for the territories were collected for the years 1997 to 1999 but sampling variability precludes release.

The SHS samples over 20,000 households. For 1997 and subsequent years, sample size was approximately 50% larger than for the former **Family Expenditure Survey** (1992 and 1996). As a result, some caution must be taken when comparing expenditure data over time. Definitions for prescription drug expenditures are comparable for the two surveys. For more information on the Survey of Household Spending, see Statistics Canada 2002.

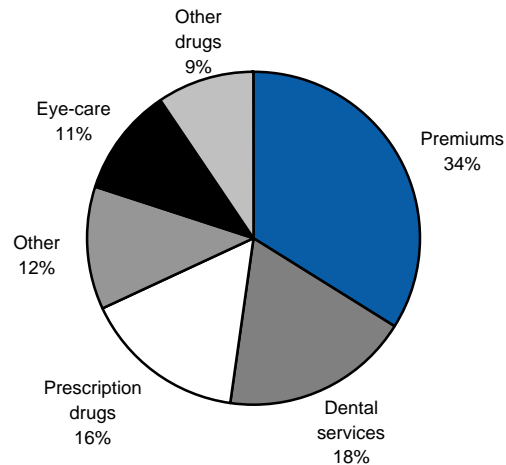
Out-of-pocket spending on prescription drugs refers to expenditures for medicines, drugs and pharmaceutical products prescribed by a doctor. Expenditures are amounts not covered by insurance (such as exclusions, deductibles and expenses over limits), and exclude payments for which the household is reimbursed. Prescription drugs taken while in the hospital are excluded since they are paid for by the province.

In **senior households**, at least one person was aged 65 or over—approximately 2.8 million households. In senior couple households (992,000), at least one spouse was 65 or older (in 88% of cases, both individuals were in this situation). Just over one million seniors lived alone.

Rising out-of-pocket expenses are likely due, in part, to the introduction of new drugs, which are invariably more expensive (CP 2004). Indeed, drug prices (as measured by the consumer price index for prescribed medicines) increased steadily from 1992 to 2002, generally in step with overall inflation.³ Another contributing factor is the higher volume of drug use resulting from a larger as well as an aging population. Canadian retail pharmacies filled 361 million prescriptions during 2003, a jump of 7.9% from 2002 (McGovern 2004). Also, as a result of shorter hospital stays, drugs administered in hospitals and covered under medicare are being paid for by patients themselves once they are released.

Prescription drug spending made up about 16% of total health care spending in 2002—little changed from 1992 (Chart B). Health insurance premiums accounted for a larger portion (31% in 1992 and 34% in 2002).⁴

Chart B Health insurance premiums account for the largest share of health care expenditures.



Source: Survey of Household Spending, 2002

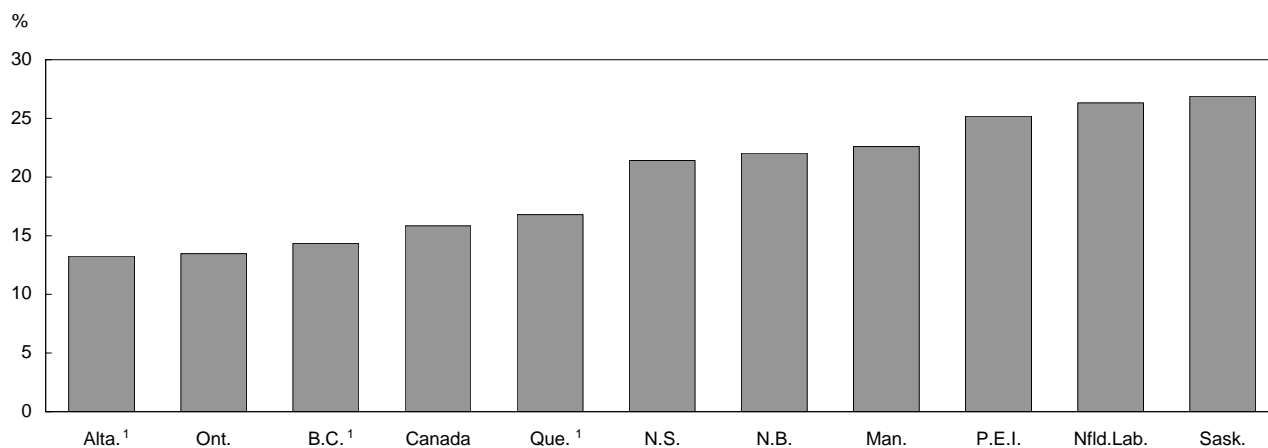
Even if households qualify for provincial drug plans, many provinces require an additional premium to cover expenses. Deductibles also differ by province. As a result, the portion paid by the household varies widely by province, reflecting the diversity of drug plans as well as age and health of the population. In 2002, Saskatchewan families spent 27% of their health care dollars on prescription drugs (about \$386). Alberta and Ontario spent the least, about 13% (\$264 and \$188) (Chart C).⁵

Drug expenditures vary greatly

Some households incur much higher prescription drug expenses than others. While this is so for relatively few people,⁶ many argue that it goes against the fundamental objective of Canadian health policy (Canada 2002). In some cases, those facing a significant financial burden may discontinue or not even begin treatment requiring expensive medications.

One of the recommendations in the 2002 Senate report on the health of Canadians was that provinces and territories should put in place programs to ensure that households would never have to pay more than

Chart C The portion of out-of-pocket health care expenditures for prescription drugs varies by province.



Source: Survey of Household Spending, 2002
¹ Had public health-care premiums in 2002.

3% of their after-tax income for prescription drugs (Canada 2002). Most households spending this much would pay out over \$1,000 annually. According to the SHS, about 7% of households spent more than the recommended 3% in 2002 (Table 1), ranging from 16% in Saskatchewan to 3% in Ontario. Between 1997 and 2002, Nova Scotia experienced the largest percentage point increase.

Table 1 Households spending more than 3% of after-tax income on prescription drugs

	1997	1998	1999	2000	2001	2002
	%					
Canada	5.9	5.8	6.1	6.3	6.2	6.5
Newfoundland and Labrador	8.9	8.8	8.8	8.9	8.6	10.6
Prince Edward Island	10.4	11.8	10.7	13.2	12.9	11.7
Nova Scotia	6.0	6.8	6.6	7.8	15.0	9.3
New Brunswick	8.0	8.0	9.0	8.5	11.0	10.2
Quebec	7.6	7.2	7.3	8.9	8.9	9.5
Ontario	4.0	4.1	4.5	3.6	3.0	3.3
Manitoba	8.8	8.0	8.0	10.5	8.5	10.3
Saskatchewan	15.9	15.6	14.9	15.8	16.4	15.9
Alberta	5.5	5.1	5.6	6.4	5.6	5.2
British Columbia	4.0	4.3	5.0	4.2	5.3	5.7

Source: Survey of Household Spending

Another way to examine changes in out-of-pocket prescription drug spending is to divide those reporting the expenditure into quartiles (Table 2).⁷ The three lowest quartiles do not spend much. Rather, it is the top 25% (highest quartile) that accounts for the majority of expenditures (72%). Between 1992 and 2002, expenditures by this group increased more, even after controlling for inflation.

A large proportion of these families were senior households (43%). Also, their major source of income was more likely to be from government transfer payments (such as OAS, GIS, or other social assistance), and they were more likely to have health premium expenditures. In contrast, the lowest quartile tended to be one-person, non-senior households. They were half as likely to have their major source of income from government sources and not as likely to report health premiums.

Table 2 Prescription drug spending

	Amount		Share	
	1992	2002	1992	2002
Expenditure quartile	\$ (2002)		%	
Lowest	24	32	2.7	2.5
Second	73	101	9.7	7.8
Third	170	237	15.7	18.3
Highest	638	942	71.9	71.5
Average	222	326	...	...
Median	100	170	...	...

Sources: Family Expenditure Survey, Survey of Household Spending

Senior households spend the most

The financial burden of prescription drugs on fixed-income households has received widespread publicity. Seniors in this position are considered the most vulnerable because they are less likely to have private insurance.⁸ They are also more likely to have chronic

health problems requiring regular medication. As a result, all provinces have introduced some form of drug plan for those 65 and over. Despite these public plans, senior households are still more likely to report out-of-pocket prescription drug spending and to have higher-than-average expenditures.

In general, among households with prescription drug expenses, total spending is less for senior households than for other households—\$42,400 in 2002, compared with \$67,300 for non-senior households (Table 3).⁹ More than three-quarters of households with at least one senior reported prescription drug spending, at an average of a little more than \$500 (about 1.2% of their total spending that year). Prescription drugs make up the largest portion of out-of-pocket health care spending for senior households; some 27.3% of their health care budget was allocated to this item compared with 17.7% by non-senior households.¹⁰ For seniors living alone, the expense accounted for an even larger share (29.0%). This same group also spent a slightly higher proportion of their total budget on prescription drugs (1.5%) compared with all senior households (1.2%) and non-senior ones

Table 3 Health care spending of households with prescription drug expenditures

	Total households	Senior households ¹			Non-senior households
		Total ¹	Couples	One person	
Households reporting prescription drugs	7,828,100	2,171,500	794,400	756,400	5,656,600
Proportion of all households (%)	65.1	77.6	80.1	74.9	61.3
Income before taxes ² (\$)	60,022	42,468	45,219	22,545	66,780
Government transfers major source (%)	22.1	57.8	58.7	76.4	8.5
			\$		
Total household spending	60,377	42,416	47,465	23,130	67,272
Health care spending	1,851	1,899	2,268	1,211	1,833
Supplies	37	65	78	54	26
Non-prescription drugs	158	148	163	115	161
Dental services	340	334	442	170	342
Premiums	586	490	597	227	622
Prescription drugs	378	518	619	352	324
Share of health care (%)	20.4	27.3	27.3	29.0	17.7
Share of household spending (%)	0.6	1.2	1.3	1.5	0.5

Source: Survey of Household Spending, 2002

¹ All households with at least one person 65 or older.

² Earnings, investment income, government transfers and other income.

(0.5%).¹¹ Senior households with prescription drug expenses also tended to be on a fixed income—almost 60% relied on government transfer payments as their major source of income compared with less than 10% of non-senior households.

Explaining spending patterns

Many factors work in combination to explain why some households spend more than others on prescription drugs. Naturally, health and lifestyle factors are among the most important. While the amount spent on health care premiums is available in the SHS, quality and details of coverage are not known. However, one can look at how prescription drug spending is distributed throughout the population and which household characteristics might precipitate higher or lower spending.¹² Because 35% of respondents did not report a drug expenditure in 2002, a regression technique that can account for many zeros was used to predict expected mean values of prescription drug spending. This allowed them to remain in the sample. The Tobit regression model is a powerful tool that examines the importance of a particular variable by holding the others constant (see *Tobit regression model*).

Region

Since prescription drug policy lies mainly under provincial jurisdiction, location clearly affects how much a household spends on prescription drugs. In fact, controlling for household type, income and other characteristics showed province of residence to be significantly associated with prescription drug spending.

Ontario families spent the least (\$257 in 2002) on prescription drugs (Table 4). Ontario's public drug benefit plans are generally limited to seniors, social assistance recipients, and heavy users. However, non-seniors may have access to high-quality private drug plans through an employer. Indeed, employees in high-wage, unionized, full-time, and permanent jobs as well as those in large firms are much more likely to have all types of non-wage benefits (Marshall 2003). This is certainly true for public servants and auto workers in Ontario (whose jobs are largely unionized). An estimated 62% of Ontarians are covered by private drug plans, the highest level in Canada (AMFGTR 2000). Smaller, less industrialized provinces are less likely to have private plans that cover expenses not picked up by the public plan (CFHCC 2002).

Tobit regression model

Tobit regression is commonly used to analyze household-based expenditure surveys. It is designed to take into account households reporting no expenditures during any year. Some expenditures such as food, shelter and utilities are reported by virtually all participants, but many expenditures are not universal because of individual preference. The Tobit model is used to handle censored data where an expense is not universal.

About 35% of households did not report any out-of-pocket prescription drug expenditures in 2002. In this case, a Tobit model can be used to estimate the relationship between the independent variables and the amounts reported for all households, including those with no prescription drug expenditures. The results in Table 4 are the expected value of expenditures calculated from the estimated coefficients using a Tobit model and the mean values of the variables. The variables in the model were screened for outliers. Households with no before-tax income were removed from the analysis.

Notably, some differences exist between those reporting prescription drug expenditures and those not reporting any. Reasons for the latter are difficult to discern and may vary each year. Those who reported no prescription drug expenditures in 2002 were more likely to be one-person households (non-senior), younger, and less likely to spend on health premiums and other types of health care (dental care, eye care). It is certainly plausible that these younger households were generally healthier and therefore less likely to need prescription drugs—at least in that particular year. On the other hand, it is also possible that those with no prescription drug insurance (about 55% of those reporting no prescription drug expenses also reported no health premiums) may have been deterred by the expense (see *Measuring out-of-pocket spending on prescription drugs*).

Some provinces face greater challenges than others in meeting the health care needs of their citizens. Saskatchewan families had an average expenditure of \$415, the highest in Canada. Saskatchewan also has the highest percentage of senior citizens (15%) and one of the highest proportions of Aboriginal people (13%).¹³ In addition, the large farming community means that many people have no access to prescription drug insurance through employment. (About 21% of the population are self-employed—the highest proportion in Canada.) Senior couple households in Saskatchewan had an average expenditure of \$1,044, the highest of all provinces.

Table 4 Tobit mean expected values of prescription drug spending for all households

	All households	Couples with at least one senior	One person households
Total	12,021,000	992,000	3,049,000
		\$	
Average prescription drug spending ¹	318	561	189
Household income before taxes			
Quartile 1 (less than \$26,176)	290*	636	202*
Quartile 2 (\$26,176 to \$48,999)	357	546	184
Quartile 3 (\$49,000 to \$78,149)	323	509	159
Quartile 4 (\$78,150 and over)	304	496	112
Major source of income			
Government transfers	389*	609	239
Other	299	498	157
Homeowner	348	555	213
Renter	262*	599	171
No spending on tobacco products	318*	556	207
Spend on tobacco products	318	579	150
Pay health premiums	358*	603	220*
No health premiums	270	496	161
Region			
Atlantic provinces	403*	770*	243*
Quebec	354*	742*	219*
Ontario	257	333	133
Manitoba	370*	820*	260*
Saskatchewan	415*	1,044*	347*
Alberta	321*	591*	198*
British Columbia	335*	560*	173*
Urban household	299	515	168
Rural household	345	607	218
Earners in household			
No full-time earner	359	569	215
One full-time earner	284*	504	135*
Two full-time earners	295	442	...
3 or more full-time earners	310	...	...
No part-time earner	309	562	200
One part-time earner	310*	544	146
Two part-time earners	370*	625	...
3 or more part-time earners	368*	...	...
Unionized	301*	523	157
Non-union	326	565	195
Female reference person	...	...	246*
Male reference person	...	...	127
Senior in household	460*	...	295*
No seniors	275	...	136
Children under 15	290	...	...
No children under 15	329	...	...
Household size			
1 to 3	313*	...	...
4 or more	332	...	...

Source: Survey of Household Spending, 2002

* Statistically different from the coefficient of the reference group, $p < 0.05$.

1 Includes households with no reported prescription drug expenses.

Families in Alberta (\$321), British Columbia (\$335) and Quebec (\$354)¹⁴ spent less than in the Atlantic provinces (\$403) and Manitoba (\$370)—reflecting differences in prescription drug coverage, and in health and age structure. In Atlantic Canada, government-sponsored plans do not always cover catastrophic drug circumstances; an estimated 30% of Atlantic Canadians would not be covered if they spent a large amount on drugs (AMFGTR 2000).

Age

Age is an important consideration in explaining differences in prescription drug spending. The presence of a senior in the household significantly increased prescription drug spending (the expected mean value was \$460 compared with \$275 for households with no seniors). However, for senior couple households, provincial variations are still strongly significant, even after controlling for other characteristics. Pre-tax income, for example, was less of a factor than province of residence among senior couple households (Table 4).

Government transfers

Although spending on prescription drugs seems to decrease as household income rises, most of the differences are not statistically significant. However, the amount spent is a higher proportion of household income for low-income groups than for higher-income ones.

Households whose major source of income was government transfer payments spent more on prescription drugs (expected mean value of \$389), compared with those whose income came mostly

Measuring out-of-pocket spending on prescription drugs

Data on prescription drug expenditures rely heavily on the respondent's interpretation of the question. Variation in coverage, method of payment, and deductibles in many private and public insurance plans also adds to the complexity. For example, respondents are asked to exclude amounts for which they were reimbursed, but this may be difficult to calculate for some types of insurance. In many cases, beneficiaries must keep receipts to document drug expenditures. Once the deductible amount is reached, they must then submit a claim along with the receipts to receive payment from the government or private plan. This lack of claim–adjudication link may result because some beneficiaries do not remember to make their claims. This has been called the 'shoebox effect' (Anis et al. 2001).

In addition, households with at least some prescription drug expenditures covered by public provincial programs (such as seniors or those on social assistance) may nevertheless report expenditures or report more than the maximum allowable under a provincial prescription drug plan. Reasons include:

- In some cases, insurance premiums for a provincial prescription drug plan may have been reported as prescription drug spending.
- People who change insurers may not request the required documentation from their previous insurer to ensure that they do not spend more than the maximum.
- Prescription drug spending while persons are temporarily outside their home province may not be covered under the provincial plan.
- Spending could be on drugs not covered under the provincial formulary.

For more information, see <http://www.statcan.ca/english/freepub/82-401-XIE/2002000/considerations/dr/30dr.htm>.

from other sources such as wages, salaries, self-employment, or investments (expected mean value of \$299). Even though public plans are often designed to help those in low income or on government assistance, the association is significantly positive. Possibly, households lack knowledge about provincial drug benefit plans and do not claim their drug expenditures, or perhaps they are not sure what to report (Millar 1999). For example, among individuals whose main income source was Old Age Security and the Guaranteed Income Supplement, only 31% reported having prescription drug coverage.¹⁵

Health premiums

Households paying health premiums spent more on prescription drugs than those not paying premiums (expected mean values of \$358 versus \$270).¹⁶ Among

senior couple households, however, no statistically significant difference existed, probably because most seniors are covered under provincial plans that do not necessarily require a premium.¹⁷

Summary

As part of the growing cost of health care, governments are re-examining their role in providing prescription drug benefits (an area not mandated by the Canada Health Act). Provinces are spending a large percentage of their health care dollars for prescription drugs (\$19.6 billion annually across Canada) (CP 2004). Consumers, too, are spending more, even though it remains a small portion of the overall household budget for most. Those who spend the most on prescription drugs (the top quartile) increased their spending between 1992 and 2002. In 2002, their expenditures exceeded \$2.1 billion—72% of total out-of-pocket prescription drug spending that year.

Senior households continue to spend more than a quarter of their health care budget on prescription drugs. The proportion of all households spending more than 3% of their income on prescription drugs (generally a sign of high-cost burden) remains small (7% in 2002). However, the percentage has slowly increased since 1997, and in most provinces it is much higher.

Province of residence is the major factor affecting out-of-pocket prescription drug expenditures, even after taking into account income levels and other household characteristics. As a result, households with similar incomes spend different amounts depending on where they live.

Increases in out-of-pocket prescription drug expenditures can be difficult to explain. While drug prices have remained relatively stable vis-à-vis the cost of living, other factors may be at play. These include rising drug use, the entry of new drugs, changes in the health of the population, an aging population, and consumer expectations and behaviour. Moreover, provincial governments regularly change the conditions of public coverage and may be slow to include new drugs. Those most affected are likely to be the elderly, people with severe medical conditions, and individuals suffering from multiple chronic ailments requiring numerous medications.

■ Notes

1 In 2001, public insurance plans covered approximately 46% (\$6.1 billion) of total prescription costs, and private insurance plans covered approximately 34% (\$4.5 billion). Individuals paid the remaining 20% (\$2.6 billion) out of their own pockets (CIHI 2004).

2 For information on provincial and territorial drug subsidy programs including eligibility, premiums, deductibles, co-payments, maximums and Web sites, refer to the appendix in CIHI 2004.

3 There is no completely authoritative price index for all drugs sold in Canada, and each approach has its limitations and assumptions (CIHI 2004). For example, the consumer price index (CPI) for prescribed medicines does not differentiate between new (and more expensive) drugs added to the market versus older drugs that may have decreased in price. However, a review by CIHI found that the CPI and the Industrial Product Price Index for drugs, as well as the Patented Medicine Price Index and provincial drug plan price indexes, have remained virtually unchanged since about 1993 (see CIHI 2004: 41-42).

4 Health insurance premiums are paid for provincial or territorial hospital, medical and drug plans; private health insurance plans; dental plans (sold as separate policies); and accident and disability plans. A new drug plan was introduced in Quebec in 1997 requiring most adults without an employer plan to pay up to \$460 in health care premiums.

5 Residents of Alberta, British Columbia and Quebec must pay public health care premiums, which are included in their total health care expenditures. A public premium is a block payment made through income taxes. Because other provinces do not have premiums, the proportion of health care expenditures accounted for by prescription drugs in these three provinces is lower than if these premiums were excluded from Chart C.

6 One report estimated that 100,000 Canadians experience annual drug expenses exceeding \$5,000 (CFHCC 2002).

7 Quartiles are created by ranking households in ascending order of total prescription drug spending and partitioning the households into four groups of equal size.

8 Although some seniors maintain drug coverage from a work plan after they retire, most private plans are associated with people currently working.

9 The average income of seniors is less than that of non-seniors, but their living expenses tend to be lower as well. For example, they are less likely to have mortgage payments, children in school, and work-related expenses.

10 The total health care expenditure of senior households is reduced in provinces such as Quebec where public drug plan premiums, deductibles and co-payments are lower for seniors than for non-seniors in the same income group. This would have the effect of increasing the proportion of total expenditures accounted for by prescription drugs.

11 Statistically significant difference at the .05 level.

12 For studies that use prescription drug expenditure data from the SHS or FAMEX in the absence of any other health indicators, refer to Todd 2001 and Alan et al. 2003.

13 Aboriginals who are Registered Indians or eligible Inuit have very good coverage because of the federal Non-insured Health Benefits program. Métis and non-status Indians are more likely than the non-Aboriginal population to be underinsured or not insured at all.

14 Again, people in these three provinces must pay public health care premiums.

15 In addition, low-income families may be covered by plans with very high expenditure thresholds. And although individuals on social assistance may receive prescription drugs virtually free of charge, some plans require recipients to make co-payments or pay dispensing fees.

16 In addition to prescription drugs, the private insurance premium category in the SHS includes supplementary coverage and extended benefits. The public premium category includes public hospital and medical plans as well as drug plans. Thus, premiums may not be related to prescription drug expenditures. It is impossible with the SHS to determine whether a household has prescription drug insurance per se (that is, premiums are assigned to their respective private or public premium categories, while deductibles and co-payments count as out-of-pocket expenditures).

17 Many provinces reduce premiums (if applicable), deductibles and co-payments for seniors. This finding may indicate that provincial plans are more similar among seniors than among other demographic groups.

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Post-retirement employment

Grant Schellenberg, Martin Turcotte and Bali Ram

Individuals enter retirement in many different ways. Some retire from a long-term job, making a clean transition from work to leisure. Others take less direct routes, perhaps paring back their work hours, experiencing a spell of unemployment, or changing jobs or even careers late in their working life. There are also some who retire and later return to the workforce. This situation is becoming more common as retirees increasingly find themselves in good health and with the education and skills needed to compete in the job market. Indeed, demand for their skills may increase in the coming years as baby boomers retire and the face of the labour force changes. Using the 2002 General Social Survey, this article examines the latter group: individuals who return to paid employment after an initial retirement (see *Data source and definitions*).

Retired individuals were asked if they had done any paid work, at any time, at any job or business after their first retirement. Just over one-fifth (22%) of recent retirees said they had done so.¹ Another 4% said they had looked for a job, but had not been able to find one.²

Characteristics associated with post-retirement employment

Various characteristics influenced the likelihood of returning to work after an initial retirement (Table 1). Men were slightly more likely than women (predicted probabilities of 23% and 15% respectively). Health was also a key consideration. Individuals in fair or poor health were far less likely to return to work than those whose health was excellent (predicted probabilities of 12% and 24% respectively).

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Data source and definitions

The 2002 **General Social Survey** targeted all persons 45 and over residing in the 10 provinces, excluding full-time residents of institutions.

The survey used a subjective definition of **retirement** involving several steps. First, respondents who said their main activity during the past 12 months was 'retired' were identified as retirees. Individuals who did not indicate retirement as their main activity were asked if they had ever retired, and those who said yes were also identified as retirees. Those who still responded no were asked a follow-up question that probed the issue in considerable detail, and if they were able to answer positively to any part of this question, they were also deemed to be retirees. Respondents who had never worked, had left the labour force before age 30, or did not answer the questions on retirement were excluded from the study.

Recent retirees are individuals who first retired during the years 1992 to 2002 inclusive and were aged 50 or older at the time.

Post-retirement employment was more common among those retiring from certain occupations and industries. Individuals from professional occupations were most likely to return to work (predicted probability of 27%), followed by managers and technicians (21%). These figures may reflect greater and more attractive employment opportunities available to these individuals—jobs offering good pay, interesting work and few physical demands.

From an industry standpoint, retirees from information, culture and recreation as well as construction were most likely to return to the workforce. Employment in construction is often project-oriented, so retirees here have more opportunity to find employment in temporary, project-specific jobs. Furthermore, plumbers, carpenters, electricians and others in skilled trades may be well-positioned to supplement retirement income through self-employment. In fact, 31% of retirees from the construction industry were self-employed prior to their first retirement, compared with 17% of all retirees.

Table 1 Predicted probability of recent retirees having returned to paid employment

	%
Sex	
Men	23
Women	15*
Health at retirement	
Excellent	24*
Very good	19
Good	21
Fair/poor	12*
Occupation prior to retirement	
Manager	21*
Professional	27*
Technical	21*
Clerical	20*
Sales and service	15
Other blue collar	18
Trades	17
Industry prior to retirement	
Agriculture and primary	19
Utilities, transportation and warehousing	15
Manufacturing	13*
Construction	28*
Finance, insurance, real estate, rental and leasing; professional and business services	24
Trade	20
Education, health care and social assistance	21
Information, culture and recreation	32*
Accommodation, food and other services	17
Public administration	24
Age at retirement	
50 to 59	25
60 to 64	13*
65 or older	18*
Type of employment prior to retirement	
Employee	19
Self-employed	19
Selected reasons for retirement	
Early retirement incentive	
Yes	27*
No	18
No longer enjoyed the work	
Yes	28*
No	18
Retirement financially possible	
Yes	17*
No	23

Source: General Social Survey, 2002
 * Significantly different from the reference group $p < 0.05$.
 Probabilities were obtained by setting covariates to mean values.
 Note: Other variables, including marital status, immigration status, and receipt of pension income were not significantly associated with the likelihood of returning to paid employment and were omitted from the model.

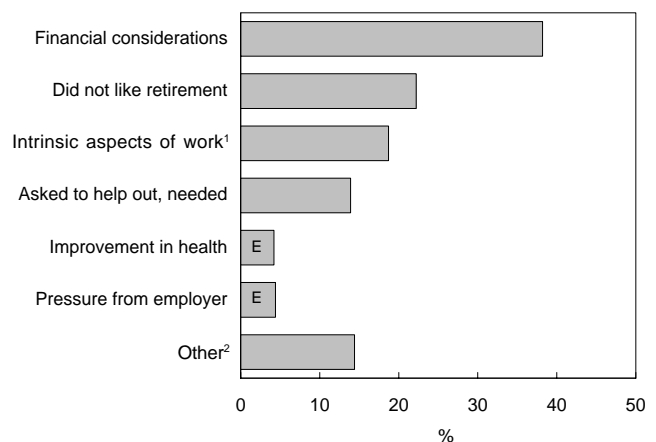
The likelihood of returning to paid employment was also associated with age. Individuals who first retired before age 60 were more likely to return to work than those who retired later. Perhaps those under 60 had concerns about their financial preparations or were not yet psychologically ready for retirement.

Finally, the likelihood of post-retirement employment was linked to specific retirement reasons—most notably, receipt of an early retirement incentive and no longer enjoying one’s work. In the latter case, post-retirement employment may reflect the efforts of some individuals to start a new career or to find employment in a more satisfying work environment. In addition, individuals who retired for reasons other than financial were more likely to return to work, likely in an effort to improve their financial situation.

Reasons for post-retirement employment

Retirees returning to paid employment were asked why they did so. Although financial considerations was mentioned most often, it was cited by considerably less than half (38%) (Chart). This suggests that non-financial reasons were important as well. Indeed, 22% of retirees returned to employment because they did not like retirement, 19% mentioned the intrinsic

Chart Financial issues by far the most common reason for returning to work



Source: 2002 General Social Survey
 1 Such as social contact, challenging tasks, wanting to feel useful.
 2 Includes 'caregiving duties no longer required' and 'family pressure.'

rewards offered by work (challenging tasks, social contacts, sense of purpose), and 14% felt they were needed or wanted to help out. Overall, 55% cited at least one of these three non-financial reasons. Other considerations, such as pressure from family members, improved health, or no longer having to provide caregiving, were cited by less than 5%.

The likelihood of returning to work for financial reasons did not vary by sex or educational attainment (Table 2). Voluntary and involuntary retirees differed noticeably on this point, however with financial considerations being cited more often by those who left involuntarily (54% versus 33%). Similarly, individuals who retired because of health problems, downsizing or unemployment were more likely to return to work for financial reasons.

Among the 4% of recent retirees who looked for a job but were unsuccessful in finding one, 40% cited wanting to return to work for financial reasons, 39% non-financial reasons, and 22% both.

Table 2 Reasons why recent retirees returned to work after first retirement¹

	Financial considerations	Intrinsic aspects of work	Did not like retirement
		%	
Sex			
Men	38	19	22
Women	38	15	27
Educational attainment			
Less than high school	37 ^E	19 ^E	23 ^E
High school	38	16 ^E	28 ^E
Postsecondary certificate or diploma	38	18 ^E	18 ^E
University degree	39	21 ^E	19 ^E
Nature of retirement			
Voluntary	33	21	19
Involuntary	54	12 ^E	30 ^E
Selected reasons for first retirement			
Financially possible	31	20	22
Wanted to do other things	32	21	19 ^E
No longer enjoyed job	37 ^E	18 ^E	18 ^E
Health	52	11	17 ^E
Downsizing	51	12	34 ^E
Unemployment	68	F	F

Source: General Social Survey, 2002
¹ Top three reasons.

Hours worked after retirement

Many retirees who returned to paid employment did so on a part-time basis (less than 30 hours per week)—37% of men and 58% of women (Table 3). Individuals who initially retired at 60 or later were more likely to work part time than those who retired before 60.

Work hour preferences are most divergent among men and women with higher levels of education. The difference in the incidence of part-time employment between men and women with high school or less (10 to 12 percentage points) was far smaller than for those with a postsecondary certificate or diploma (26 percentage points) or a university degree (33 points).

Finally, for retirees who were employed just prior to their first retirement, post-retirement employment often involved a reduction in the number of hours worked. Of the men returning to paid employment, virtually all had worked full time prior to their first retirement. However, over one-third of them moved to a part-time schedule when they took post-retirement employment. Similarly, among women, of the 86% who were employed full time prior to their first retirement, over half (55%) moved to a part-time schedule when they returned to work. This suggests that many workers considering retirement might be willing to continue working if switching to part-time were an option.³

Table 3 Recent retirees who returned to part-time paid employment

	Both sexes	Men	Women
		%	
Total	45	37	58
Age at first retirement			
50 to 59	41	31	59
60 to 64	48 ^E	46 ^E	52 ^E
65 or older	55 ^E	49 ^E	67 ^E
Education			
Less than high school	40 ^E	36 ^E	48 ^E
High school	51	47 ^E	57 ^E
Postsecondary certificate or diploma	49	36 ^E	62 ^E
University degree	38	27 ^E	60 ^E

Source: General Social Survey, 2002

Conclusion

In general, post-retirement employment has been most prevalent among individuals who initially retired in their 50s and were well positioned to re-enter the workforce. They were in good health, had postsecondary educational credentials, and valuable skills and experience—often gained from prior employment in professional and managerial occupations.⁴ While financial considerations were the motivation for some, the intrinsic aspects of work were important for others.

Looking ahead, a number of factors may influence the prevalence of post-retirement employment in Canada—educational attainment for one. The proportion of individuals aged 55 to 64 with a postsecondary educational credential increased from 25% to 48% between 1990 and 2004, while those with less than high school declined from 54% to 27% (Statistics Canada 2005).⁵ Hence, the upcoming cohort of retirees will be well educated and equipped to re-enter the workforce after retirement if they so choose.

Also, individuals in their retirement years will be in better health than their predecessors. A recent Statistics Canada study compared the health of persons aged 50 to 67 (as well as other age groups) in 1978-79 and 1996-97 and concluded that “Lower mortality rates overall, and for cardiovascular disease in particular, as well as lower odds of heart disease, high blood pressure, arthritis and activity limitation suggest that recent cohorts are healthier than the cohorts who preceded them.” (Chen and Millar 2000, 19). The implication is that health considerations will be an obstacle for fewer retirees wanting to re-enter the workforce.

Finally, unlike retirees in the 1990s, those in the years ahead will face a labour market where demand for their labour is high. With greater employment prospects available, older workers who might otherwise have opted to retire from long-held jobs may instead capitalize on the opportunity for a career change.

On the other hand, in coming years, more new retirees will be women—a result of their increased participation in the labour market over the last few decades. Among individuals aged 45 to 54 working full year, full time in 2000, 46% were women compared with only 29% in 1980. If women now approaching

retirement behave similarly to those who retired between 1992 and 2002—that is, their incidence of post-retirement employment remains lower than men’s—then the proportion of new retirees returning to the workforce may not grow as quickly.

Perspectives

■ Notes

1 Retired respondents were asked in what month and year they first retired and, if they subsequently took a paid job, in what month and year they last retired. In some cases, the month and year of the first and last retirement were the same, raising doubt as to whether significant post-retirement employment was undertaken. If these respondents are excluded, the incidence of post-retirement employment drops from 22% to 20%. In this study, the analysis of post-retirement employment is based on all respondents who said they took paid employment after their initial retirement (that is, the 22% figure).

2 The majority of these job seekers (63%) cited unemployment or downsizing as the reason for their initial retirement. Information on individuals who looked for a job but did not find one is not included here, since the small number of respondents limits the extent to which reliable comparisons across demographic and labour market characteristics can be made.

3 Aside from hours of work, the 2002 General Social Survey did not collect information on the kind of employment undertaken by retirees who re-entered the workforce. Longitudinal surveys, such as the Survey of Labour and Income Dynamics, are better equipped to explore changes over time.

4 More specifically, of all recent retirees who returned to the workforce, 64% initially retired before age 60, 63% were in very good or excellent health, 54% had a postsecondary educational credential, and 39% had been employed previously in a managerial or professional occupation.

5 The absolute number of older workers with less than high school education also declined, from 1.3 million in 1990 to 909,000 in 2004.

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September 2005

PERSPECTIVES

ON LABOUR AND INCOME

Fact sheet on minimum wage

Minimum wage legislation, one of Canada's oldest social policies, exists in every province and territory as part of employment standards legislation. The minimum wage is the lowest rate an employer can pay employees who are covered by the legislation (see *Data*

source and definitions). To evaluate the potential impact of a change in minimum wage legislation, it is important to understand who works for minimum wage and what types of jobs they hold.

Data source and definitions

The **Labour Force Survey** (LFS) is a monthly household survey of about 54,000 households across Canada. Demographic and labour force information is obtained for all civilian household members 15 years of age and older. Excluded are residents of institutions, persons living on Indian Reserves, and residents of the Territories.

Every province and territory stipulates a minimum wage in its employment standards legislation. It is an offence for employers to pay eligible employees less than the set rate, regardless of how remuneration is calculated (hourly, daily, weekly, monthly, or on a piecework basis). Likewise, employees are prohibited from accepting pay that is less than the applicable minimum. The minimum wage rate varies from province to province, and a change can become effective in any month of the year.

The self-employed are not covered by minimum wage legislation and as such are not included in the analysis. Unpaid family workers are also excluded.

Other exclusions and special coverage provisions vary and include young workers (Ontario and Newfoundland and Labrador), workers with disabilities (Alberta, Manitoba and Saskatchewan—rarely used), domestic and live-in care workers (New Brunswick, Prince Edward Island, Manitoba and Quebec), farm labour (Alberta, Manitoba, Ontario and Saskatchewan), and home-based workers (for example, teleworkers, and pieceworkers in the clothing and textile industry). Other specific minimum wage rates cover non-hourly and tip-related wage rates (for example, Ontario has a special minimum wage rate for employees who serve

alcoholic beverages in licensed establishments). A more complete description of exclusions and special rates is available from Human Resources and Skills Development Canada's database on minimum wages (Internet: www110.hrdc-drhc.gc.ca/psait_spila/lmneq_eslc/eslc/salaire_minwage/intro/index.cfm/doc/english).

The number of employees working for minimum wage was calculated using the applicable **minimum wage for experienced adult workers** (also known as the **general adult rate**) for each province for each month of 2004. The average of these 12 monthly observations provides the annual estimate for each province, while the total for Canada is the sum of the provincial estimates.

To determine whether an employee worked at or below the general adult rate wage for each province, hourly earnings were calculated using the reported wage or salary before taxes and other deductions. If the wage or salary including tips, commissions and bonuses was reported hourly, it was used directly. Other wage rates were converted to an hourly rate using the usual weekly hours of work. In principle, tips, commissions and bonuses should have been excluded to capture only those whose true base hourly wage was at or below the provincial general adult rate, but the required information is not collected. The result is a slight downward bias in the number of paid workers working at or below the official general adult rate set by each province. However, none of the exclusions or special minimum wage rates (such as special minimum wage rates for tip earners and young workers) were used, which introduces an upward bias.



Statistics Canada
Statistique Canada

Canada

Lowest proportion in Alberta

In 2004, some 621,000 individuals worked at or below the minimum wage rate set by their province.¹ This represented 4.6% of all employees in Canada. Minimum wages ranged from a high of \$8.00 per hour in British Columbia to a low of \$5.90 in Alberta. The latter province also had by far the lowest proportion of employees working at or below minimum

wage (0.9%), while Newfoundland and Labrador had the highest (6.5%). Alberta also had one of the highest average hourly wages at \$18.55 per hour and by far the lowest unemployment rate (4.6%). Newfoundland and Labrador had one of the lowest average hourly wages at \$15.46 per hour, and by far the highest unemployment rate (15.6%).

Province	Total employees '000	Minimum wage		General adult minimum wage \$/hour	Date	Average hourly wage \$/hour	Unemployment rate %
		Total	Incidence				
		'000	%				
Newfoundland and Labrador	188.5	12.3	6.5	6.00	Nov 2002	15.46	15.6
British Columbia	1,671.7	104.2	6.2	8.00	Nov 2001	18.99	7.2
Nova Scotia	383.2	21.2	5.5	6.50	Apr 2004	15.82	8.8
Ontario	5,381.9	283.0	5.3	7.15	Feb 2004	19.42	6.8
Manitoba	490.0	23.9	4.9	7.00	Apr 2004	16.76	5.3
Canada	13,497.9	621.1	4.6	...		18.50	7.2
Prince Edward Island	56.7	2.5	4.4	6.50	Jan 2004	15.08	11.3
Quebec	3,201.6	140.2	4.4	7.45	May 2004	18.00	8.5
Saskatchewan	383.1	12.7	3.3	6.65	Nov 2002	16.93	5.3
New Brunswick	308.5	7.8	2.5	6.20	Jan 2004	15.18	9.8
Alberta	1,432.8	13.3	0.9	5.90	Oct 1999	18.55	4.6

Source: Labour Force Survey, 2004

Share of employees working for minimum wage or less, by province

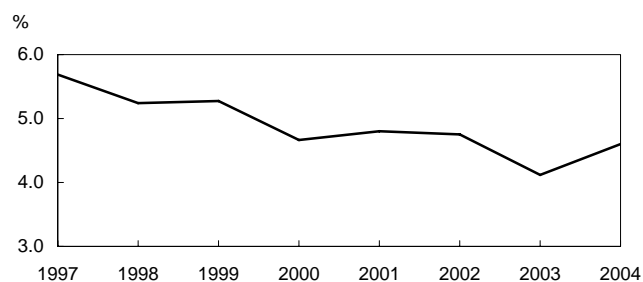
	1997	1998	1999	2000	2001	2002	2003	2004
	%							
Canada	5.7	5.2	5.3	4.7	4.8	4.8	4.1	4.6
Newfoundland and Labrador	9.2	9.6	8.3	8.7	5.7	7.5	8.4	6.5
Prince Edward Island	4.8	5.0	3.7	3.7	3.2	4.5	4.0	4.4
Nova Scotia	8.0	6.6	6.2	4.9	4.1	4.6	5.9	5.5
New Brunswick	6.7	6.7	6.1	6.0	4.2	4.2	4.0	2.5
Quebec	6.4	6.0	6.4	5.4	7.0	6.1	5.1	4.4
Ontario	5.6	5.4	4.9	4.6	4.1	4.0	3.5	5.3
Manitoba	3.9	3.5	6.7	5.2	4.5	4.8	4.5	4.9
Saskatchewan	5.7	4.1	9.4	5.9	4.3	4.8	5.0	3.3
Alberta	3.0	2.9	2.5	2.0	1.5	1.1	1.1	0.9
British Columbia	6.2	5.1	4.5	4.6	6.0	7.7	5.6	6.2

Source: Labour Force Survey

Six provinces raised their minimum wage rates in 2004: New Brunswick, Prince Edward Island, Ontario, Nova Scotia, Manitoba, and Quebec. The number and the proportion of minimum wage workers increased in three of these prov-

inces—Prince Edward Island, Ontario, and Manitoba—while decreasing in the other three. In British Columbia, which also experienced an increase in minimum wage workers, the minimum wage rate remained unchanged in 2004. Rates also remained unchanged in Alberta, Saskatchewan, and Newfoundland and Labrador, but the number and proportion of workers working for minimum wage in these provinces declined.

The proportion of employees earning minimum wage edged up in 2004 after falling steadily since 1997.



Source: Labour Force Survey

From 1997 to 2003, the proportion of employees earning minimum wage or less fell steadily, from 5.7% to 4.1%. In 2004, the rate edged up to 4.6%.

Most minimum wage workers are women and young

Women accounted for almost two-thirds of minimum wage workers, but less than half of all employees. This translated into a higher proportion of women working for minimum wage—1 in 17 compared with 1 in 30 men. This overrepresentation held across all age groups, with rates for women being mostly double those for men.

One in three teenagers aged 15 to 19 worked for minimum wage. This age group had by far the highest rate and accounted for nearly half of all minimum wage workers. A large majority were attending school either full or part time. Another 17% of minimum wage workers were aged 20 to 24, almost half of them students.² In total, two-thirds of minimum wage workers were under 25, compared with only 17% of all employees. This translates into an incidence rate nine times that of those 25 years and older—1 in 6 versus 1 in 53.

A sizeable proportion (28%) of minimum wage workers were aged 25 to 54, many of them women. For these individuals in their core working and peak earning years, minimum wage work is likely not a transitory phase.

The incidence of working for minimum wage declined sharply with age but rose slightly among those 55 and older. The latter is a reflection of some of the low-wage occupations in which working seniors tend to be concentrated: retail salespersons and sales clerks; general office clerks; janitors, caretakers and building superintendents; babysitters, nannies and parents' helpers; and light duty cleaners.

	Total employees '000	Minimum wage	
		Total '000	Incidence %
Both Sexes			
15 and over	13,497.9	621.1	4.6
15 to 24	2,358.6	408.6	17.3
15 to 19	881.8	302.0	34.2
20 to 24	1,476.8	106.6	7.2
25 and over	11,139.3	212.4	1.9
25 to 34	3,105.8	64.2	2.1
35 to 44	3,460.0	61.0	1.8
45 to 54	3,100.2	47.8	1.5
55 and over	1,473.3	39.4	2.7
Men			
15 and over	6,867.1	226.3	3.3
15 to 24	1,190.8	153.1	12.9
15 to 19	439.3	112.5	25.6
20 to 24	751.5	40.6	5.4
25 and over	5,676.3	73.1	1.3
25 to 34	1,608.6	22.7	1.4
35 to 44	1,751.5	19.2	1.1
45 to 54	1,532.8	15.2	1.0
55 and over	783.4	16.0	2.0
Women			
15 and over	6,630.8	394.8	6.0
15 to 24	1,167.8	255.5	21.9
15 to 19	442.5	189.5	42.8
20 to 24	725.3	66.0	9.1
25 and over	5,462.9	139.3	2.5
25 to 34	1,497.2	41.5	2.8
35 to 44	1,708.5	41.8	2.4
45 to 54	1,567.3	32.6	2.1
55 and over	689.9	23.4	3.4

Source: Labour Force Survey, 2004

Education makes a difference

Those with less than a high school diploma were almost five times as likely to be working for minimum wage or less as those with at least some postsecondary training—1 in 8 compared with 1 in 35. Four in 10 minimum wage workers did not have a high school diploma, compared with 1 in 7 for all employees. This corresponds with the high rates of minimum wage work among young people, many of whom have not yet completed their studies.

	Total employees '000	Minimum wage	
		Total '000	Incidence %
Education	13,497.9	621.1	4.6
Less than high school	1,897.4	249.6	13.2
Less than grade 9	379.8	29.2	7.7
Some high school	1,517.6	220.4	14.5
High school graduate	2,782.8	128.6	4.6
At least some postsecondary	8,817.6	243.0	2.8
Some postsecondary	1,404.3	112.6	8.0
Postsecondary certificate or diploma	4,623.4	94.9	2.1
University degree	2,789.9	35.5	1.3

Source: Labour Force Survey, 2004

Where do they work?

	Total employees '000	Minimum wage	
		Total '000	Incidence %
Industry	13,497.9	621.1	4.6
Goods-producing	3,331.4	50.9	1.5
Agriculture	116.8	12.2	10.4
Forestry, fishing, mining, oil and gas	236.6	3.2	1.4
Utilities	132.8	F	F
Construction	642.1	5.9	0.9
Manufacturing	2,203.1	29.2	1.3
Service-producing	10,166.5	570.2	5.6
Trade	2,201.5	206.7	9.4
Transportation and warehousing	667.8	13.0	1.9
Finance, insurance, real estate and leasing	807.9	23.4	2.9
Professional, scientific and technical	651.4	9.9	1.5
Management, administrative and other support	484.1	18.6	3.8
Education	990.9	16.9	1.7
Health care and social assistance	1,521.3	25.1	1.6
Information, culture and recreation	614.0	35.5	5.8
Accommodation and food	921.3	180.2	19.6
Public administration	829.1	7.8	0.9
Other services	477.2	33.1	6.9

Source: Labour Force Survey, 2004

Minimum wage work is concentrated in the service sector. Accommodation and food services industries had by far the highest incidence, with 1 in 5 workers at or below minimum wage. Trade also had high rates—1 in 11. These industries are characterized by high concentrations of youth and part-time workers, who tend to have less work experience and weaker attachment to the labour force. These industries often do not require specialized skills or a postsecondary education, and have low levels of unionization. The many part-time jobs tend to favour a greater presence of women.

Agriculture also had a relatively high incidence of minimum wage workers—1 in 10. Farm labour has traditionally been excluded from minimum wage provisions. Workers in agriculture are often not unionized, but may be compensated for lower wages through non-wage benefits such as free room and board.

Highly unionized industries such as construction, public administration, and manufacturing were among those with the lowest rates of minimum wage workers.

Part-time employment prominent

The rate of minimum wage work among part-time workers was seven times as high as for full-time workers (15.4% versus 2.2%). And, 60% of minimum wage workers worked part time, compared with less than 20% of all employees.

	Total employees '000	Minimum wage	
		Total '000	Incidence %
Both sexes	13,497.9	621.1	4.6
Men	6,867.1	226.3	3.3
Women	6,630.8	394.8	6.0
Full-time	11,053.5	244.8	2.2
Men	6,142.1	98.4	1.6
Women	4,911.4	146.5	3.0
Part-time	2,444.4	376.3	15.4
Men	725.0	127.9	17.6
Women	1,719.4	248.4	14.4

Source: Labour Force Survey, 2004

Most minimum wage jobs are short-term, in both large and small firms, and rarely unionized.

	Total employees '000	Minimum wage	
		Total '000	Incidence %
Job tenure	13,497.9	621.1	4.6
1 to 3 months	985.9	125.2	12.7
4 to 6 months	891.9	100.2	11.2
7 to 12 months	1,167.8	117.6	10.1
13 to 60 months	4,438.1	210.4	4.7
61 months or more	6,014.1	67.6	1.1
Firm size	13,497.9	621.1	4.6
Less than 20 employees	2,610.6	205.4	7.9
20 to 99 employees	2,200.7	101.3	4.6
100 to 500 employees	1,976.5	59.9	3.0
More than 500 employees	6,710.0	254.5	3.8
Union membership	13,497.9	621.1	4.6
Union member or covered by collective agreement	4,286.6	51.3	1.2
Non-member and not covered by collective agreement	9,211.3	569.8	6.2

Source: Labour Force Survey, 2004

More than half of minimum wage workers had been in their current job for no more than one year, compared with less than one-quarter of all employees. Working for minimum wage was most prevalent among those who had held a job for three months or less (1 in 8), and least common among those in a job for more than five years (1 in 90).

Four in 10 minimum wage workers were employed by large firms (more than 500 employees) and another third by small firms (less than 20 employees). The incidence of working for minimum wage was highest in small firms—more than double that of large firms. Very few minimum wage workers (8%) enjoyed union membership or were covered by a collective agreement, compared with almost one-third of all employees. Only 1% of union members worked for minimum wage or less, as opposed to 6% of non-union members. The large number of part-time workers, as well as students and other young people working for minimum wage, combined with their sizeable presence in smaller firms, tends to limit the ability of these workers to organize and thus command better wages.

Most minimum wage workers live at home with their parents

Almost two-thirds of minimum wage workers lived with their parents or another family member, reflecting the large number under 25, many still in school. The incidence of working for minimum wage for this group was more than three times the overall rate. Sons, daughters and other relatives living with family had some of the highest rates of working for minimum wage, particularly those under 20 and those attending school.

Almost one-quarter of all minimum wage workers were part of a couple. The incidence of working for minimum wage among couples was quite low—less than 2%. The majority had employed spouses, most earning more than minimum wage.

Other minimum wage workers included nearly 30,000 who headed a family with no spouse present (almost all with at least one child under 18), 34,000 with a spouse who was not employed, and 31,000 who lived alone. These three groups, particularly those who support a spouse or a child under 18, may have difficulty making ends meet on a minimum wage income alone.

	Total employees	Minimum wage	
		Total	Incidence
	'000	'000	%
Total	13,497.9	621.1	4.6
Member of a couple	7,885.6	142.3	1.8
Spouse not employed	1,486.4	33.7	2.3
Spouse unemployed	317.0	9.4	3.0
Spouse not in the labour force	1,169.4	24.3	2.1
Less than 55	764.6	13.4	1.8
55 and over	404.8	10.9	2.7
Spouse employed	6,399.2	108.6	1.7
Earning minimum wage or less	87.5	6.5	7.4
Earning more than minimum wage	5,451.2	81.5	1.5
Self-employed	860.4	20.6	2.4
Head of family, no spouse present	878.8	29.2	3.3
Youngest child less than 18	738.3	26.8	3.6
No children, or children 18 or older	140.5	2.4	1.7
Son, daughter or other relative living with family	2,571.9	388.1	15.1
15 to 19, in school	464.7	187.2	40.3
15 to 19, not in school	343.0	97.1	28.3
20 to 24, in school	229.6	29.0	12.6
20 to 24, not in school	603.6	43.5	7.2
25 or over, in school	52.1	2.6	5.0
25 or over, not in school	878.8	28.6	3.3
Unattached individual	2,161.6	61.5	2.8
Living alone	1,413.4	31.1	2.2
15 to 24	110.2	7.8	7.1
25 to 54	1,086.1	17.3	1.6
55 and over	217.2	6.0	2.8
Living with non-relatives	748.2	30.4	4.1
15 to 24	239.0	16.4	6.9
25 to 54	477.2	13.1	2.7
55 and over	32.0	F	F

Source: Labour Force Survey, 2004

Perspectives

For further information, contact Deborah Sussman, Labour and Household Surveys Analysis Division, at (613) 951-4226 or perspectives@statcan.ca.

Notes

1 Several provinces increased their minimum wage rates during 2005: Alberta (\$7.00, September 1); New Brunswick (\$6.30, January 1); Prince Edward Island (\$6.80, January 1); Ontario (\$7.45, February 1); Manitoba (\$7.25, April 1); Quebec (\$7.60, May 1); Newfoundland and Labrador (\$6.25, June 1); and Saskatchewan (\$7.05, September 1). Nova Scotia's minimum wage rate is scheduled to increase to \$6.80 on October 1. Therefore, Newfoundland and Labrador will have the lowest rate by the end of 2005.

2 The student estimate is based on an average eight-month academic year (January to April and September to December, 2004).