



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/lmneec_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

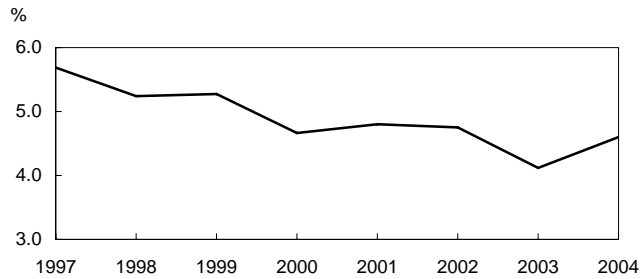
	1997	1998	1999	2000	2001	2002	2003	2004
	%							
Canada	5.7	5.2	5.3	4.7	4.8	4.8	4.1	4.6
Newfoundland and Labrador	9.2	9.6	8.3	8.7	5.7	7.5	8.4	6.5
Prince Edward Island	4.8	5.0	3.7	3.7	3.2	4.5	4.0	4.4
Nova Scotia	8.0	6.6	6.2	4.9	4.1	4.6	5.9	5.5
New Brunswick	6.7	6.7	6.1	6.0	4.2	4.2	4.0	2.5
Quebec	6.4	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).