

Welcome to Canada's 'wageless recovery'

By Armine Yalnizyan

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The Harper government likes to remind Canadians that we've done better than most developed nations in bouncing back from the global economic crisis. But digging into the data shows why many people might be having trouble cheering this news: wages have not kept pace with inflation, and new hires are making 40 per cent less than the average worker.

Tiff Macklem, senior deputy governor of the Bank of Canada, recently brought home the official storyline: The level of employment is now higher than it was before the crisis; jobs are mostly being created in the private sector, most are full-time and are emerging in industries that pay above-average wages.

These are upbeat metrics, but they are irrelevant to the one thing that matters most to Canadian households and a sustained, broad-based recovery: how much people get paid.

On that count, the data reveal that purchasing power is falling for most Canadians since the recovery began. The average wage paid to Canadians has not kept up with inflation. Real average wages declined by 0.6 per cent between 2009 — the trough of the recession — and 2011, from \$23.11 to \$22.99. That may not sound like much, but that's because the bottom half of the wage distribution losing ground faster than the top half. See the attached chart. (Data are from the Labour Force Survey public use microdata file)

It is true that there are 820,000 more jobs now than in the middle of the Great Recession, but there are still 1.4 million people looking for work — a number that is about 25 per cent higher than before the crisis started, and not steadily declining.

Given this mass of joblessness, the appropriate comparison is not the number of jobs there are, but the number of jobs there could be if the economy were functioning at its potential. The

Parliamentary Budget Office has calculated that Canada's economy would have 130,000 more jobs if it were operating at capacity. Instead, Ottawa and some provinces are about to slow the economy further, as austerity policies start to kick in.

The Government of Canada is hammering down on this story: We have more jobs than we did before, and most of the new growth is in high paying industries. It's left to the imagination that Canadians have never done better.

Simple math challenges this narrative: if the majority of new jobs are appearing in industries that pay better than average, average wages should be going up, right? But they're not. What's up with that?

The above-average paying industries in which job growth has blossomed include finance and real estate, construction, and health care. Average wages in health care are skewed up because of doctors; average wages in the financial sector are skewed up because of executives and high end brokers; average wages in construction are skewed up by high-skilled tradesmen. But not every new hire is a doctor, executive or master electrician.

In fact, new hires are getting paid significantly less than the average wage. While there is always an important differential between new employees and ones that have been on the job for some time, this differential has grown since 2007, before the recession began. Back then, a new worker was paid 30 per cent less than average pay; now it's 40 per cent less than average.

Don't be fooled by job creation stats. We ducked the "jobless recovery" of the 1990s, but welcome to the new normal, for far too many Canadians: the wageless recovery.

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