Research to Insights: Wages in Canada, 1981 to 2024

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About *Research to Insights*

The *Research to Insights* series of presentations features a broad range of findings on selected research topics. Each presentation draws from and integrates evidence from various studies that use innovative and high-quality data and methods to better understand relevant and complex policy issues.

Based on applied research of valuable data, the series is intended to provide decision makers, and Canadians more broadly, a comprehensive and horizontal view of the current economic, social and health issues we face in a changing world.

Background

The evolution of Canadian wages over the last four decades

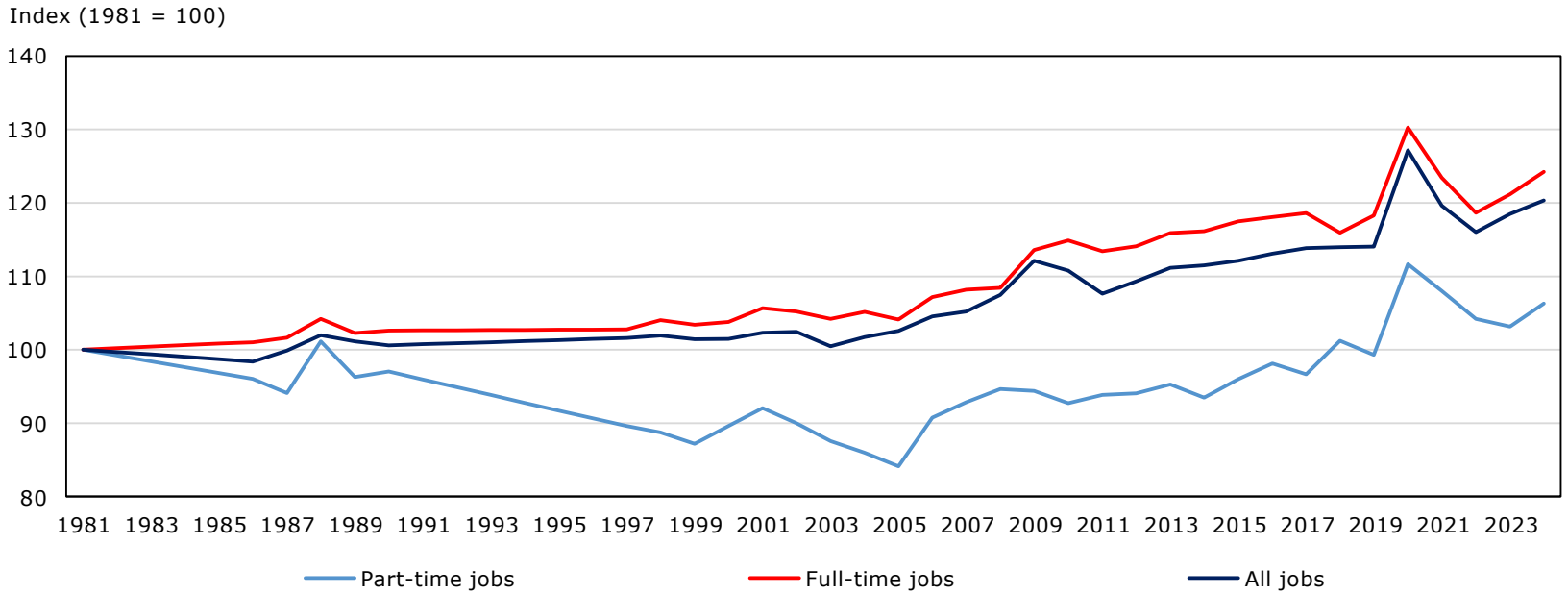
- The Canadian labour market has been subject to many developments over the last four decades.
- These changes include the decline in manufacturing; the relatively slow growth in labour productivity; movements in world oil prices; the decline in the overall unionization rate; the advent of computer-based technologies, automation and artificial intelligence; the substantial growth in workers' education levels; increases in women's labour force participation and their growing presence in highly paid occupations; free trade agreements with Mexico and the United States; the growth of international trade with China and other emerging countries; and the COVID-19 pandemic.
- Many of these changes likely affected the Canadian wage structure over the last four decades.
- Some of these events—such as the COVID-19 pandemic—were followed by sharp increases in housing-related costs that have outpaced wage gains.
- To understand how Canadian wages (before taxes and deductions) have evolved over the last four decades, this presentation assembles data from household surveys conducted during the 1980s, the Labour Force Survey and Statistics Canada's Longitudinal Worker File. In most charts, wages are deflated by the all-items Consumer Price Index. Most of the analysis focuses on median real hourly wages, the wage value that divides the population of employees into two halves: lower-paid and higher-paid employees.

For more information: Research to Insights: Perspectives on Affordability and Inequality; The changing job landscape, 1981 to 2019; and The evolution of Canadian wages over the last three decades.

From May 1981 to May 2024, median real hourly wages grew faster in full-time jobs than in part-time jobs

- From May 1981 to May 2024, median real hourly wages grew 20%, with most of the growth occurring after 2003.
- Median real hourly wages in full-time jobs—jobs that involve at least 30 hours per week—grew by 24%. In contrast, median real hourly wages in part-time jobs increased by 6%.
- Most of the divergence in wage growth between full-time and part-time jobs occurred from 1981 to 1998 and remains after controlling for changes in the composition of employment by industry, occupation, union status, sex, age and education that took place during that period.
- By disproportionately reducing employment in relatively low-paid jobs, the COVID-19 pandemic caused a temporary spike in wage growth in 2020 and 2021.

Chart 1
Median real hourly wages of employees aged 17 to 64 years in full-time jobs and part-time jobs, Canada, 1981 to 2024



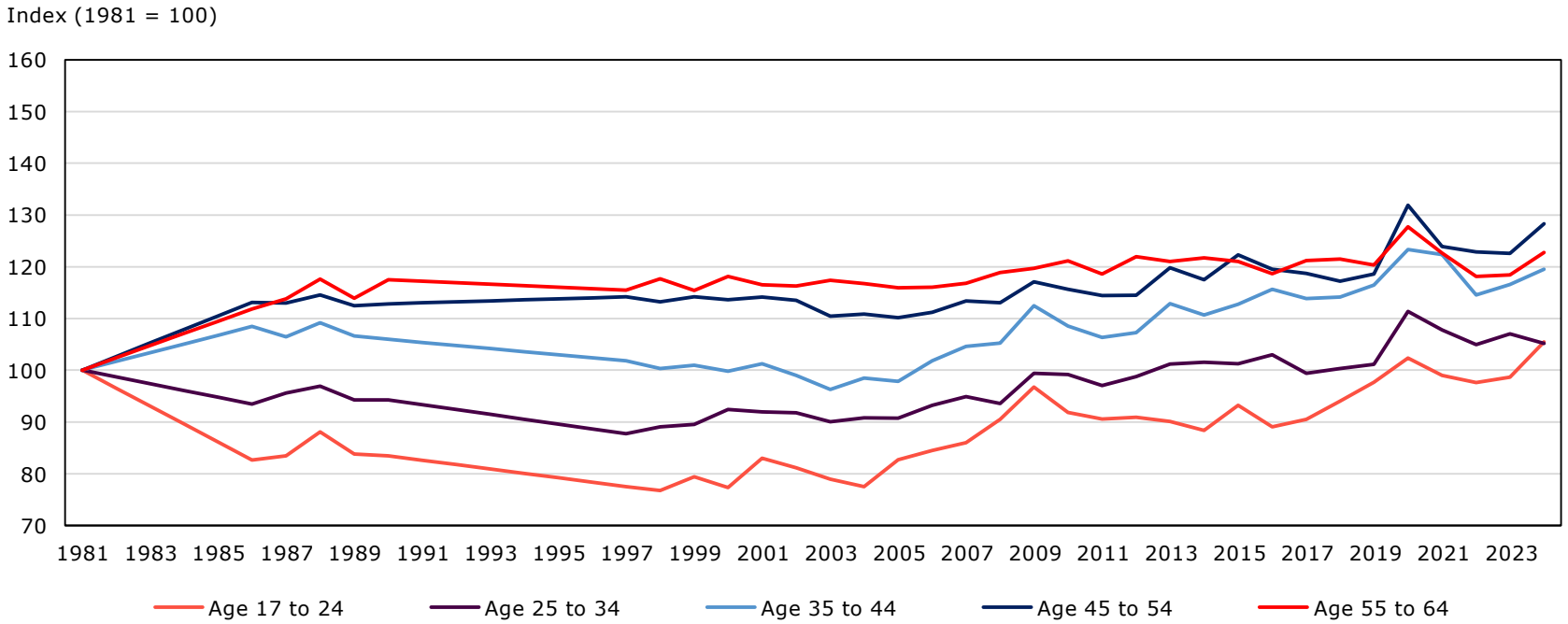
Notes: Main job held in May by employees aged 17 to 64 years. The numbers for 1982 to 1985 and 1991 to 1996 are based on interpolations.
Sources: Statistics Canada, 1981 Survey of Work History, 1986 to 1990 Labour Market Activity Survey and 1997 to 2024 Labour Force

For more information: The changing job landscape, 1981 to 2019; The evolution of Canadian wages over the last three decades; Real wages and productivity during the COVID-19 pandemic; and Are good jobs disappearing in Canada?

For men, real wage growth in full-time jobs differed substantially across age groups

- From 1981 to 1998, median and average real hourly wages of men and women aged 25 to 34 years with full-time jobs grew roughly 20 percentage points less than those of their counterparts aged 45 to 54.
- Differential changes in unionization, job tenure, industry of employment and occupation explain about 40% of this difference for men and about 75% of this difference for women.
- Different patterns were observed from 1998 to 2024. During this period, men and women aged 25 to 34 years saw their median wages grow by about 5 percentage points faster than those of their counterparts aged 45 to 54.

Chart 2
Median real hourly wages of men employed in full-time jobs, by age group, Canada, 1981 to 2024



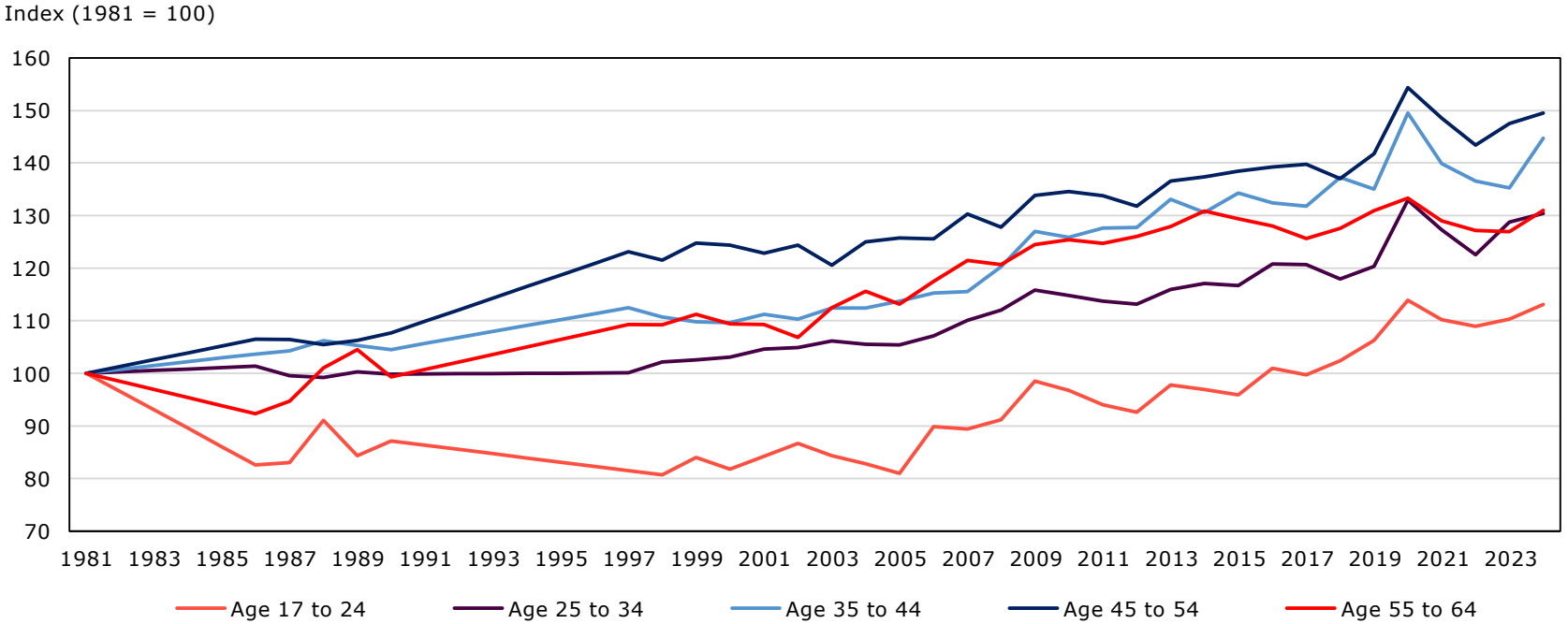
Notes: Main job held in May by employees aged 17 to 64 years. The numbers for 1982 to 1985 and 1991 to 1996 are based on interpolations.
Sources: Statistics Canada, 1981 Survey of Work History, 1986 to 1990 Labour Market Activity Survey and 1997 to 2024 Labour Force Survey.

For more information: The evolution of Canadian wages over the last three decades and Chapter 2: Youth employment in Canada.

The real wages of women grew faster than those of men but also evolved differently across age groups

- Median real hourly wages of women grew faster than those of men from 1981 to 2024. Over this period, women's average job tenure and educational attainment increased at a faster pace than men's, and their representation in higher-paying occupations grew.
- Women's faster wage growth was observed across all age groups.
- For instance, among workers aged 25 to 54 years holding full-time jobs, women's median real hourly wages grew 21 to 25 percentage points faster than men's from May 1981 to May 2024.

Chart 3
Median real hourly wages of women employed in full-time jobs, by age group, Canada, 1981 to 2024



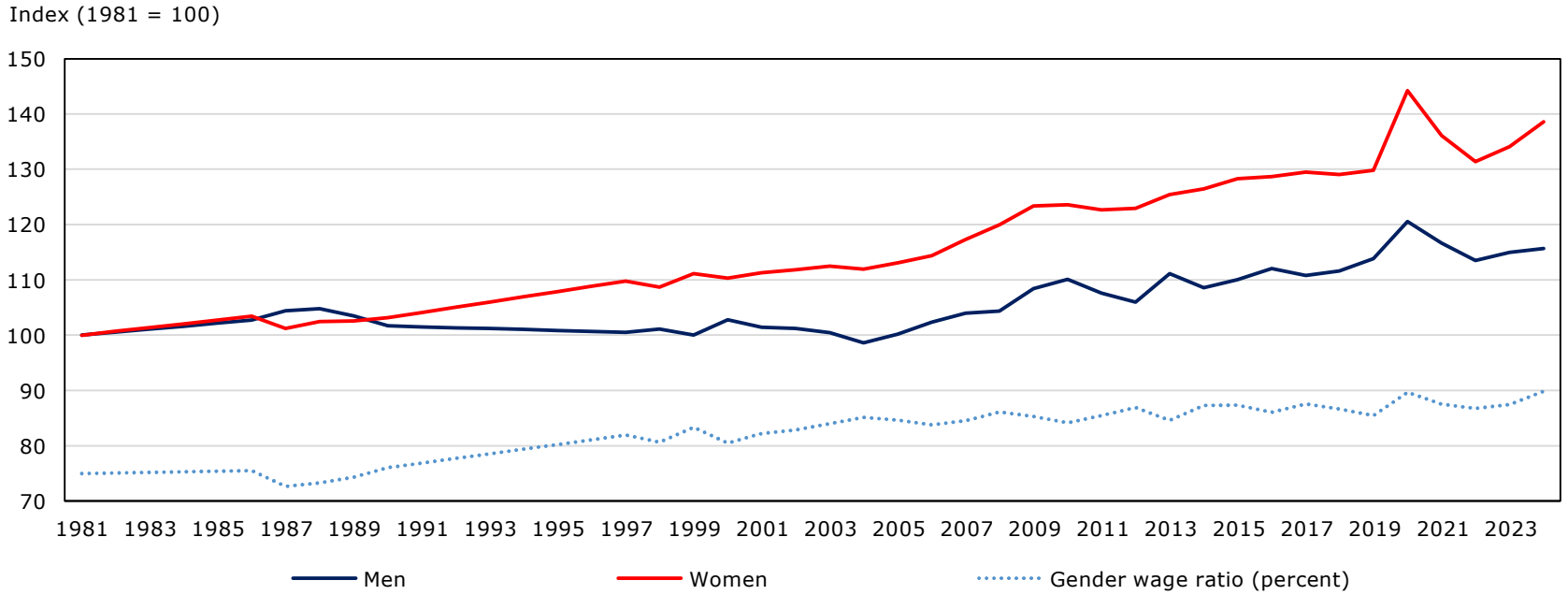
Notes: Main job held in May by employees aged 17 to 64 years. The numbers for 1982 to 1985 and 1991 to 1996 are based on interpolations.
Sources: Statistics Canada, 1981 Survey of Work History, 1986 to 1990 Labour Market Activity Survey and 1997 to 2024 Labour Force Survey.

For more information: Wages for young workers up to the age of 40.

As a result, the gender wage gap in full-time jobs narrowed substantially

- The faster wage growth experienced by women led to a narrowing of the gender wage gap.
- In May 1981, women aged 25 to 54 years with full-time jobs earned, at the median, 75 cents for every dollar received by men. By May 2024, this ratio between women's and men's median wages stood at 90 cents. Most of the increase occurred from 1981 to 2004.
- The gender wage gap narrowed to a greater extent among employees aged 25 to 34 than among those aged 45 to 54.
- In May 2024, women aged 25 to 34 earned, at the median, 96 cents for every dollar earned by men of similar age, up from 78 cents in May 1981. The corresponding numbers for employees aged 45 to 54 were 83 cents and 71 cents, respectively.
- Over the last few years, several studies have shown that childbirth substantially contributes to widening the gender wage gap as men and women age.

Chart 4
Median real hourly wages and gender wage ratio (percent) for men and women aged 25 to 54 years employed in full-time jobs, Canada, 1981 to 2024



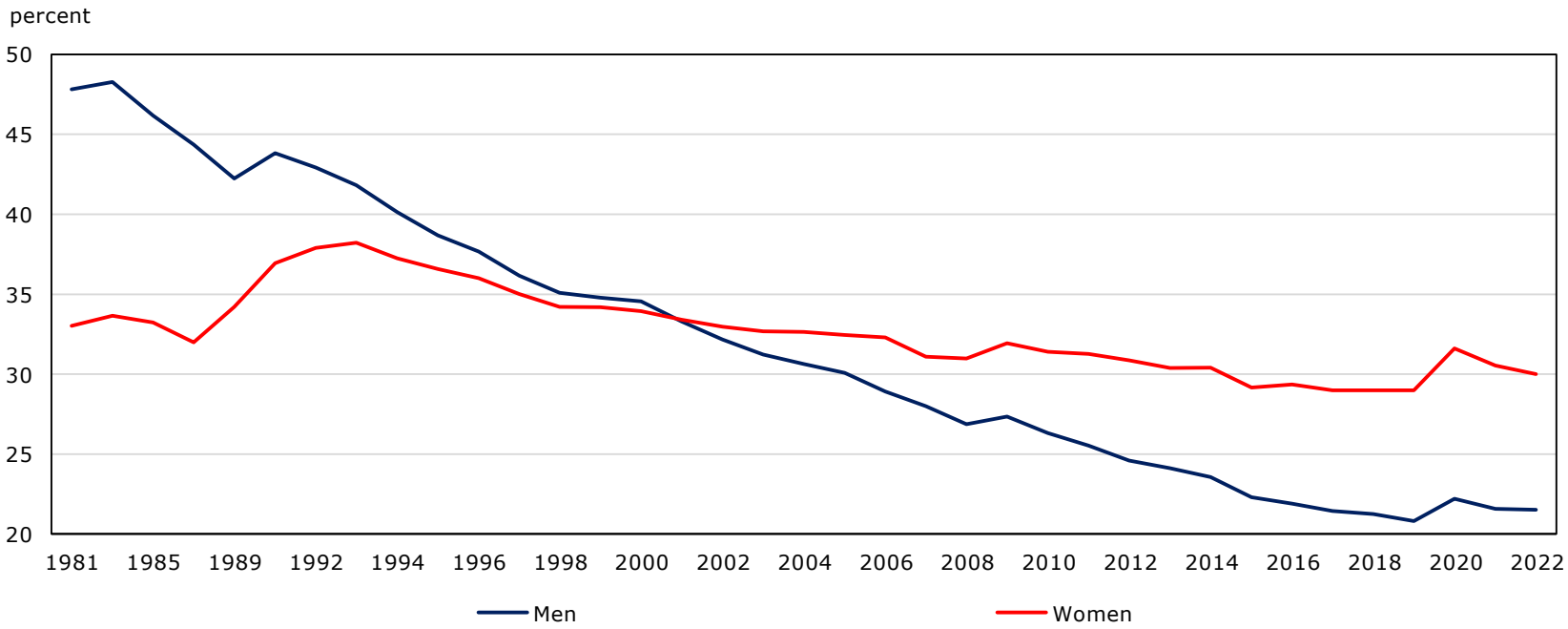
Notes: Main job held in May by employees aged 25 to 54 years. The numbers for 1982 to 1985 and 1991 to 1996 are based on interpolations.
Sources: Statistics Canada, 1981 Survey of Work History, 1986 to 1990 Labour Market Activity Survey and 1997 to 2024 Labour Force Survey.

For more information: The gender wage gap in Canada: 1998 to 2018; Intersectional perspective on the Canadian gender wage gap; The evolution of Canadian wages over the last three decades; Measuring and analyzing the gender pay gap: A conceptual and methodological overview; Earnings inequality and the gender pay gap in Canada: The role of women's under-representation among top earners; Diversity among board directors and officers: Exploratory estimates on family, work and income; and Child penalties in Canada.

Gender differences in wage growth occurred along differential trends in pension coverage

- The last four decades have witnessed a decline in the percentage of employees covered by Registered Pension Plans (RPPs), especially among men.
- During the 1980s and 1990s, declines in unionization rates and shifts in employment towards low-coverage industries reduced the RPP coverage of men and young women.
- The entry of women into higher-paying and high-coverage occupations and their growing presence in educational services, health care and social assistance, and public administration—three sectors with strong coverage—helped partially offset the downward pressures on their RPP coverage over the last four decades.
- The percentage of men covered by defined benefit RPPs fell from 47.8% in 1981 to 21.5% in 2022. Meanwhile, the percentage of women covered by such plans fell by 3 percentage points, dropping from 33.0% in 1981 to 30.0% in 2022.
- As a result, proportionately more women than men were covered by defined benefit RPPs (or RPPs) in recent years.

Chart 5
Percentage of employees covered by a defined benefit Registered Pension Plan, by sex, Canada, 1981 to 2022



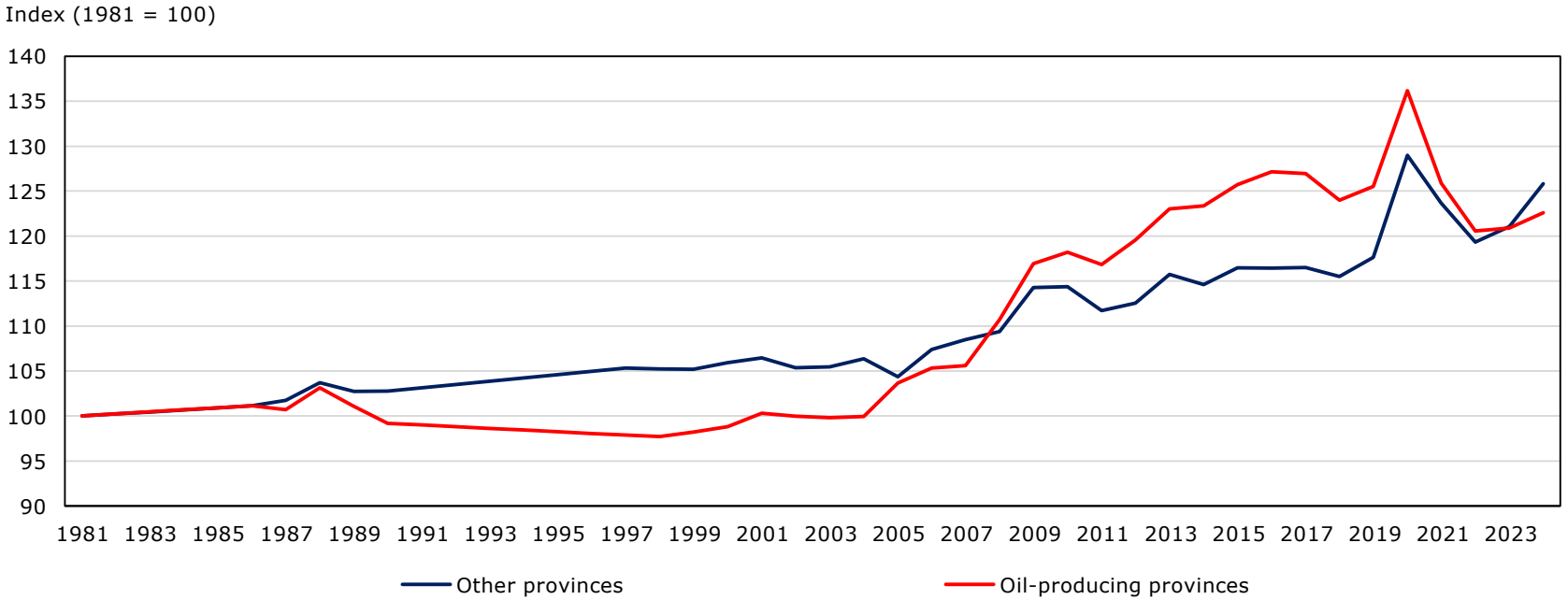
Sources: Statistics Canada, Pension Plans in Canada database and Labour Force Survey.

For more information: The changing job landscape, 1981 to 2019; Pension coverage and retirement savings of young and prime-aged workers in Canada, 1986-1997; New facts on pension coverage in Canada; and Pensions: The ups and downs of pension coverage in Canada.

Thanks to sharp increases in oil prices, median real hourly wages in full-time jobs grew faster in the oil-producing provinces than in other provinces during the 2000s

- Over the last four decades, pay rates did not always grow at the same pace across all provinces.
- From May 2001 to May 2008, median real hourly wages in full-time jobs grew by 10% in oil-producing provinces (Alberta, Saskatchewan, and Newfoundland and Labrador), compared with 3% in other provinces.
- The relatively strong wage growth in oil-producing provinces took place as the price index for energy and petroleum products more than doubled from 2001 to 2008.
- The resulting oil boom increased migration to Alberta and the number of interjurisdictional employees from the Atlantic provinces working in Alberta. By increasing outside options for workers in the Atlantic provinces, the oil boom also fostered wage growth in these provinces.

Chart 6
Median real hourly wages in full-time jobs, oil-producing provinces and other provinces, 1981 to 2024



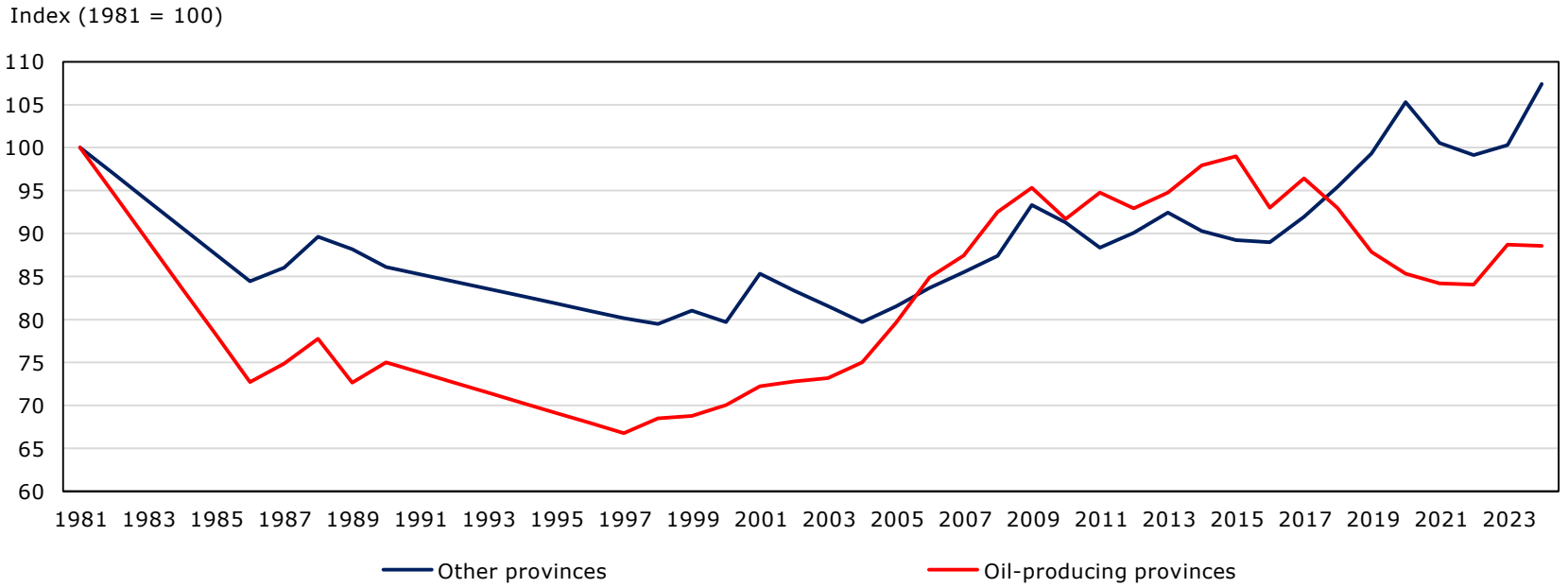
Notes: Main job held in May by employees aged 17 to 64 years. Province-specific Consumer Price Indexes are used to compute median real hourly wages. The numbers for 1982 to 1985 and 1991 to 1996 are based on interpolations.
Sources: Statistics Canada, 1981 Survey of Work History, 1986 to 1990 Labour Market Activity Survey and 1997 to 2024 Labour Force Survey.

For more information: The impact of annual wages on interprovincial mobility, interprovincial employment, and job vacancies; Interjurisdictional employment in Canada, 2002 to 2019; Economy-wide spillovers from booms: Long-distance commuting and the spread of wage effects.

The wages of young workers displayed greater variability in the oil-producing provinces than in other provinces

- Partly because they were subject to fluctuations in oil prices, the wages of young workers in oil-producing provinces displayed greater variability than those of young workers in the rest of Canada.
- These movements in real wages affected the timing of youth school enrolment and their educational attainment.
- For example, the 2001-to-2008 oil boom reduced—at least temporarily—the university enrolment of men aged 17 to 24 years in oil-producing provinces. However, it also brought into the labour market some young men who were previously neither enrolled in school nor employed.
- Unlike young men, the university enrolment of young women in oil-producing provinces did not decline during the oil boom. However, young women started combining school enrolment and part-time work in greater numbers.

Chart 7
Median real hourly wages of men aged 17 to 24 years employed in full-time jobs, oil-producing provinces versus other provinces, 1981 to 2024



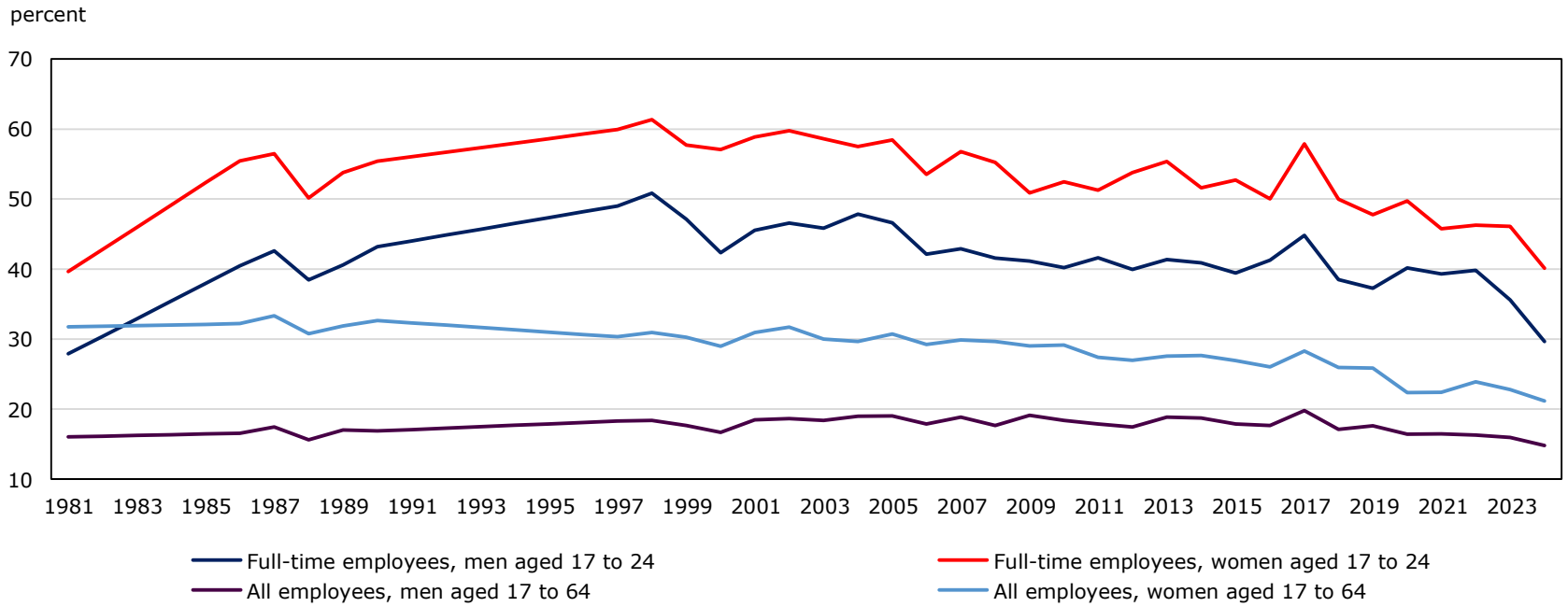
Notes: Main job held in May by men aged 17 to 24 years. Province-specific Consumer Price Indexes are used to compute median real hourly wages. The numbers for 1982 to 1985 and 1991 to 1996 are based on interpolations.
Sources: Statistics Canada, 1981 Survey of Work History, 1986 to 1990 Labour Market Activity Survey and 1997 to 2024 Labour Force Survey.

For more information: Long-term consequences of natural resource booms for human capital accumulation and Wages, youth employment, and school enrollment: Recent evidence from increases in world oil prices.

After rising during the 1980s and 1990s, the percentage of full-time employees aged 17 to 24 years holding low-paid jobs fell afterwards

- As their median real hourly wages fell during the 1980s and 1990s, full-time employees aged 17 to 24 years—most of whom were not students—became increasingly employed in low-paid jobs, jobs that the United Nations Economic Commission for Europe defines as those paying less than two-thirds of year-specific median hourly wages.
- Opposite trends were observed from the late 1990s onwards, as the median wages of these full-time employees started increasing.
- As a result of these two offsetting trends, 30% of men aged 17 to 24 employed full-time held low-paid jobs in May 2024, a percentage slightly higher than the rate of 28% observed in May 1981.
- Similar temporal patterns were observed for young women employed full time.
- Overall, the percentage of women employed in low-paid jobs trended downwards, while the percentage of men employed in such jobs followed a slightly inverted U-shape trend.

Chart 8
Percentage of employees holding low-paid jobs, Canada, 1981 to 2024



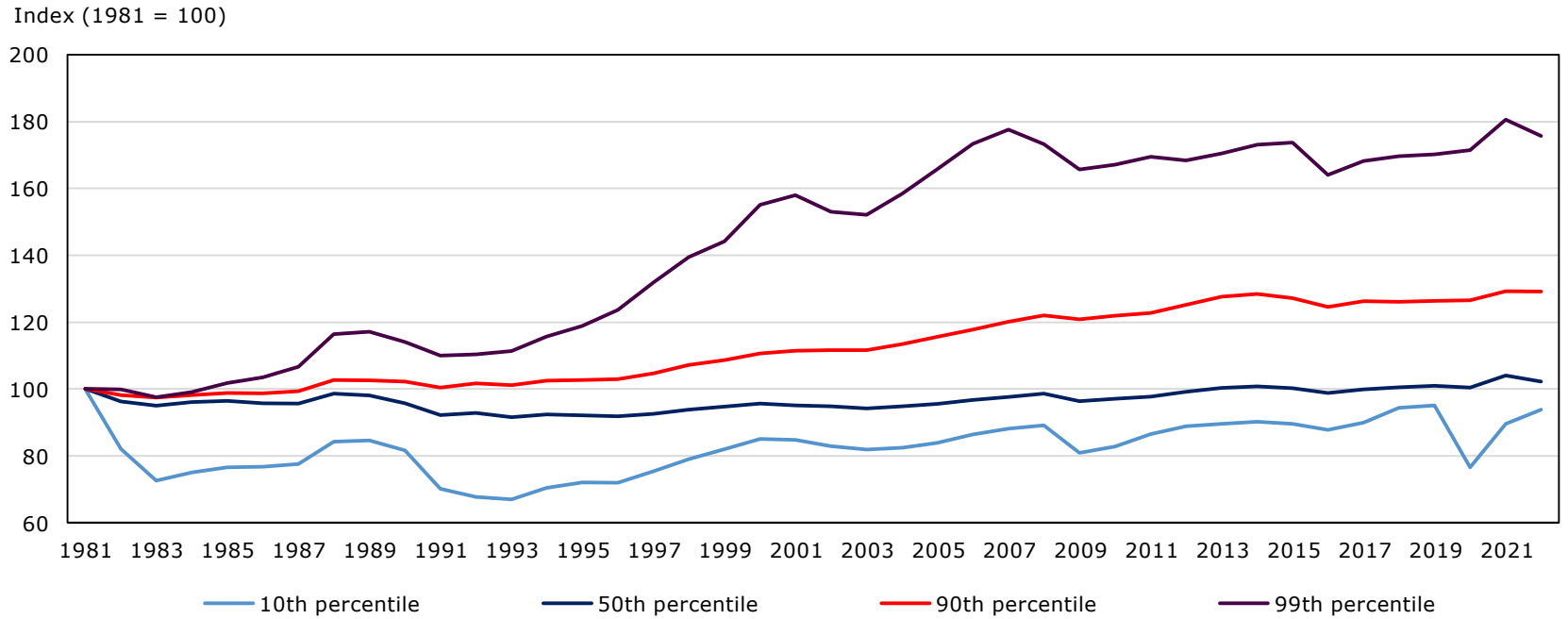
Notes: Main job held in May. Low-paid jobs are those paying less than two-thirds of year-specific median hourly wages. The numbers for 1982 to 1985 and 1991 to 1996 are based on interpolations.
Sources: Statistics Canada, 1981 Survey of Work History, 1986 to 1990 Labour Market Activity Survey and 1997 to 2024 Labour Force Survey.

For more information: Employees with low pay, 1998 to 2021.

Earnings inequality has increased for men over the last four decades

- From 1981 to 2022, the real annual wages and salaries of men aged 25 to 54 years (received from all jobs held during a given year) grew by 29% at the 90th percentile, stagnated at the median and fell by 6% at the 10th percentile. Annual wages and salaries of men at the 99th percentile grew even more, increasing by 76% during that period.
- A large body of research has attempted to identify which factors increased earnings inequality in Canada and several Organisation for Economic Co-operation and Development countries.
- These factors include shifts in labour supply, technological change, the decline in manufacturing, growth in international trade, de-unionization, movements in real minimum wages and changes in social norms regarding executive pay.
- Quantifying the contribution of these factors has proven difficult because many of them are interrelated. For example, the adoption of new technologies may allow firms to export to world markets. Conversely, competition induced by international trade may induce firms to adopt new technologies. Likewise, labour supply shifts may influence the adoption of technology.

Chart 9
Real annual wages and salaries of men aged 25 to 54 years, at selected percentiles, 1981 to 2022



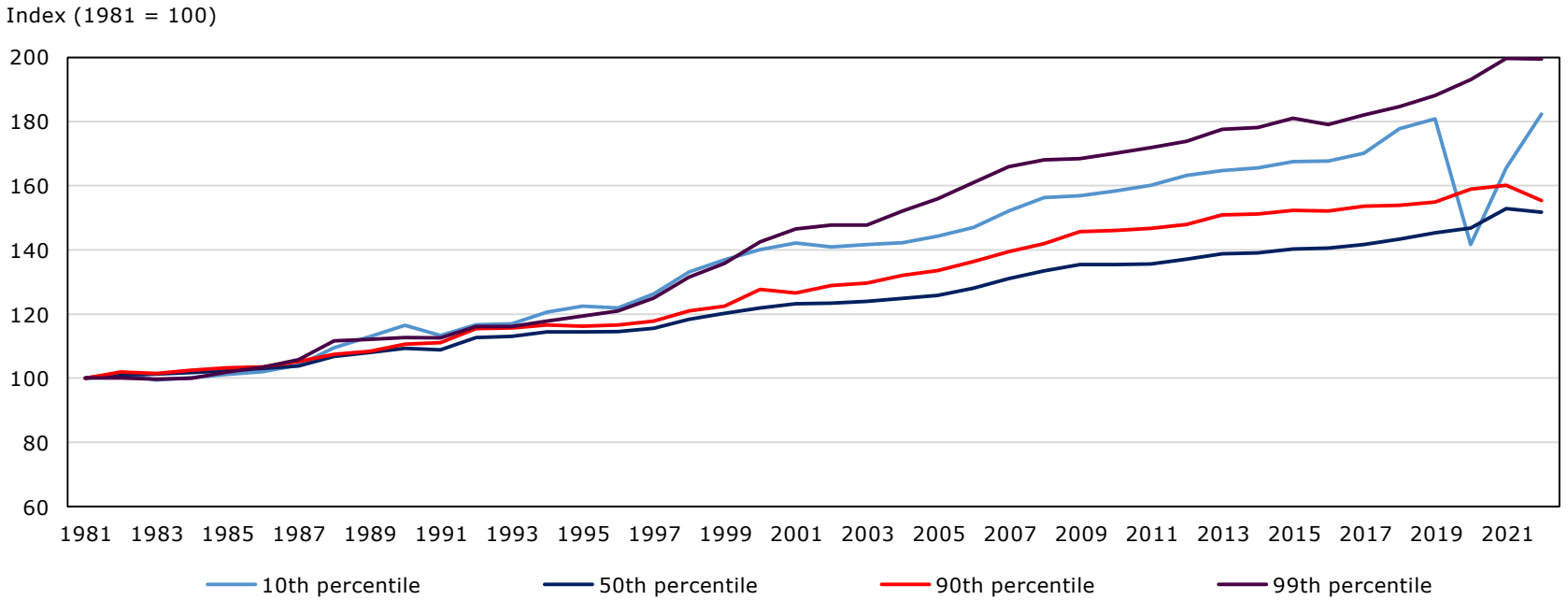
Notes: Earnings from T4 Statements of Remuneration Paid received by men aged 25 to 54 years from jobs paying at least $500 in 1989 dollars. Individuals with self-employment income are included. Percentiles refer to the earnings distribution of men.
Source: Statistics Canada, 1978 to 1989 and 1989 to 2022 Longitudinal Worker Files.

For more information: Skill-biased technological change and rising wage inequality: Some problems and puzzles; New perspectives on the decline of US manufacturing employment; and Wages by deciles, 1997 to 2022.

Changes in the earnings distribution of women have been more complex

- Different patterns were observed for women aged 25 to 54 years.
- From 1981 to 2022, their annual wages at the 10th percentile grew by 82%, which is 30 percentage points higher than the growth rate registered at the 50th percentile (52%).
- The annual wages of women at the 99th percentile doubled during that period.
- Previous research at Statistics Canada showed that while earnings inequality did not rise among all women during the 1980s, it increased among women with full-year, full-time employment.
- The COVID-19 pandemic disproportionately affected women in the bottom of the earnings distribution, many of whom worked in accommodation and food services. Wages and salaries of women at the 10th percentile fell sharply from 2019 to 2020, likely as a result—at least in part—of a decline in annual work hours.

Chart 10
Real annual wages and salaries of women aged 25 to 54 years, at selected percentiles, 1981 to 2022



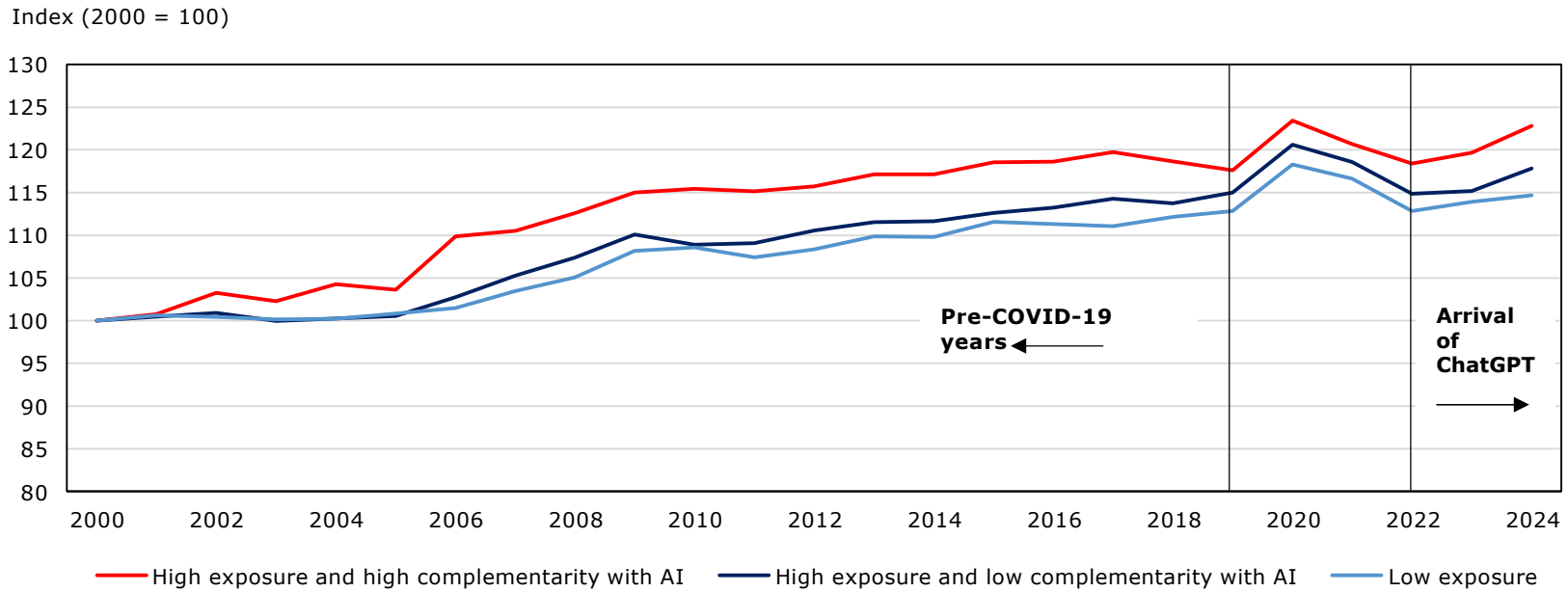
Notes: Earnings from T4 Statements of Remuneration Paid received by women aged 25 to 54 years from jobs paying at least $500 in 1989 dollars. Individuals with self-employment income are included. Percentiles refer to the earnings distribution of women.
Source: Statistics Canada, 1978 to 1989 and 1989 to 2022 Longitudinal Worker Files.

For more information: What is happening to earnings inequality in Canada? and Canadian inequality over the last 40 years: common and contrary variations on universal themes.

So far, the real wages of jobs potentially exposed to artificial intelligence have grown at a similar pace, regardless of their level of complementarity with it

- Recent developments in artificial intelligence (AI) have fuelled excitement, as well as concerns, regarding its implications for society and the economy.
- While previous waves of technological transformation raised concerns regarding the future of jobs involving routine and manual tasks, a broader segment of the labour force could be affected in an era when sophisticated large language models such as ChatGPT increasingly excel at performing non-routine and cognitive tasks typically done by highly skilled workers.
- A recent Statistics Canada study partitions occupations into three categories: (1) high exposure and low complementarity, (2) high exposure and high complementarity, and (3) low exposure. The first category includes jobs whose tasks could be partly replaced by AI, while the second category includes jobs that could potentially benefit from AI.
- Data from the Labour Force Survey indicate that, so far, average real hourly wages in full-time jobs highly exposed to AI have grown at a similar pace (ranging between 3% and 4% from 2022 to 2024), regardless of their complementarity with AI. At 6% in the second quarter of 2024, firms' AI adoption rates have remained relatively low to date.

Chart 11
Average real hourly wages of employees aged 25 to 54 years holding full-time jobs, by potential occupational exposure to artificial intelligence, 2000 to 2024



Notes: AI = artificial intelligence. The first vertical line in 2019 marks the point before the COVID-19 pandemic, while the second vertical line in 2022 marks the point after the arrival of ChatGPT.
Source: Statistics Canada, Labour Force Survey and Mehdi and Morissette (2024).

For more information: Experimental estimates of potential artificial intelligence occupational exposure in Canada; Analysis on artificial intelligence use by businesses in Canada, second quarter of 2024; and Analysis on expected use of artificial intelligence by businesses in Canada, third quarter of 2024.

Summary of key findings

- The wage structure has changed in numerous ways since the early 1980s.
- From 1981 to 2024, median real hourly wages grew faster in full-time jobs than in part-time jobs.
- After increasing moderately from 1981 to 2001, median real hourly wages in full-time jobs grew at a faster pace afterwards.
- While large differences in wage growth were observed across age groups during the 1980s and 1990s, these differences generally narrowed from the late 1990s onwards.
- In May 2024, the median hourly wage of women aged 25 to 54 years with full-time jobs represented 90% of the median hourly wage of their male counterparts, up from 75% in May 1981. During this period, the gender wage gap narrowed more for employees aged 25 to 34 than for those aged 45 to 54.
- Wage growth was not always uniform across the provinces. From 2001 to 2008, median real hourly wages in full-time jobs grew faster in the oil-producing provinces than in other provinces, with important implications for school enrolment, interprovincial migration, interjurisdictional employment and wage growth in the Atlantic provinces.
- Earnings inequality increased among men aged 25 to 54, with annual wages at the 99th percentile rising by more than 75% from 1981 to 2022.
- So far, real wages in jobs highly exposed to AI have grown at a similar pace, regardless of whether these jobs have high or low complementarity with AI.
- As new developments—such as AI, work from home and the transition to net-zero greenhouse gas emissions—start affecting the labour market, appending forthcoming wage data to these wage trends will help provide a useful long-term perspective on wage growth in Canada.

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