

Are service jobs low-paying?

Lee Grenon

Service sector jobs are generally considered by the public to pay low wages. This perception arises partly from some commentators' indiscriminate labelling of low-wage industries as "services"; it gains support from the high visibility of many low-wage service jobs, in food services and retail trade for instance, suggesting that all are low-paying, with limited opportunities for advancement. This belief is not entirely misplaced. In 1994, the 20 lowest-paying industries in Canada, based on average weekly earnings, were in the service sector; at the same time, however, 6 of the 20 highest-paying industries were also in services.

The service-producing sector is several times larger than the goods-producing sector, employing over three-quarters of the Canadian workforce. With size comes diversity: industries in the service sector range from restaurants, stores and gas stations to health care, government and financial institutions. Wages are equally wide ranging, with employees polarized in the high-paying and low-paying industries. This article compares average weekly earnings, excluding overtime, of employees¹ across more than 100 different service industries. It also assesses the disparity in the earnings of service and goods sector workers.

Interpreting weekly earnings

Differences in weekly earnings between industries arise from several factors, but one of the most important is volume of work (hours worked per week, and weeks worked per year). For example, employers in an industry heavily

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Data source, limitations and definitions

This study uses annual average data compiled from the monthly Survey of Employment, Payrolls and Hours (SEPH). SEPH is the largest survey of businesses in Canada, and the only source of current weekly earnings at a detailed industry level.² The survey collects information on the weekly payrolls, earnings, hours and counts of paid employees. (The reference period is usually the last seven days of the month.) The data are compiled by industry for Canada, the provinces and territories.

All employees in Canada, except those in agriculture, fishing and trapping, private household services, religious organizations and military services, are covered in this survey. Estimates are derived from a census of large employers (at least 300 employees) and a sample survey of employers with between 100 and 299 employees. A sample of administrative records is used for firms with fewer than 100 employees.

SEPH coverage does not include the self-employed with unincorporated businesses, many of whom are professionals with high earnings in the service sector, for example, physicians, dentists, accountants, consultants and lawyers. This omission, while not invalidating the results of this study, most likely skews service sector earnings towards the low end of the pay scale. (Similarly, the exclusion of the low-paying agricultural and fishing industries probably skews earnings in the goods sector towards the high end.)

Industry: SEPH categorizes business establishments by industry using the 1980 Standard Industrial Classification (SIC). The SIC classifies produc-

ers of goods and services into industries at increasingly refined levels of detail, from a one-digit division level through to a four-digit individual industry (Statistics Canada, 1980); for example, a yogurt manufacturer can be classified to the manufacturing industries (one-digit division), as well as the disaggregated food industries (two-digit major group), or the more detailed dairy products industries (three-digit minor group), or, most specifically, the fluid milk industry (four-digit individual industry). This article uses the SIC at the 3-digit level to divide the service sector into 107 minor industry groups, and the goods-producing sector into 103 minor industry groups.

Employee: a person receiving pay for services rendered (including paid absences), and for whom the employer is required to complete a Revenue Canada T-4 Supplementary Form. Included are full- and part-time employees, as well as working owners, directors, partners and other officers of incorporated businesses.

Average weekly earnings: gross taxable payrolls (in SEPH's reference week) divided by the number of employees on these payrolls. Annual estimates are calculated by averaging the monthly estimates for the calendar year. Excluded are taxable allowances and benefits, and certain types of non-wage compensation, as well as employer contributions to Unemployment Insurance, the Canada and Quebec Pension Plan, provincial medical plans, Workers' Compensation and other welfare plans. For analytical purposes, the average weekly earnings in this article also exclude overtime pay.

reliant on part-time workers (those usually employed less than 30 hours per week) will likely pay each worker less, on average, than employers in an industry character-

ized by a full-time workforce; in some industries, higher weekly earnings may be offered to compensate for not providing a full year of employment. For this rea-

Table 1
Average weekly payrolls, employment and earnings (excluding overtime), by industry sector, 1994

	Average weekly payrolls		Employment		Average weekly earnings
	\$ millions	%	'000	%	\$
All industries *	5,764	100	10,447	100	551.69
Service-producing sector	4,141	72	7,996	77	517.97
Goods-producing sector	1,589	28	2,392	23	664.38

Source: Survey of Employment, Payrolls and Hours
* Includes employees who have not been classified by industry.

son, average weekly earnings are not necessarily a good predictor of annual employment income in an industry. Nevertheless, they serve the purpose of this study, which is to show how much money an employee can expect to earn in a typical work week in a specific industry, "typical" reflecting both rate of pay and hours of work.

The reported level of average weekly earnings also depends on the coverage provided by the data source. Tips and gratuities, an important component of earnings for many service employees, especially those in the hospitality industries, are excluded from this study. This exclusion understates the earnings reported in many service industries (see *Data source, limitations and definitions*). Overtime earnings, which in 1994 increased substantially in certain industries (especially manufacturing), are also excluded, as are supplementary benefits received by employees, such as medical, dental and pension plans, and other non-wage compensation.

Average earnings in service industries vary considerably

In 1994, three out of four Canadian employees worked in the service sector, which disbursed a weekly payroll of more than \$4 billion (Table 1). This amount was paid out to nearly 8 million employees, who

earned an average \$520 a week.³ However, the average weekly earnings paid to employees in "other financial intermediaries," the highest-paying service industry, were six times greater than those in food services, the lowest.

To study the range of earnings in the service sector, industries were grouped into quintiles (see *Quintiles and indexes*). In the highest-paying quintile of service industries (Q1), which employed 25% of the 8 million service workers (Table 2), average weekly earnings in 1994 ranged from \$670 to \$1,240 (Appendix). Many of the industries were in the transportation, public or financial services; a number were also highly unionized. The lowest-paying industries (Q5), accounting for the greatest proportion of service workers (27%), were predominantly retail trade, food and accommodation, and personal service industries; average weekly earnings in this quintile ranged from \$210 to \$360. The medium-paying industries (Q3), which consisted mainly of wholesalers, health and social services, and financial services, paid an average of \$490 to \$560 per week and employed only 9% of service sector workers. The large disparities in earnings found in the service sector successfully challenge the prevailing view that all service jobs are low-paying (Chart).

Quintiles and indexes

This article compares a wide range of average weekly earnings across 107 service industries; it also quantifies the disparity in earnings between service and goods sector workers. Two measures are used to simplify these comparisons: quintiles, to study the range of earnings; and indexes, to compare earnings in individual service industries with an earnings benchmark based on average weekly earnings in the goods sector.

The earnings quintiles divide an unwieldy number of service industries into separate groups in order to compare the range of earnings across industries more easily. Industries are ranked from highest to lowest according to average weekly earnings, then divided into five equal segments.

Earnings indexes are used to compare the average weekly earnings in specific service industries with those in the goods sector overall (\$664.38), using the latter as a base (where \$664.38 = 100). All other earnings are expressed as a ratio of this base. For example, employees in brokerages, exchanges and other financial intermediaries earn on average \$1,240.22 a week, which is divided by \$664.38 to yield an earnings index of 187. This result means the average weekly earnings in this industry are 87% greater than the average for the goods sector.

Only one in four service workers earn more

Do goods sector jobs really pay much more than service sector jobs? To evaluate this assumption, average weekly earnings in the two sectors were compared using a benchmark (earnings index) based on the overall average weekly earnings reported in the goods sector for 1994 (see *Earnings in the goods-producing industries*).

Average weekly earnings in the service sector as a whole were \$520 in 1994, about 22% less than the goods-producing average. But

Earnings in the goods-producing industries

Just under one-quarter of Canada's employees (2.4 million people) worked in the goods-producing sector in 1994. The goods sector consists of 103 industries (3-digit SIC), including the natural resource industries (except agriculture and fishing, which are not covered by SEPH), manufacturing, construction and utilities. The range of weekly earnings was relatively narrow, the average in the highest-paying industry (\$1,102.54 in crude petroleum and natural gas) being only three times larger than that in the lowest (\$368.48 in children's and other clothing and apparel manufacturing⁴). In the service sector, the average in the highest-paying industry (\$1,240.22 in other financial intermediaries) was six times that in the lowest (\$206.74 in food services).⁵

About 21% of all goods sector workers were employed in industries found in the highest-paying quintile, where the earnings indexes were between 115 and 166. Another 16% of workers were employed in industries with indexes between 100 and 115. In contrast, only 25% of service employees worked in industries with earnings indexes over 100.

Only 1% of goods workers were employed in children's and other clothing and apparel manufacturing (the lowest-paying). Nevertheless, this tiny minority, with an earnings index of 55, was earning better money on average than 27% of service workers.

overall averages can be misleading when the range of earnings is as broad as it is in the service sector. Calculating earnings indexes for each of the 100-plus service industries in this study shows that one-quarter of service employees (2 million) were in industries with average weekly earnings exceeding the goods sector benchmark.

In the economy as a whole, average weekly earnings were highest – \$1,240 per week, with an earnings index of 187 – for the

Table 2
Distribution of employment and average weekly earnings within industry sectors, by earnings quintiles, 1994

	Service sector			Goods sector		
	Employment		Average weekly earnings	Employment		Average weekly earnings
	'000	%	\$	'000	%	\$
All quintiles	7,996	100	517.97	2,392	100	664.38
Quintile 1	2,019	25	752.28	498	21	895.09
Quintile 2	1,843	23	595.07	377	16	715.30
Quintile 3	719	9	530.30	389	16	651.58
Quintile 4	1,272	16	433.84	636	27	601.78
Quintile 5	2,142	27	276.54	493	21	483.42

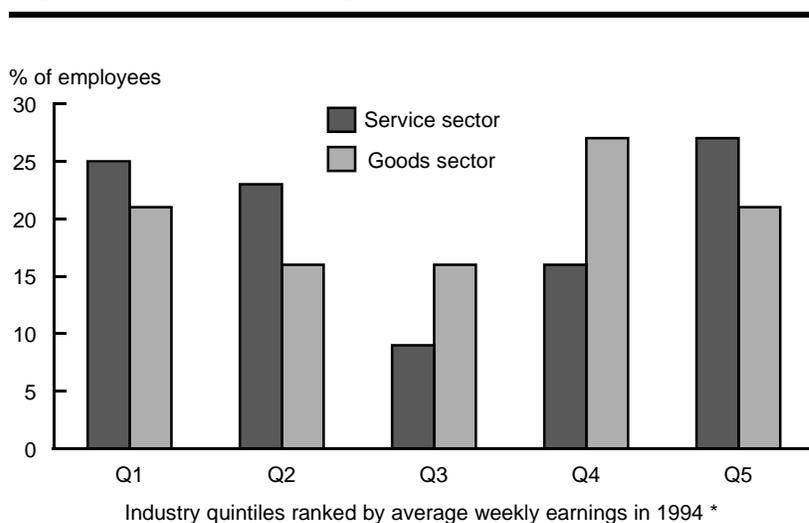
Source: Survey of Employment, Payrolls and Hours

30,000 employees in "other financial intermediaries," which includes brokerage houses and stock exchanges. However, for three in four employees in the most highly paid service industries (Q1), the earnings index did not rise above 120. The 1.3 million employees in government services and elementary and secondary education,

whose 1994 earnings averaged between \$700 and \$810 weekly, had modest earnings indexes of 105 to 122; this range was typical of those service workers who were relatively well paid.

The remaining industries in the top quintile employed 730,000 people in 1994. All had an earnings

Chart
Employees in the service sector were concentrated in the highest- and lowest-paying industries.



Source: Survey of Employment, Payrolls and Hours (SEPH)

* The first quintile has the highest earnings.

index over 100. These included industries in transportation (pipelines, air, water and railway), finance and insurance, telecommunications and broadcasting, and architecture and engineering.⁶

Most service workers earn less

One-tenth of all service workers were employed in industries with average weekly earnings that were 1% to 10% below the goods sector average (index between 90 and 99). Industries in this range employed 824,000 workers, and included organizations such as postsecondary institutions, insurance and real estate offices.

Service industries with earnings indexes from 50 to 89 employed 3.4 million people, or 42% of the service workforce. Weekly earnings ranged from \$330 to \$590 in 1994. Major employers included hospitals, community health and social services, banks, truck transport, and amusement and recreation services.

Nearly 1.8 million people, accounting for 22% of all service workers, earned less than half the goods sector average. The average weekly pay in these industries ranged from \$210 to \$310, with an earnings index from 31 to 46. Over three-quarters of these workers were employed in retail trade (mainly clothing) or food services.

Workers in food services (restaurants, take-out, and catering) had the lowest-paying jobs in the economy, with average earnings of just \$210 a week (excluding tips).

Conclusion

Are service jobs low-paying? The answer is not a simple yes or no. Compared with employees in the goods-producing sector, most service workers earn low pay: three-quarters are employed in industries reporting average weekly earnings below the average for the goods sector. On the other hand, the highest-paying industry in 1994 was in the service sector. These seemingly contradictory facts reflect the very broad range of earnings reported by the service industries. In this sector, the highest average weekly earnings were six times greater than the lowest, compared with a spread half that size in the goods sector.

Based on the exercise done here, it appears that blanket generalizations about the nature of service jobs can be misleading. The complex, heterogeneous character of the service sector requires careful commentary from labour market observers and the general public. □

Notes

1 Includes all employees who are paid by the hour or on a piece rate basis, as well as those who earn a salary or commission.

2 Two other major sources of employment earnings by industry are the Census of Population and the Survey of Consumer Finances (SCF). The census provides detailed industry data by extensive geographic, demographic, social, economic, educational and cultural groupings; however, it is conducted only once every five years. The SCF, conducted once each year as a supplement to the monthly Labour Force Survey (LFS), provides annual estimates of employment income by industry, which can be linked with demographic and labour market data available from the LFS.

3 Dollar amounts in the text are rounded to the nearest \$10.

4 "Other clothing and apparel" includes sweaters, occupational clothing, gloves, hosiery, fur goods and foundation garments.

5 Had data covering the low-paying agriculture and fishing industries been available, the range of weekly earnings in the goods sector would likely have been wider.

6 Many of these are Crown corporations (government business enterprises) or regulated private corporations.

References

Morissette, R. *Why Has Inequality in Weekly Earnings Increased in Canada?* Catalogue no. 11F0019MPE, no. 80. Ottawa: Statistics Canada, 1995.

Statistics Canada. *Standard Industrial Classification, 1980*. Catalogue no. 12-501-XPE. Ottawa, 1980.

Appendix			
Average weekly earnings and number of employees in the service industries, 1994			
	Average weekly earnings (excluding overtime)	Earnings index *	Employees
	\$		'000
Quintile 1			
Other financial intermediaries	1,240.22	187	29.5
Pipeline transport	971.11	146	8.1
Railway transport and related services	865.34	130	57.3
Other deposit accepting intermediaries	850.99	128	0.7
Federal government services	811.25	122	264.7
Telecommunication carriers	800.84	121	108.8
Services incidental to water transport	796.87	120	11.6
Computer and related services	785.29	118	62.5
Architectural, engineering, and other scientific and technical services	765.33	115	105.9
Telecommunication broadcasting	761.76	115	41.7
Electrical and electronic machinery, equipment, and supplies, wholesale	749.67	113	64.9
Water transport	734.11	110	15.3
Air transport	732.61	110	52.9
Construction, forestry and mining machinery, equipment and supplies, wholesale	732.59	110	14.9
Grain elevators	730.05	110	6.4
Consumer loan and business financing intermediaries	727.16	109	17.8
Insurance	721.01	109	97.2
Provincial and territorial government services	716.59	108	231.7
Elementary and secondary education services	716.24	108	587.0
Metal and metal products, wholesale	705.06	106	13.1
Local government services	699.49	105	207.2
Drug and toilet preparations and tobacco products, wholesale	673.94	101	20.0
Quintile 2			
Investment intermediaries	648.31	98	46.7
Industrial machinery, equipment and supplies, wholesale	645.82	97	30.1
Other machinery, equipment and supplies, wholesale	637.24	96	61.6
Management consulting services	634.78	96	68.7
Motor vehicles, wholesale	634.02	95	16.6
Advertising services	622.71	94	24.3
Insurance and real estate agencies	615.28	93	95.6
University education services	613.04	92	191.8
Other transportation and other services incidental to transportation	611.65	92	81.4
Postsecondary non-university education services	609.32	92	112.1
Offices of lawyers and notaries	607.19	91	60.0
Electrical and electronic household appliances and parts, wholesale	607.05	91	6.9
Other telecommunication services	606.56	91	1.8
Petroleum products, wholesale	602.57	91	26.1
Central bank, chartered banks and other banking-type intermediaries	594.54	89	193.7
Deposit accepting mortgage companies	586.31	88	0.2
Automobile dealers	578.19	87	101.2
Household furnishings, wholesale	577.45	87	10.4
Hospital services	570.14	86	553.9
Truck transport	569.03	86	131.4
Hardware and plumbing, heating and air conditioning equipment and supplies, wholesale	567.37	85	28.3
Quintile 3			
Trust companies	563.64	85	25.3
Beverages, wholesale	561.38	84	5.3
Accounting and bookkeeping services	559.53	84	52.4
Other products, wholesale	552.13	83	91.0
Motor vehicle parts and accessories, wholesale	550.06	83	40.6
Public passenger transit systems	549.32	83	76.4
Credit unions	534.78	80	51.7
Farm machinery, equipment and supplies, wholesale	529.03	80	18.8
Food, wholesale	525.98	79	68.2
Services incidental to air transport	525.69	79	8.2

Appendix – concluded

Average weekly earnings and number of employees in the service industries, 1994

	Average weekly earnings (excluding overtime)	Earnings index *	Employees
	\$		'000
Quintile 3 - concluded			
Apparel, wholesale	523.71	79	13.0
Museum and archive services	522.37	79	9.9
Offices of social services practitioners	519.45	78	2.5
Health and social service associations and agencies	517.39	78	53.2
Medical and other health laboratories	515.49	78	24.0
Other storage and warehousing	514.32	77	9.3
Dry goods, wholesale	508.87	77	3.6
Household furniture, wholesale	502.44	76	1.9
Non-institutional health services	501.91	76	44.0
Postal and courier services	498.78	75	106.0
Automobile and truck rental and leasing services	491.15	74	14.1
Quintile 4			
Real estate operators	485.05	73	84.7
Travel services	484.03	73	30.1
Lumber and building materials, wholesale	483.86	73	61.8
Liquor, wine and beer stores	470.78	71	22.2
Recreational vehicle dealers	470.60	71	10.2
Farm products, wholesale	470.55	71	11.1
Motor vehicle repair shops	470.44	71	67.3
Funeral services	467.38	70	10.2
Other business services	455.32	69	122.1
Offices of physicians, surgeons and dentists, private practice	447.39	67	123.8
Membership organizations	443.65	67	93.7
Other educational services	441.48	66	11.9
Other institutional health and social services	421.48	63	202.0
Household furniture stores	418.10	63	25.9
Library services	417.97	63	20.6
Other services **	416.20	63	104.3
Appliance, television, radio and stereo stores	392.50	59	33.0
Non-institutional social services	386.10	58	114.7
Employment agencies and personnel suppliers	383.39	58	64.3
Household furnishings stores	379.71	57	18.0
Automotive parts and accessories stores	371.37	56	40.4
Quintile 5			
Offices of other health practitioners	364.97	55	27.2
Amusement and recreational services	362.90	55	172.1
Prescription drugs and patent medicine stores	345.72	52	89.7
Men's clothing stores	341.40	51	15.4
Laundries and cleaners	338.72	51	28.9
Other motor vehicle services	338.67	51	9.7
Photographers	334.23	50	4.9
Lodging houses and residential clubs †	308.87	46	13.1
Other retail stores and non-store retailers	304.87	46	201.9
Services to buildings and dwellings	294.05	44	70.7
Food stores	293.89	44	339.3
Hotels, motels and tourist courts	289.47	44	150.1
Gasoline service stations	287.14	43	75.5
Barber and beauty shops	286.37	43	47.3
Shoe stores	286.08	43	18.6
General merchandise stores	275.89	42	183.1
Clothing stores not elsewhere classified	257.31	39	37.3
Women's clothing stores	245.65	37	52.8
Other personal and household services	238.71	36	17.6
Fabric and yarn stores	233.35	35	8.3
Taverns, bars and night clubs	207.44	31	35.4
Food services	206.74	31	542.6

Source: Survey of Employment, Payrolls and Hours

* The average weekly earnings of a particular service industry divided by the average weekly earnings of all industries in the goods sector combined. See Quintiles and indexes.

** Comprises machinery and equipment rental and leasing services; other repair services; and other services not elsewhere classified.

† Also includes camping grounds, travel trailer parks, and recreation and vacation camps.