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NO. 462

Precarious Positions: Policy Options to Mitigate Risks in Non-standard Employment

*Canada's best option to support individuals in insecure work is to
strengthen the social safety net.*

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THE STUDY IN BRIEF

With the potential of precarious work to limit consumer willingness to spend, delay family formation and create too much uncertainty in the labour force, governments are paying close attention to these issues in Canada and abroad. Further, they are looking at a number of tools to address these issues, including changes to labour legislation and improvements in safety nets. But how widespread are employment risks and insecurities, and is it getting worse over time?

In this *Commentary*, we look at the common meanings of precarious work in academic and policy research finding that various meanings help bring attention to employment arrangements with elevated insecurity. We examine trends in non-standard work in Canada and find that the overall prevalence of non-standard work has stabilized over the last couple of decades after growing sharply in the early 1990s. Non-standard work tends to be more insecure than “traditional” jobs, so its persistence over time and, in particular, increases in the prevalence of temporary employment – with large concentrations in health, education, and food services sectors, among others – prompts a deeper investigation.

Many forces contribute to the creation of non-standard work. They include factors such as business desires for flexibility – often associated with globalization and technological change – but also worker preferences, which play a major role. In our view, the complexity behind causes of non-standard job creation, and the lessons from some international attempts to address specific areas of concerns through blunt legislative tools, militates in favour of looking to options that bolster the safety net. We think that although reviews of labour laws and their enforcement may lead to constructive discussions and new ideas to improve enforcement, interventions to shape employment arrangements with legislation pose the greatest risks of stymying job creation.

In this *Commentary*, we present a list of options to reduce the income-related vulnerabilities and uncertainties faced by many non-standard workers. These include reducing gaps in health coverage, improving Employment Insurance (EI) eligibility, boosting access to social programs, and ensuring uptake of programs that improve access to education and skills training programs for workers. All of these options should help policymakers design the social safety net in ways that mitigates common risks in non-standard work, while supporting labour market dynamism.

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Following the great recession, commentators drew attention to workers with little job security, no benefits and without access to full-time permanent work (Yalnizyan 2012, Van Alphen 2013).

This discussion was amplified as millennials voiced their frustrations with poor job prospects amid slow economic growth. Further, declining rates of union density in the private sector, as well as factors such as globalization and technology, were presented as potential reasons for a rising class of “precarious” workers (CLC 2016). In response to these concerns, Ontario and other provinces are examining labour laws and their enforcement. The motivation for doing so is reasonably straightforward: if a large segment of workers faces uncertainties, due to a lack of employment security and low compensation, this could reduce willingness to spend, slow family creation, delay home purchases, and so on.

The term “precarious employment” stands in contrast to the notion of a “standard” employment relationship, which grew out of the massive economic growth in the 1950s and ‘60s. Common understandings of a standard job meant full-time employment, good pay, access to benefits and a high degree of stability (Vosko 2006). Despite the widely held notion of “standard” work having emerged during a unique period of fast-growing wealth and significant competition between firms for available workers – where single-earner households were the norm – it continues to shape discussions on employment and labour market research. Further, many government policies have arguably been

designed with the conventional construct of “standard” employment in mind.

Employment relationships, however, continue to evolve along with economic circumstances, the desires of workers, the needs of firms and changing government policy. In this *Commentary*, we look at common definitions of “precarious” work and go on to analyse trends in “non-standard” employment. We find that although the prevalence of all forms of non-standard work combined has not changed much in the last two decades, there have been notable increases in temporary-term and contract work during this time. Certainly, many workers face uncertainty and Canadian governments have a wide set of tools to address these concerns, but the desire for flexible employment arrangements – by firms and in many cases by workers as well – argues in favour of addressing workplace risk through improvements to the social safety net more so than through changes to labour laws. We therefore suggest a number of policies, from feasible improvements in the availability of healthcare coverage, to potential reforms to employment insurance to catch workers falling between the cracks. Our proposed policy options should mitigate income-related vulnerabilities and facilitate rewarding careers while posing a minimal risk to job creation.

Precarious Work: What is It?

Precarious employment has a number of meanings in academic and policy-oriented research.¹

Precarious work is commonly associated with employment characteristics. For instance, precarious employment often refers to employment that is insecure, unstable, and uncertain, reflecting individuals' vulnerabilities in these positions. This broad definition of "precarity" recognizes that uncertainties can be present in all forms of employment, from full-time permanent positions through to temporary, short-term contract work.

For example, a broader definition of precarity is used in research that aims to identify risks and insecurities in workplace arrangements in the Greater Toronto and Hamilton Area (GTHA) (PEPSO 2013, 2015). The researchers asked workers a series of survey questions on job stability and then labeled employment as either "stable," "secure," "vulnerable," or "precarious." After assigning the responses to an index, the study found that more than half of employees in the GTHA have jobs with relatively high levels of insecurity and risk (PEPSO 2015).

Other research studies have focused on employment characteristics as well as individual circumstances in describing precarious work. The Law Commission of Ontario (LCO 2010), for instance, describes precarious work using four dimensions – earnings, benefits, regulatory protection and control – with a further emphasis on a worker's "social location," which includes individual characteristics that are often subject to discrimination, such as race, gender, and age.

The European parliament (2016), for example, looks at the intersection of insecure employment,

unsupportive entitlements (benefits), and vulnerable employees to identify precarious workers. Similarly, Noack and Vosco (2011) create a more measurable conceptual framework to identify an intersection of work characteristics, such as not being in a union, not having a workplace pension, working for a small firm and earning a low wage. They find that, during the last decade, around one-third of Ontario and Quebec workers correspond to three or more of these criteria and could be classified as being in precarious work.

Ontario's Changing Workplaces Review's interim report undertakes a comprehensive review of definitions for precarious and vulnerable employment, highlighting work dimensions as the major criteria for policymakers' focus (CWR 2016). The report identifies the use of the term "vulnerable workers" as being more often used with respect to individuals, not their work or jobs. Regarding the latter, the report highlights job characteristics such as: a lack of benefits, involuntary part-time work, work for temporary help agencies, term or contract work, and others, in helping to define precarious work. Further, the review argues that those in low-paid employment merit greater attention.

Our Approach

In this *Commentary*, we focus on one type of job classification that intersects with the common definitions of precarious employment – what Statistics Canada refers to as "non-standard work." This means "employment situations that differ from the traditional model of a stable, full-time job" (Vosko et al. 2003, 16). Non-standard jobs tend to be more insecure than standard employment, often with less benefits and more uncertainty

1 Important research dealing with the typology includes Vosko (2006), which focuses on the Canadian context for precarious work, as well as Guy Standing's book, *The Precariat*, which takes a more international perspective on insecurity in job markets. Also, Ontario's *Changing Workplaces Review* (2016) provides a useful review of the typology.

about the predictability of future work. The data concerning non-standard work are widely available and go far back in time and, in addition, the use of non-standard employment is common in many studies of workplace security (CWR 2016, Vosko et al. 2003). We look at three major dimensions of non-standard work – part-time, temporary and unincorporated self-employed – highlighting important results, trends, and understandings in the current Canadian labour market.²

Non-standard Jobs in Canada

The majority of available data for non-standard work begins in 1997. Vosko, Zukewich and Cranford (2003), however, investigated non-standard work in some earlier periods, finding that the share of non-standard jobs in total employment jumped from 28 percent to 34 percent from 1989 to 1994. Even though there was a strong jump in the prevalence of non-standard work in the early 1990s, the non-standard share of total employment since then has been remarkably stable at slightly more than one-third of all jobs (Figure 1).

The strongest growth of non-standard jobs has been in full-time temporary employment (Figure 2). Part-time employment has grown and represents 45 percent of all non-standard work, but its share of non-standard work and total employment has been stable over time. Unincorporated self-employment has barely increased since 1997, falling as a share of non-standard work.³

The relative stability in the share of non-standard work, as seen in Figure 1, might be surprising to

many readers, particularly given regular commentary about the deterioration of job quality in recent years. To better understand the trends and breakdown of non-standard work, we take a deeper look at each major component.

Part-time

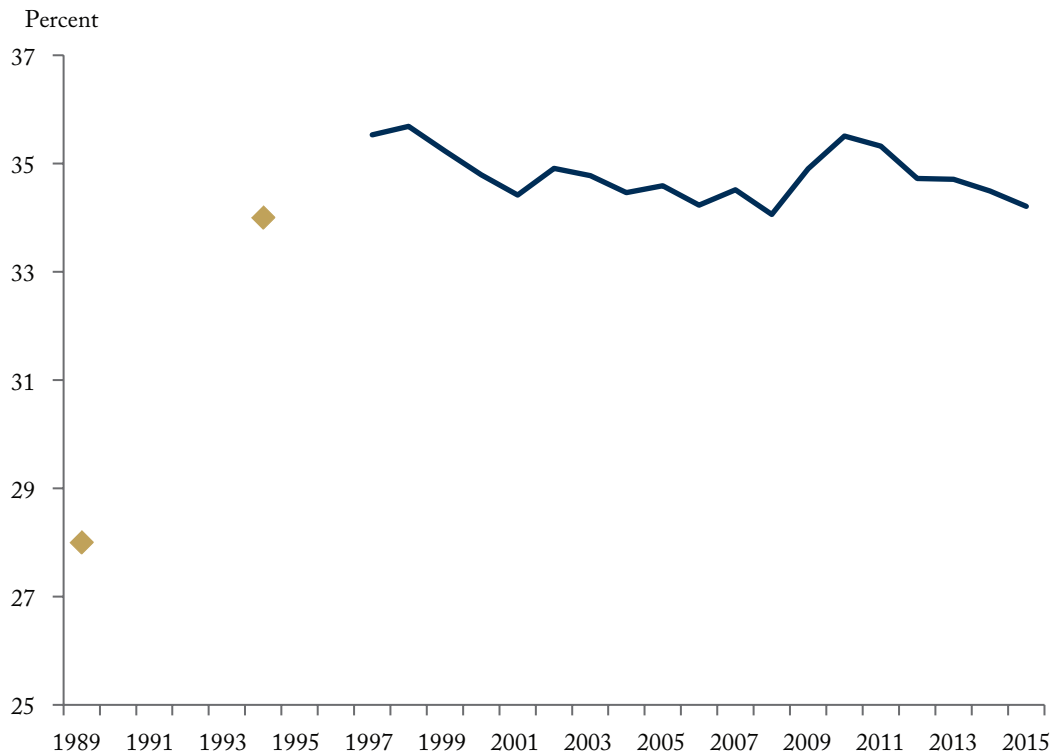
Now making up almost half of non-standard work, part-time employment increased by 30 percent between 1997 and 2015 – about the same as total employment. Rising labour force participation, greater educational attainment among youth and a larger number of boomers approaching retirement have been important drivers to changes in part-time work.

From the mid-1970s to the mid-1990s, part-time job growth outpaced overall employment growth, lifting the part-time share from around 13 percent to over 19 percent of the total workforce. Much of the early rise in part-time employment related to increasing numbers of women in the labour force and the choice of many dual-earning families to balance work and household responsibilities by having one parent, typically the mother, work part-time. The female share of all part-time jobs has remained at around 75 percent since the early 1990s.

Many youths work part-time or part-year, and increases in youth part-time work have generally coincided with rising educational attainment over time, jumping from 20 percent of all youth employment in the 1970s to around half of all youth positions today (youth aged 15–24).

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- 2 Full-time multiple job holders, where the main job involves full-time work of more than 30 hours per week, are also a recognized component of non-standard work, but we do not explore it here because it makes up around only 3 percent of non-standard work and its share is not changing over time.
 - 3 For completeness, the number of full-time multiple job holders has increased over the 18-year period, but not significantly compared to the overall rate of Canadian employment.

Figure 1: Flattening Out – Non-standard Work from 1989-2015, as a Share of Total Employment



Note: Multiple job holders are included in the calculation of Non-standard work.

Source: Authors' calculations from CANSIM tables 282-0036, 282-0008, 282-0224 and 282-0012; Vosko, Zukewich and Cranford (2003).

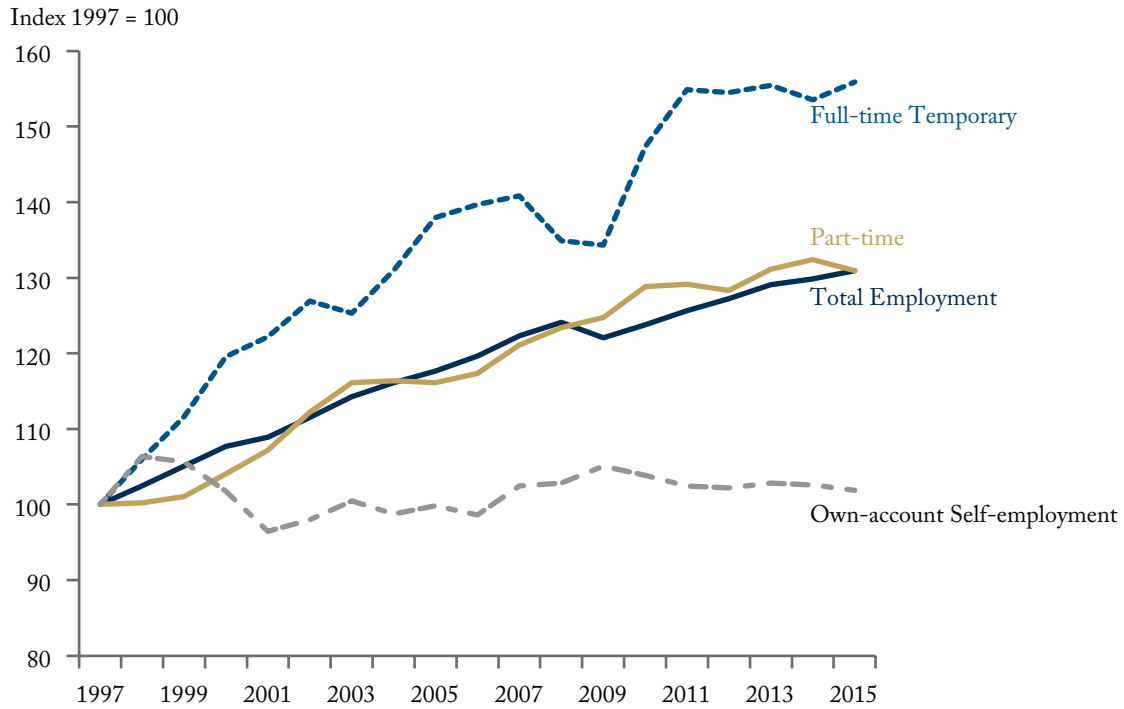
Another notable demographic shift in part-time work is seen among older workers. While part-time employment is dominated by working age individuals and youths, the share of part-time employment by workers age 55 and above climbed from 13 percent in 1976 to 22 percent in 2015. This largely reflects an increasing number of older workers in the labour force, but also an increasing appetite to take on part-time work to transition to retirement.

The rise of part-time employment in Canada follows a similar trend across most advanced economies. Canada's use of part-time workers is close to the OECD average (Figure 3). OECD data

also suggest that a bit more than a quarter of all Canadian part-time workers in 2014 accepted those positions when they would have preferred to have full-time employment, which is similar to other nations.

Although the vast majority of those working part-time do so voluntarily, around two-thirds of all involuntary part-time workers are women. However, the gender split masks a particularly high degree of dissatisfaction of men in part-time jobs. Half of all prime working age males (aged 25-54) in part-time positions would prefer full-time employment. In contrast, roughly a third of prime working age women in part-time work would prefer working

Figure 2: Growth of Non-standard Work, by Category, 1997-2015



Source: Authors' calculations from CANSIM tables 282-0036, 282-0008, 282-0224 and 282-0012.

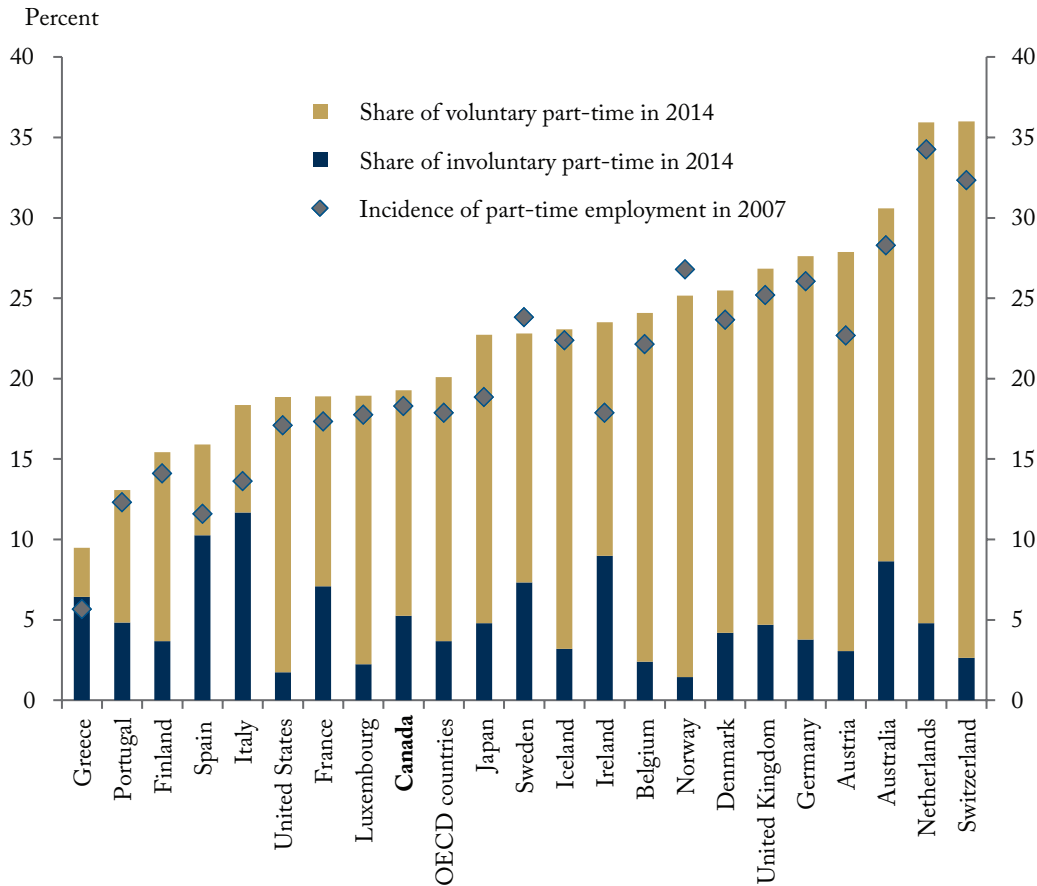
full-time, a statistic influenced by both the desire to care for children and the availability of affordable childcare (Ferrao 2010).

Beyond concerns about the level of involuntary part-time employment, the shift towards part-time employment that took place until the mid-1990s has also constrained aggregate wage growth because compensation for part-time positions is less than for full-time jobs, and the differential has been rising in more recent years. In 1997, full-time workers were paid \$5.20 more per hour than part-time workers, on average. The gap reached \$9.40 in 2015, increasing, in nominal terms, from 31 to 35 percent.

Full-time Temporary

From 1997 to 2015, full-time temporary work grew by 56 percent, climbing from 800,000 to 1.2 million workers, and outpacing the 31 percent increase in total employment. As a result, the share of full-time temporary workers in total employment rose from 5.6 percent to 6.8 percent. The numbers of Canadians employed in each of the three components of temporary work – seasonal, casual and contract – have shifted over time. Seasonal and casual work have been falling as shares of total temporary employment, while term or contract work has been rising, from 46 percent of temporary positions in 1997 to 53 percent in 2015.

Figure 3: Incidence of Part-time Employment in OECD, by Type, 2014



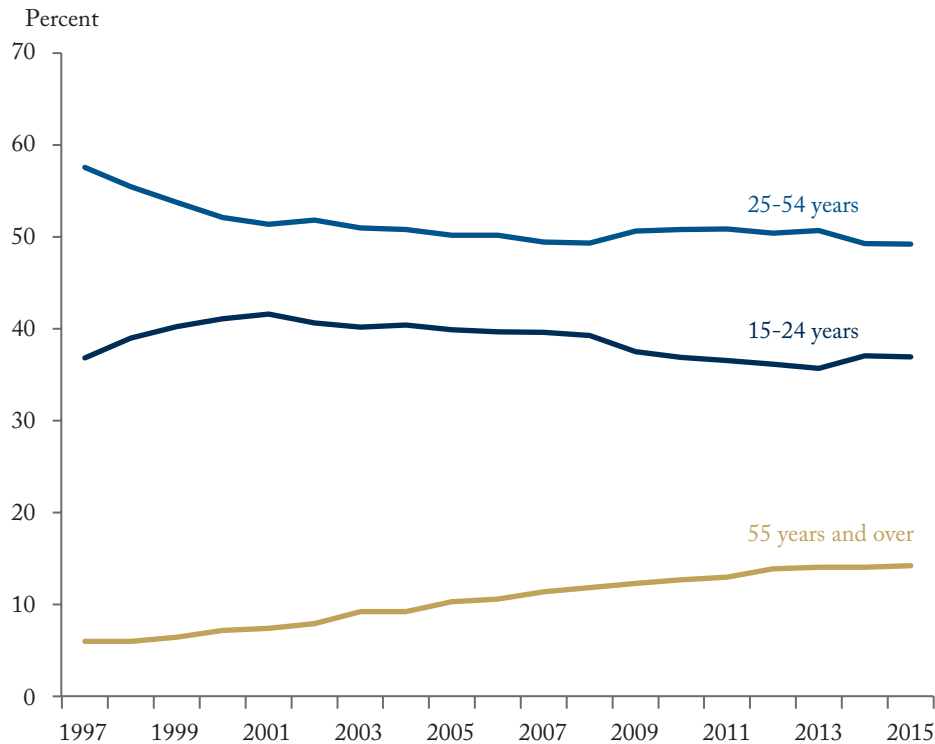
Source: OECD Employment Outlook 2015.

The industry breakdown of temporary work shows that the growth in full-time temporary work was more concentrated in services industries from 1997 to 2015. Temporary employment in services rose 70 percent over the 18 years, with gains in all major industry sectors. Health and education stand out, as temporary employment soared in those areas by more than 100 percent. Both sectors experienced strong overall employment growth, particularly in the case of health, but with temporary positions rising as a share of jobs. This fits with the

observation that many new health employees, like nurses, or education workers, like teachers, often do not start their careers with full-time permanent employment.

Strong increases were also found in accommodation and food services (+85 percent), information, culture and tourism (+75 percent), retail and wholesale (+68 percent). In all of these cases, temporary employment rose as a share of overall employment in the industry. In contrast, professional services and business services both

Figure 4: Growing Older Worker Share – Age Composition of Temporary Employment, 1997-2015



Source: Authors' calculations from CANSIM series 282-0080.

reported growth in temporary work of 68 percent, but temporary positions were a declining share of total employment in these sectors over the period.

The data do not show any noticeable difference in the trends of temporary employment by gender, but there has been a noticeable shift in the age distribution of temporary workers (Figure 4). The share of temporary work undertaken by prime working age individuals (aged 25-54) fell between 1997 and 2015 at the same time as workers aged 55 and older saw their share increase, from 6 percent to 14 percent over this period.

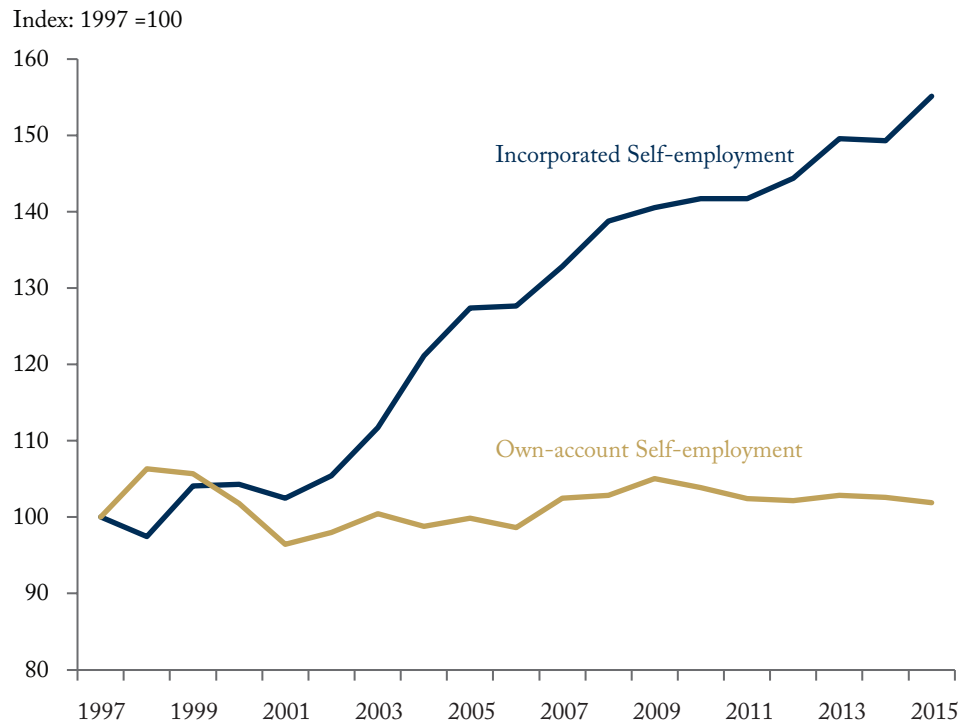
Finally, temporary positions tend to have lower compensation than permanent positions. The wage discount has been declining since the late '90s, when temporary positions on average were being paid 27 percent less than permanent positions,

versus 23 percent in 2015. This perhaps reflects the increasing demand for flexible workers by businesses.

Self-employed

We look at unincorporated or 'own account' self-employed workers, because the unincorporated self-employed tend to run small businesses and roughly 85 percent of them do not have employees (LaRochelle-Côté and Uppal, 2011). While there could be high-earning professionals like doctors who are categorized as own-account self-employed, several studies have quantified the level of dependence on a single client in this group. This segment of self-employed is of great interest because of concerns that many individuals working

Figure 5: Own-Account Self-Employment Flatlining – Self-Employment Growth Index, 1997-2015



Source: Authors' calculations from CANSIM series 282-0012.

for specific firms as own-account self-employed are inappropriately categorized and should be considered an employee (LCO, 2012; Fudge, Tucker and Vosko 2002). In other words, this group represents the more vulnerable self-employed.

The story of unincorporated self-employment is similar to that of part-time, as there was a significant increase in the past, but it leveled out over the last decade and a half. From 1987 to 1997, own account self-employment rose by 38 percent. However, from 1997 to 2015, the level of such employment flatlined (Figure 5), in contrast with incorporated self-employment. In recent years, the increase in self-employment in the labour market has come mainly from incorporated self-employment – usually with additional employees

– that is not part of the definition of non-standard employment.

From an industry perspective, own-account or unincorporated self-employment since 1987 has decreased in the goods producing industries, specifically in manufacturing, forestry and mining, and agriculture. It has been flat in agriculture, but has increased by 85 percent in construction – likely linked to the housing boom. Own-account self-employment in services has grown by 72 percent since 1987, with the greatest gains in finance, insurance and real estate (+257 percent), business building and support services (+235 percent) and education services (+235 percent).

In terms of income, Statistics Canada reported that in 2009, the median income of paid employees

was \$72,600 compared to \$58,800 for self-employed (LaRochelle-Côté and Uppal, 2011). However, there was a substantial difference between incorporated self-employed and unincorporated self-employed, with income of \$78,900 for the former and \$46,100 for the latter, suggesting greater financial vulnerability among own-account self-employed.

Implications of Non-standard Work for Policymakers

The above examination of non-standard work, however basic, yields some important findings. A shift towards non-standard work took place in the early 1990s, but the prevalence of this category of work in Canada has remained roughly stable since then. Full-time permanent employment still makes up the vast majority of jobs. Yet the absolute numbers of those in non-standard work are increasing, and since 1997, full-time temporary work has increased as a share of overall employment, particularly for contract and term positions. This is especially true in some service sectors, like health, education, food services, and others. Wage gaps between permanent and part-time or temporary workers persist and in some cases are growing over time.

Myriad forces have contributed to the creation of non-standard work. The shift towards services, rising labour participation of women, population aging, competitive pressures from globalization and technical change, and inflows of immigrants have all contributed to increasing flexible labour market conditions and flexible terms of employment (OECD 2015). Although it is generally recognized that globalization, technological change and union

coverage all affect the prevalence of non-standard and precarious work (CWR 2016), it is not clear how, or by how much, each factor is driving employment demand and supply by firms and workers.

Some increases in non-standard work are welcome. Non-standard work provides firms with a flexible workforce that allows adjustment to changing economic circumstances. Further, most people working in non-standard forms of employment do so voluntarily because they prefer the flexible arrangements non-standard work allows. For instance, it accommodates workers that desire flexible and limited participation in the labour force, such as many youth, older workers and working parents.

As mentioned, an OECD report noted that, in 2013, roughly a quarter of temporary workers in Canada were in such jobs because they could not find permanent positions (OECD 2015). Likewise, in 2014, only 27 percent of part-time workers preferred full-time employment.⁴ The desire by many workers for non-standard employment complicates the potential policy response.

Demographic factors play a role as well: older workers may stay in the labour market longer if they can access flexible temporary or part-time work, and young workers in co-op, apprentice, summer positions or simply working during school, may take on temporary employment to develop valuable work and life experience. For others – like starting teachers, nurses or others in the public sector – it means beginning careers with precarious employment conditions compared to those experienced in more abundant times by earlier generations of their co-workers.

4 This may be an underestimate because some who choose part-time work might do so because child care is neither affordable nor available.

This brings us to another important aspect of temporary non-standard employment: temporary work is often an important stepping stone in transitioning towards full-time permanent employment. Fang and MacPhail (2008) found that roughly half of temporary workers are in a permanent position within a year. Other research, however, found that within two months of a temporary position ending, 26 percent moved on to a permanent job, 21 percent obtained a new temporary job, 26 percent experienced a period of unemployment, and 21 percent left the labour force (Fuller 2011).⁵ For those going from temporary to permanent employment, a non-standard job may give the worker a step up by providing work experience, an opportunity to develop skills, and a network of workplace contacts. For those that go from temporary-to-temporary positions, the question for policymakers is whether this is something that governments should discourage – perhaps at the risk of limiting opportunities for those for whom it is clearly a stepping stone.

Some aspects of non-standard work are clearly negative for those who participate in it. Workers with job insecurity face a higher risk of becoming unemployed or of becoming discouraged and leaving the labour market. Further, during periods of employment they might not have access to important health benefits or a workplace pension. Those that do not find immediate alternative employment when a job ends might lack access to employment insurance, and more generally might lack the accumulation of experience and skills required to make the jump to better paid, permanent work.

The strong growth of temporary employment in health and education is likely a reflection of fiscal constraints, generous terms of full-time permanent positions and limited ability for new workers to

compete with incumbent workers. In some ways, this highlights one tension in the debate about precarious work: that well-paid and secure jobs can indirectly contribute to the rise of non-standard work in workplaces with limitations for “outsiders” to compete with “insiders” for full-time permanent work. To put it differently, employment-related risks are very high among one group of employees but very low among another group.

What are the barriers faced by involuntary non-standard workers in their search for full-time employment? Furthermore, what policies should governments pursue to mitigate the uncertainties of non-standard work? There are no simple answers, but we observe two general policy thrusts: 1) interventions that aim to change employment relationships, often by altering labour laws and permissible contracts for employment; and 2) policies that aim to help workers through transitions, and facilitate an environment where the risks of insecure employment are mitigated. We look at some international experiences for insight.

European Responses to Non-Standard Work: Insiders, Outsiders and Flexicurity

Non-standard employment and unstable work is not a unique Canadian phenomenon. European labour markets have been coping with these trends for decades and some countries have been proactive in trying to curb involuntary non-standard employment.

Initially, the main focus of some policymakers was in drafting ways to curb the maximum term of temporary jobs, aiming to discourage employers from continually extending contracts for workers and improve the stability of current jobholders. But given some undesirable results, such as lower job creation, there has been a shift away from an

5 The rest entered self-employment, or the entries were omitted by Statistics Canada.

exclusive focus on rules surrounding employment arrangements and towards making it easier for firms to dismiss permanent workers supported by stringent employment protection laws. In other words, rather than have non-standard workers face a high degree of insecurity and permanent

workers face a very low degree of insecurity, reforms attempted to better balance employment risks among all workers (see Box A for relevant examples in The Netherlands and Spain), reducing the barriers separating “insiders” from “outsiders” in the labour market.

Box A: Insiders, Outsiders, Legislative Approaches to Reduce Temporary Work

Since the 1990s, labour markets in some European countries, particularly Spain, France and Italy, have been characterised as facing a “dualization.” Picot and Tassinari (2014) define dualization as “... the institutionalization of new, or deepening of existing, forms of institutional dualism, and the promotion of the interests of “insiders” over those of “outsiders.” The outsider population includes the unemployed as well as non-standard workers (such as those in fixed-term, part-time, or temporary agency employment), given the association of nonstandard employment with higher employment insecurity as well as disadvantages in earnings, career prospects and social protection” (Picot and Tassinari 2014, 5).

As a result of high youth unemployment, and uninhibited increases in temporary contracts as well as other forms of precarious work, the Spanish government, for example, sought to reduce protections for permanent contracts, along with increased flexibility in open-ended contracts. This made it easier to use economic reasons to dismiss permanent workers and provided better pathways to permanent positions. While the European parliament has made this recommendation to several member states, very few countries have eased the rigid dismissal provisions for permanent contracts.

The Dutch *Work and Security Act*, which was introduced as a response to increasing precariousness and employment insecurity, strengthened the status of employees on fixed-term contracts in the Netherlands by aiming to helping them transition into open-ended employment contracts. The new laws, however, did not promote more permanent employment as intended. The government restricted the maximum periods for successive temporary employment from three to two years to curb the use of such contracts, but this led to more use of temporary contracts, with lower standards of pay, thus exacerbating the situation for precarious workers (European Parliament 2016).

The Dutch experience led them to recognize the unintended consequences of dictating a limit to the length of temporary contracts. Job creation suffered, and more importantly these reforms resulted in many workers without employment when their temporary contracts expired, as employers would simply hire new people once a contract ended rather than establish an employment relationship with an incumbent (Kaar 2015). As in Spain, this shifted attention to the stringent protections of incumbent workers; by removing some of the restrictions on dismissing permanent workers, and bridging the gaps in the cost of firing temporary vs permanent workers, there would be greater opportunities for new workers to compete with existing ones and less incentives to limit dismissals to temporary workers.

Many European countries have shifted the focus of their policy approaches in this regard toward what is called “Flexicurity.” This term recognizes the need to balance employment flexibility and security, providing flexible labour market adjustments as well as improving job and income security for employees by providing retraining programs and improving social policy to accommodate uncertainty and permit job transitions. This model was famously employed in Denmark, where social provisions were combined with limited legislative restrictions on employers. By providing workers opportunities to upgrade skills, generous unemployment insurance and access to a set of social programs – such as affordable housing, childcare, health and education – Denmark reduced unemployment and facilitated better employment opportunities in the future (Nichols 2012).

These different approaches to mitigating risks from non-standard work have converged towards solutions that avoid burdening employers with regulations and increasingly focus on a well-designed safety net to cushion against volatile labour market conditions. The experience in some European countries highlights that too much emphasis on improving job security with legislative tools can come at the expense of employment flexibility and overall job creation. Governments have shifted their focus toward income stability programs and skills retraining to address the uncertainties of non-standard work.

Policies to Mitigate Risks and Support Rewarding Careers

Provinces naturally look to labour legislation, as well as to improved measures of enforcement, in attempting to tackle instances of worker vulnerability. Other avenues to address wage gaps and mitigate employment risks include pragmatic minimum wage increases over time, and potentially some paid sick leave for all workers. While we

recognize the need to evaluate these avenues, governments should consider that, as shown by the experience abroad, there are considerable risks in legislating further changes to employment arrangements as the main tool to address work-driven uncertainties.

We see employment arrangements evolving over time in response to both firm and worker preferences, and caution that a poorly designed response focusing on labour standards could result in less job creation or affect those who voluntarily choose this work. We therefore encourage policymakers to focus on the design of programs and policies that would help mitigate some of the common risks faced by many non-standard or precarious workers – such as income unpredictability, lack of health or pension benefits and poor access to further education – while accommodating the need and, in many cases, preference for labour market flexibility.

Income Stability and Employment Insurance Eligibility

Perhaps the greatest risk faced by precarious workers is a loss of employment that would expose them to financial risks. Employment Insurance (EI) is designed to protect workers against layoff risks, yet EI eligibility is often misunderstood. Although only around 40 percent of currently unemployed workers in Canada are receiving EI benefits, taking eligibility into account, such as whether the worker paid into EI, presents a clearer picture. Roughly 80-85 percent of laid-off workers who have been contributing to the program qualify for EI, on average (EIMAR 2015).

A major drop in EI eligibility occurred during the early 1990s. Much of the decline was due to reforms to program parameters, such as no longer allowing workers who quit or are fired with cause to qualify for benefits, but the other major reason for the decline was on-going structural changes in

the labour market. Notable changes included long unemployment spells and a rise in non-standard work (Gray and Busby 2016).⁶

A close analysis of EI eligibility yields a few important observations. Although between 91 and 95 percent of full-time permanent workers qualified for EI after being laid off, the coverage ratio for part-time workers was much lower, ranging from 48 to around 70 percent, depending on year and region (Figure 6). Among temporary seasonal workers, roughly 76 percent to 81 percent were eligible – mainly due to regionally-variable eligibility criteria – whereas for temporary non-seasonal workers only 60 percent to 70 percent were EI eligible upon layoff or expiry of the contract (EIMAR 2015).⁷

The main reason that EI does not do a great job covering part-time workers is because current qualification criteria are based on hours worked in the year preceding the end of employment. This disadvantages the typical part-time worker who works a limited amount of hours each week, making for a small yearly total. Prior to 1997, EI eligibility was based on the number of weeks worked. Weeks-worked eligibility criteria were much more favourable to part-time workers, and some have suggested that it would be wise to revert to these earlier criteria (Fortin and Bedard 2015). In our opinion, this idea warrants serious consideration, particularly because of how it might affect eligibility for many non-standard workers.

New entrants, such as youth, or newly arrived immigrants, and workers re-entering the labour

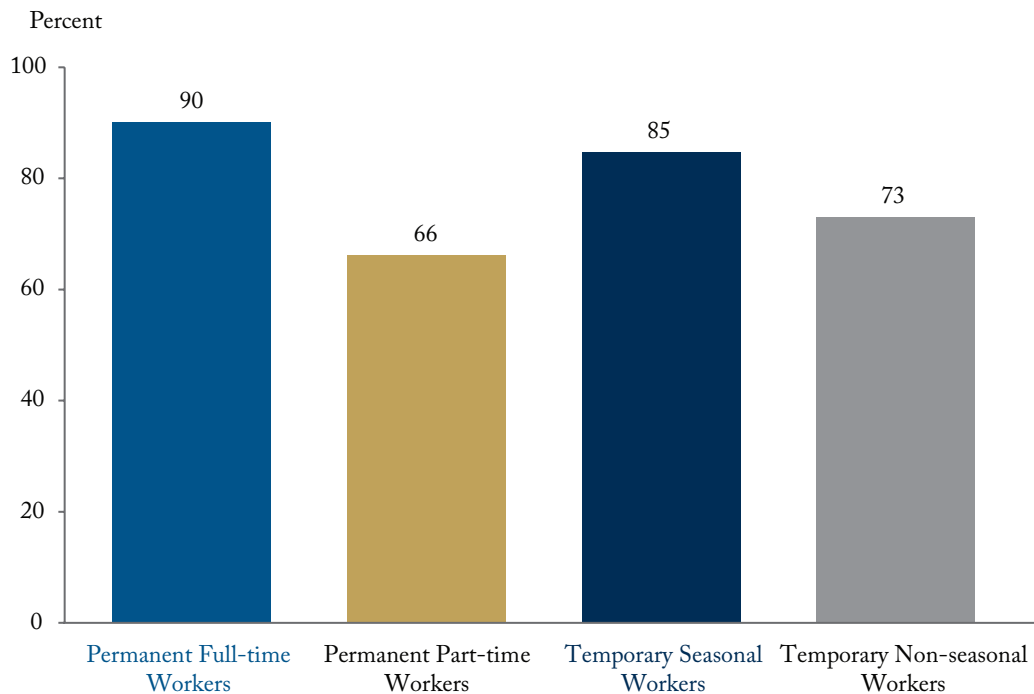
force (NEREs) after an extended absence struggle more to access EI than other workers. The 1997 EI reforms put in place eligibility rules for new entrants and re-entrants to the labour force that required a high number of hours worked.⁸ For youth and immigrants who are NEREs, roughly around 40 percent to 60 percent have sufficient hours to qualify for benefits (EIMAR 2008, EIMAR 2004). In hindsight, these rules were a misguided attempt to prevent dependence on EI benefits. Budget 2016 announced an end to these rules, and we think this should help with the income risk associated with this group of workers who are often in precarious situations.

Self-employed workers are not eligible for EI and do not contribute to the program. Including them in EI has been a frustration for some time, but there are no easy solutions to overcome moral hazard – the ability for the self-employed to lay themselves off – which seems likely to remain a major stumbling block to mitigating income risks for this group.

Finally, special benefit programs, such as parental benefits, and compassionate care benefits, are offered through EI.⁹ It has been suggested, on a number of occasions, that many of these social programs should be removed and offered outside of the EI program, thereby removing the eligibility screen of EI to access these benefits (Mowat 2011, Gray and Busby 2011). Recently, Corak (2016) suggested delivering special benefit programs through “individual accounts,” which would give

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- 6 The measure of EI eligibility that draws attention to the impact of long-unemployment spells and the increase in non-standard work in the early 1990s is the beneficiaries-to-unemployed ratio. More program-relevant measures of EI eligibility did not begin until the late 1990s.
 - 7 Temporary seasonal workers typically qualify for benefits more easily than other workers because of variable EI entrance requirements. Atlantic regions have traditionally had very high rates of eligibility among seasonal workers.
 - 8 NEREs are required to work 910 hours in the last year to qualify for EI, which is well above the 420 to 700 hours-worked cut-off, depending on one’s geographic region.
 - 9 This is problematic, especially in the case of self-employed workers, who only since 2011 have had an opportunity to access these programs.

Figure 6: EI Coverage by Employment Characteristics, Percent with Enough Hours to Qualify, 2014



Source: EIMAR (2015, Table 17).

Canadians greater autonomy over how to use these benefits during their lives. Individual contributions, based on any kind of employment, would allow for these accounts to build up, with the federal government making a matching contribution. The accounts could be used for any of the risks associated in the current package of special benefits, and amounts not used could be transferred into a retirement fund upon retirement.

Other policy options include adding a new type of claimant category to employment insurance recipients that recognizes non-standard work. Current categories of claimants are long-tenured workers, occasional claimants and frequent claimants, none of which have characteristics that neatly capture the conditions or greater

vulnerabilities of non-standard workers. The level of insurance coverage for non-standard workers could also be discussed in this context.

Health Benefits – Gaps in Public/Private Coverage

While most working-age Canadians are fortunate to have employer-sponsored extended health insurance, others benefit from provincial health plans that focus almost exclusively on seniors and those on social assistance. For the rest – mainly low-income working-age populations – there can be gaps in coverage for a number of core health services, such as for prescription drugs, mental health, dental and vision care, etc. (Kirby 2002, Busby and Blomqvist 2016). Consequently, a

large number of workers struggle financially to access these services, which can lead to worse health conditions in the future. This is especially concerning because people in non-standard work – particularly low-paid, non-standard work – are often those who face the biggest obstacles in accessing care.

Although policymakers recognize these gaps as undesirable, progress on filling them is slow. Calls for federal government intervention to step in and address these gaps, particularly in the case of prescription drugs, overlook some major, persistent obstacles that explain the history of Ottawa's hesitation (Blomqvist and Busby 2015). In our view, the unrelenting attention on some kind of major, and highly unlikely, federal solution has led many commentators to overlook feasible provincial solutions. On this score, some provinces have been more creative than others when it comes to ensuring more adequate access to important health services for low-paid workers without employer-based coverage.

While cost uncertainty leads most provinces to shy away from universal solutions – such as offering public coverage on similar terms as hospital and doctor services – to filling this coverage gap, Quebec stands out as the one province that has achieved universal first-dollar coverage. In 1997, Quebec made the purchase of drug insurance mandatory and subsidized the premiums for individuals who would otherwise struggle to afford them. The Quebec program has not been without issues or flaws, but it is an example of how provinces looking for a universal yet incremental and affordable solution can navigate the complexities of healthcare reform.

British Columbia is another province that has improved drug coverage for those in low-paid non-standard work. In 2002, the province moved away from public drug coverage plans that focussed on seniors and social assistance recipients towards a more universal plan, called FairPharmacare. This plan covers citizens without employer-based insurance and charges an income-tested deductible (Busby and Pedde 2014). The reform represented a cost-neutral way for the government to extend better coverage to all low-income citizens. This was accomplished by reducing the generosity of coverage for seniors – principally for those with greater means who were asked to pay a greater share of their drug costs.

Other provincial innovators include Alberta, which has made supplementary health insurance available to non-seniors without group coverage and with incomes above social assistance cut-offs. Non-group coverage charges monthly premiums and offers subsidies for low-income applicants.^{10,11}

In sum, some provinces have taken initiatives that have greatly reduced health benefit uncertainties for workers in low-paid, non-standard work, providing a blueprint for other provinces to follow, without the need to wait for a federal plan. Although the above discussion has focussed mainly on prescription drug coverage, it is not clear why this need should take precedence over the need for services like vision, dental and mental health care. These are all areas where provincial governments should be looking for feasible solutions to insufficient coverage. Costs are no doubt an issue, but we think that – as provincial examples for drug coverage show – there are many options available to governments for establishing better basic coverage in a fiscally responsible way.

10 Non-group coverage in Alberta offers benefits for prescription drugs, diabetic supplies, ambulance services, clinical psychological services, home nursing care, prosthetics and orthotics, mastectomy benefits and hospital accommodation.

11 Many other provinces have created catastrophic plans to help out with onerous drug costs. Ontario has a catastrophic-based drug plan for workers without employment-based coverage, the Trillium Drug Program, which covers out-of-pocket health costs exceeding 4 percent of annual income.

Pension Benefits

The literature on precarious work highlights why access to a workplace pension is not always within reach for many non-standard workers. If young non-standard workers transition to more permanent work this might not be an issue. However, for those at greater risk of being in non-standard work for a longer period of time, the case could be made that recently announced reforms to the Canadian Pension Plan should help these workers in the long run because the additional CPP coverage and benefits, just like existing base CPP, would be fully portable from an employer to another. However, for those in low-paid work – often the most vulnerable workers – recent CPP reforms may not be of much help.

Milligan and Schirle (2016) highlight a major drawback to the recently announced CPP reforms – that low-income workers will see most of their increased CPP contributions disappear due to clawbacks in the federal guaranteed income supplement (GIS). Further, additional contributions today will greatly eat into low-income workers' already limited disposable income. Although the federal government has proposed changes to the Working Income Tax Benefit (WITB) as a potential solution to this problem, because its original design is to incent low-income, welfare-eligible potential workers to develop an attachment to the labour force, we see any changes to the original intent as problematic and fraught with unintended consequences. A more promising fix to this problem would be to exempt the additional CPP benefits from GIS clawbacks (Milligan and Schirle 2016).

Access to Education and Skills Upgrading

One of the biggest impediments to many workers seeking a more permanent career may be a lack of certain skills. Here, access to education and programs to upgrade skills, wherever one is in his or her career, is of paramount importance. Many of the skill enhancing programs for workers in Canada

can only be accessed through qualifying for EI (EI part II). This limits the scope of these programs by compounding the eligibility issues we highlighted earlier.

Another new program is the joint federal/provincial Job Training Grant, which aims to encourage skills upgrading for currently employed workers. Because there is some appetite to test pilots of the program, we suggest considering a version of the plan that could extend skills training options to temporary workers as of their second contract with an employer.

CONCLUSION

“Precarious” work has various and sometimes overlapping meanings, but, among other things, it does bring attention to employment arrangements with elevated insecurity. Trends in non-standard work reveal that there was a jump in the share of non-standard jobs during the early 1990s recession and recovery, but that the prevalence of non-standard work has remained stable since then. That said, temporary employment, in particular, has been rising quite fast in certain sectors, namely health, education, and food services, among others.

Many forces contribute to the creation of non-standard work. They include business desires for flexibility – often associated with globalization and technological change – but also worker preferences, which play a major role (CWR 2016). Combined with the fact that any concerted effort to turn back the tide of open trade or technological change would undermine Canada's international competitiveness and hold back employment growth, the appropriate policy response is necessarily multifaceted.

In our view, the complexity behind causes of non-standard job creation, and the international evidence on attempts to address specific areas of concerns through blunt legislative tools, militates in favour of looking to options that bolster the safety net. We think that although reviews of labour laws and their enforcement may lead to

constructive discussions, interventions to shape employment arrangements pose the greatest risks for job creation. International efforts along these lines suggest that any changes to limit the use of temporary employment contracts should also improve non-standard workers' opportunities to compete with workers already holding full-time permanent positions.

In this *Commentary*, we have presented a non-comprehensive list of options to reduce the

income-related vulnerabilities and uncertainties faced by many non-standard workers. These include reducing gaps in health coverage, improving EI eligibility, boosting access to social programs, and ensuring uptake of programs that improve access to education and skills training programs for workers. All of these options should help policymakers design the safety net in ways that mitigate common risks in non-standard work, while supporting labour market dynamism.

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