

# *Defining Vulnerability in the Labour Market*

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**Executive Summary**

**November 2003**

Discussion Paper W|21 is available at  
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## Executive Summary

While the Canadian economy has been fairly strong for several years, many workers are being left behind. Large numbers of employed adults are stuck in low paid jobs. Many have difficulty finding stable employment. Some self-employed people earn low incomes and are not covered by laws setting out basic employment standards such as minimum wages and overtime pay rules. Some people who are covered by such laws are unaware of their rights and/or unlikely to complain if those rights are violated.

These workers are vulnerable, in that their participation in the labour market leaves their well-being at risk.

A number of forces of change have shaped the context of labour market vulnerability.

- Globalization, by making the markets for goods and services more competitive, has heightened the need for economic and social policies to foster competitiveness. It has also put a higher premium on workplace practices that support flexibility and adaptability, such as multi-skilling, teamwork, and pay-for-performance mechanisms. However, while globalization constrains policy choice, it does not eliminate policy discretion. Well-designed labour market interventions can correct for market failure and enhance efficiency
- Technological change has increased the demand (and rewards) for highly skilled work relative to that for less skilled work.
- Changes in patterns of family and work life have increased employees' need for flexible (or, in some cases, part-time) hours. Most families have two earners, 80 percent of women with school-aged children are working, and about 14 percent of all families are led by a lone-parent, usually a woman.

Alongside these changes we have seen a decline in the percentage of employment that is 'standard': full-time, indefinite employment on the premises of a single employer. Non-standard work includes part-time work, employment on a short-term or time-limited contract basis, employment through temporary help agencies, and the self-employed who work but do not employ others (so-called own-account self-employed). The share of employment that is non-standard has been on an upward trend since the late 1970s, although it has stabilized in recent years.

The new labour market is, to some extent, characterized by highly educated 'knowledge workers' whose skills are in demand. Nevertheless, a large part of the labour force finds it difficult to access work that provides a decent income and working conditions that meet societal norms. These 'vulnerable' workers fall into one or more of the following groups:

- Workers, such as the own-account self-employed, who are outside the scope of coverage of employment standards legislation.

- Employees who are covered by employment standards laws, but who have difficulty accessing these rights, because they are unaware of them or reluctant to complain for fear of losing their jobs.
- Those who lack access to non-statutory benefits such as extended medical insurance, dental plans, disability coverage, and private pension plans.
- Workers who are unable to qualify for such programs as Employment Insurance or to fully benefit from public pension plans.
- Adult workers whose earnings are very low over long periods of time, because of low wages and/or lack of stable employment.

Many aspects of vulnerability are associated with the growth of non-standard work. However, not all non-standard workers are highly vulnerable to economic risks. High income professionals within the own-account self-employed category would be an example. Moreover, many workers in standard employment relationships—particularly those who are low paid and unrepresented—are vulnerable. Policies to assist the vulnerable need to consider these ‘standard’ workers as well.

There is a strong gender dimension to both non-standard work and to vulnerability in the labour market. While the male/female wage gap has closed in recent years, 69% of the adult workers in Canada earning less than \$8 per hour in 2000 were women.

More research is needed on the extent and nature of labour market vulnerability in Canada. For example, we need to understand to what extent low paid work is concentrated among recent immigrants, Aboriginals, and disabled people. How strongly is it associated with low educational attainment, or with long-term unemployment? To what extent do adult workers remain in low paid jobs for long periods?

Can we find ways to help vulnerable workers reduce the economic risks facing them, while also promoting productivity and competitiveness? This is a major challenge for labour market policy in the coming years.

More research is needed to identify what policy instruments are most likely to be successful in realizing this objective. Based on available information, candidates worthy of investigation include: extending the scope of coverage of statutory minimum standards; improving compliance with existing employment standards; encouraging employers to offer decent pay and better access to non-statutory benefits; increasing minimum wages; providing better access to training programs and to employer-sponsored training; tax relief for the working poor; and wage supplements.

It is CPRN’s plan to launch a series of studies to help fill these knowledge gaps and to identify an agenda for action to help vulnerable workers obtain work that provides a decent income and working conditions that meet societal norms.