

Non-standard Work and Economic Vulnerability

by

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Executive Summary

March 2005

Vulnerable Workers Series – Document No|3 is available at
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While high wages, access to a range of employment benefits, and job security characterize a substantial core of the labour force, other workers in the labour market have jobs characterized by low pay and few benefits, few prospects for advancement, and considerable risk in terms of employment security. Vulnerable workers who are of lower skill, who may suffer from discrimination in the labour market, or who face other constraints (e.g., family responsibilities; inability to finance training that would enhance skills) may have limited economic opportunities and be restricted in their choices in the labour market. Moreover, they may not have access to union or other forms of representation, or the jobs for which they are most eligible may not be covered by standard labour standards legislation. In other cases, even if covered by such labour legislation, state enforcement may be minimal or ineffective. These individuals may be characterized as being “vulnerable workers.”

The main purpose of this report is to characterize the state of economic vulnerability (low earnings) of workers as well as the types of institutional protections available to them in the labour market. The focus is on the extent and depth of low pay and the nature of the employment relationships (typically nonstandard employment arrangements) experienced by vulnerable workers. The analysis proceeds with a description of workers generally considered to have employment characteristics that are associated with vulnerability, focusing on two of the main forms of nonstandard employment – part-time and self-employment. Basic issues considered include the size of nonstandard employment in Canada, how it has changed over the past 20 years, and the factors driving the growth of non-standard work. Workers’ coverage by employment benefits (such as extended health care, dental care, insurance, insurance, and pension plans) is also examined.

Other dimensions that are critical to characterizing workers’ economic vulnerability include their access to and coverage by institutional protections. The report therefore considers the extent to which vulnerable workers are covered under basic employment standards (such as minimum wage or overtime pay) across Canadian jurisdictions and the extent to which workers who are vulnerable in the context of the labour market, such as low-income non-standard employees, have access to collective representation, and how collective representation may be related to access to employment rights and benefits.

In order to provide a further basis for quantitatively assessing the extent of key aspects of economic vulnerability among workers, the report includes an analysis of earnings and income data from the 2000 Survey of Labour and Income Dynamics (SLID). This permits a characterization of economic vulnerability by specific characteristics of workers and employment (e.g., age, sex, earnings level; employment status; region; availability of pension plan) as well as according to types of work arrangements (part-time and self-employed workers).

Some of the salient findings include:

- The proportion of all individuals with some paid employment in 2000 that had low earnings (below the Low-Income Cutoff) was 34 percent. On average, the low-earnings group fell 18 percent below the LICO threshold.

- The self-employed experience a much greater incidence of low earnings than do employees. For example, the proportion of full-year, full-time (FYFT), self-employed workers with low earnings was 42 percent, compared to 11 percent for FYFT employees.
- The *incidence and extent* of economic vulnerability is greater among those employed part-time (compared to full-time);
- Low earnings are much more prevalent among women (16 percent for FYFT employees) than men (7 percent).
- As one would expect, the incidence of low earnings is relatively high for young workers (aged 16-24). For FYFT employees in this age group, the rate is 38 percent.
- Education matters. About 18 percent of FYFT employees who did not graduate from high school had low earnings in 2000; for those with a university degree, the figure is only 4 percent.

The results of the empirical analysis for 2000 therefore suggest that workers' employment status as nonstandard workers (especially part-time and self-employed) and their job stability (e.g., part-year and part-time, or full year and part-time) are associated with the degree of economic vulnerability experienced by workers. Specifically:

- Both part-time and self-employed workers experience, on average, a greater incidence of low earnings. Non-standard workers may also be at risk on account of limited coverage by unions or employment standards. Thus a large segment of non-standard workers, including part-time and self-employed workers, may have a number of the characteristics that, taken together, are often associated with labour market vulnerability.
- Not all non-standard workers are vulnerable and some workers in 'standard' employment relationships (full-time, permanent) are vulnerable.
- Workers' job stability matters a great deal; individuals who only work part-year tend to have a greater incidence of low earnings.
- Workers may have a variety of other characteristics that are associated with economic vulnerability. Young workers, and workers with low levels of education, are also often subject to low pay.

Therefore, a number of factors can intersect to give rise to economic vulnerability.

The findings suggest that the segment of the labour force that may be characterized as economically vulnerable is sizeable—about a third of all individuals who do paid work over the course of a year; about 11 percent of those who are employed on a full-time basis throughout the year. In addition, based upon a review of broader indicators, the labour force segment that is vulnerable appears not to be declining in size. In particular, the proportion of jobs paying under \$10 per hour (in 2001 dollars) has remained the same between 1986 and 2004.

The main policy concern about the vulnerable segment of the labour force is that it appears to be quite substantial, and that it is a long-term phenomenon in the labour force. The policy problem

is that vulnerable workers are typically characterized as having the least ability to influence the terms and conditions of their employment, while many remain, in practice, outside the reach of existing policy frameworks. The marginalization of these workers, from a policy perspective, is further highlighted by the observation that the reach of existing labour policy frameworks has been challenged by changes in the economy, labour market, workplaces and employment relationships. As examples, average firm size has declined, nonstandard forms of employment have increased substantially, including part-time, casual, temporary, or self-employed as examples, while work is no longer necessarily spatially tied to particular work sites. These developments have called into question the reach of traditional labour relations policy and, indeed, that of labour standards generally.

Vallée (2005) outlines what “platforms” may be used to enhance workers’ access to employment rights and benefits. They include broadening the scope of coverage under current labour law, improving access to collective representation, and providing certain rights or benefits on a universal basis, rather than relying upon paid employment as the basis for entitlement. Some of the options that she considers would require a fundamental reconsideration of current approaches to labour policy.

One policy alternative is to strengthen the existing labour relations policy framework to facilitate the extension of union coverage, especially to vulnerable workers. The extent of union representation is, however, a function of several factors, including the interest of vulnerable workers in union representation, the interest of unions in organizing vulnerable workers, and the extent to which the labour relations legislative framework does, or does not, facilitate the organization of vulnerable workers. Another policy option is to provide some impetus for non-union forms of employee representation that complement the traditional collective bargaining system. Finally, current approaches to addressing labour standards issues across national boundaries, such as through the mechanisms of the International Labour Organization or through labour side accords to international trade agreements, ought to be carefully re-examined with a view to assessing their potential for providing effective protections for economically vulnerable workers.