

# Risk and Opportunity: Creating Options for Vulnerable Workers

by

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## **Executive Summary**

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## Executive Summary

People who work should be able to live decently. The combination of pay, benefits from employment, and benefits and supports through government-funded programs should be enough to give working people the tools they need to avoid poverty. Specifically, we can identify the following objectives<sup>1</sup>:

1. **Adequate income.** The combination of market wages, plus any government income supplements for the working poor, should be enough for someone working full-time to have income above the Low-Income Cutoff (LICO<sup>2</sup>) for an individual living by themselves.
2. **Basic protections regarding conditions of work.** All employees should have real access (and not just “on paper” entitlements) to basic protections such as minimum wages, overtime and vacation pay, public holidays, and job-protection for maternity or parental leave.
3. **Basic social benefits.** All workers (and arguably, all individuals, whether working or not) should have access to benefits and supports (such as coverage for pharmaceutical costs, affordable housing, affordable child care) that are important to well-being.
4. **Opportunities to move up.** Workers who are low-paid or able to find only part-time work should have opportunities to improve their labour market prospects, such as through participation in skills upgrading activities.

We have failed as a society to realize these objectives. While the labour market is, to some extent, characterized by highly educated “knowledge workers” whose skills are in demand, a large part of the labour force finds it difficult to obtain work that provides a decent income and working conditions that meet societal norms.

- One in six full-time workers earned less than \$10/hour in 2000. Thirty percent of this low-paid group lived in households with combined income so low that it would be difficult to meet the basic costs of living; that figure rises to 80 percent for individuals who are unattached (living with others but not sharing income with them) and 70 percent for individuals living alone.
- The proportion of Canadians working full-time who earned less than \$10 per hour has remained about the same since 1980, adjusting for inflation. The rise in the overall average standard of living and the growth in educational attainment had no impact on the share of Canadians earning low pay.

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<sup>1</sup> These objectives are derived mainly from the Citizens’ Dialogue on Canada’s Future (MacKinnon et al.)

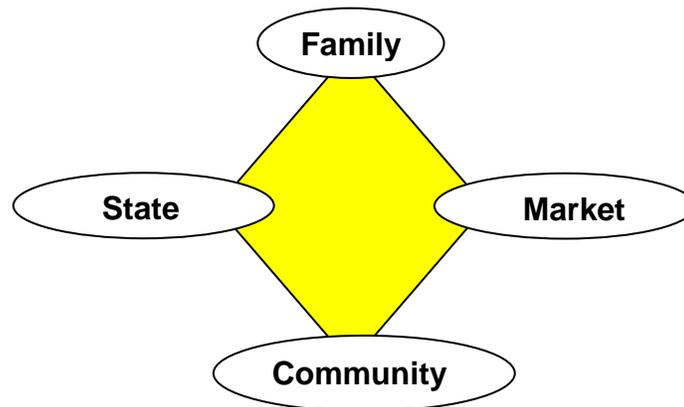
<sup>2</sup> A LICO is an income threshold below which a family will devote such a large share of its income to the necessities of food, shelter and clothing that it would be “in strained circumstances”. The thresholds vary by size of family as well as the size of community in which the family resides, as the latter is typically associated with the cost of living. The calculation of LICO thresholds is explained in Statistics Canada (2004d).

- Women, young adults, the less-educated, and recent immigrants are disproportionately likely to be low-paid. But low pay is found in sizeable proportions in both genders, all age groups, and almost every level of education.
- Half of those earning low pay in 1996 had not “moved up” five years later.
- Living within a family can raise overall family income above the low-income threshold, but chances of staying above the threshold depend on two issues: the stability of both earners’ jobs, and the stability of the family unit. Low-paid jobs tend to be less stable over time than higher paid employment. And family units are much less stable than they used to be.
- Many who seek full-time jobs are left with only part-time work and earnings too low to make ends meet.
- 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.
- Those with low wages and those in “non-standard” (temporary or part-time or self-employed) work typically also lack employment benefits such as extended medical insurance, dental plans, disability coverage, and private pension plans. Many are unable to qualify for Employment Insurance or find support to upgrade their skills. Such workers are also very unlikely to be represented by a union.
- Some people who are covered by employment standards laws are unable to benefit from them because of a lack of compliance with the requirements of these laws.
- Many workers who have never been on social assistance are financially worse off than people who are recipients of social assistance benefits.

These outcomes reflect a shifting of risk. Employers, faced with the pressures of global competition (and the opportunity to move production anywhere) have shifted risk to employees, as more work is temporary, or part-time, or contracted out, than in the past, and the demands on many regular employees have intensified. Governments, in an effort to reduce or eliminate fiscal deficits, have shifted risk to individuals, cutting back on the availability of social supports. All workers are affected in some fashion by these developments, but many are left in a vulnerable position, struggling to make ends meet or improve their prospects. We are wasting their potential. This not only weakens the social fabric, but also hampers our productivity and competitiveness as a nation.

Because the sectors of society are so interdependent, these shifts in behaviour by employers and governments have reverberated across Canadian society. The Well-Being Diamond (Jenson, 2004a) illustrates decisions by these two sectors have created severe stresses on families and their communities. The conclusions of this study will suggest policy options to share these risks more broadly.

## The Well-Being Diamond



Employers are in turn responding to more intense competitive pressures stemming from changes in global markets and technology. As a result, they are understandably concerned about the prospect of new regulations that might limit their options. And governments are concerned about businesses moving elsewhere if they feel over-regulated. Despite these constraints, many countries are, each in their own way, striving to determine what mix of policies could meet both the social goal of reducing vulnerability and the economic goal of enhancing competitiveness. There are policies and practices that serve both objectives, and governments and employers have considerable discretion to choose their own strategy.

The challenge is not only to find the best way to distribute risk among the sectors of the well-being diamond, but also to find the best distribution of instruments among policy “platforms.” “Platforms” are defined by their reach. For example, the employment relationship can be thought of as a platform, and employment standards laws as an instrument that uses that platform, as such laws only reach those who have the status of “employee.” Universality is the platform that reaches everyone, with public health insurance as an example of an instrument within that platform.

The report assesses a wide range of potential policy responses, involving actors in government, business, labour, and community organizations. There is no single magic bullet, but we identify a mix of measures that, collectively, address the objectives set out earlier. Accordingly, they include measures to directly improve the incomes of the low-paid; measures to improve workers’ access to decent working conditions, benefits, and supports; and measures to help vulnerable workers build assets. Some of the initiatives that we propose can be acted upon now. Some will take longer to design, and implement, especially those which require legislation and/or federal-provincial negotiation. Most require action by provincial governments as well as the federal government. The specific recommendations are described throughout the report, itemized in the concluding section, and presented in tabular form in the appendix. The key directions that we advocate are to:

- Make it possible for full-time workers to afford the basic costs of living through a combination of increases in minimum wages and income supplements for the working poor (section 5.1 of this report);

- Extend the reach of the laws that set out minimum standards of employment, primarily through much more active efforts to secure compliance with the existing laws (sections 5.2.1 and 5.2.2);
- Provide access on a “progressive universal”<sup>3</sup> basis to supports that are critical to well-being (such as coverage for “catastrophic” drug costs or basic dental care) (section 5.2.5); and
- Improve access to learning opportunities for disadvantaged youth, recent immigrants, and low-paid adults, so that they have a better chance of “moving up” (section 5.3.1).

No single instrument is adequate on its own, and some work better when accompanied by others. For example:

- Income supplements on their own can lead to a reduction in market wages, high marginal tax rates in the phase-out range, and considerable expense for government. All of these are mitigated when income supplements are accompanied by a moderate minimum wage.
- Measures to expand the reach of employment standards will be easier for employers to absorb if, at the same time, some benefits now provided by employers become available universally.
- Measures to facilitate the acquisition of skills and knowledge make it less likely that workers will need to draw on other supports.

The mix of instruments that we propose would involve a redistribution of risk away from the most vulnerable workers and a rebalancing of instruments across platforms. Employers would be asked to bear some greater responsibility for the well-being of their employees, through increases in the minimum wage, better compliance with minimum employment standards, and helping to provide better access to learning opportunities for less-skilled workers. Governments, through a variety of instruments, would play a much stronger role in helping working people to avoid poverty. This would involve greater emphasis on universal access to basic supports, which would help low-income workers as well as reduce costs faced by employers. In terms of the well-being diamond, both the market and the state would play a greater role in securing the well-being of vulnerable workers.

Working people deserve the opportunity to live decently, to realize their potential for personal development, and to contribute to our economy and society. The policy mix suggested here is meant to help identify ways to meet this objective and foster an inclusive, prosperous society. Let’s not continue to needlessly leave people behind.

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<sup>3</sup> Programs provided on a progressive universal basis offer benefits to everyone, but there is a partial clawback of the benefit at high levels of income