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## **IF THE ECONOMY IS UP, WHY ARE CANADIANS DOWN? --**

### **IMPACT OF JOB CASUALIZATION ON CANADIAN WORKERS**

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In a seminal article in *The Atlantic Monthly* in October, 1995, three American researchers asked -- "If the Economy is Up, Why is America Down?" The same question can now be asked in Canada. On 17 November, Bank of Canada governor Gordon Thiessen said the economy grew at 4% in the first nine months of 1999, and should average 3.75% growth for all of 1999. Finance Minister Paul Martin has announced huge budget surpluses, and economic experts tell us that the Canadian economy is "healthier" than it has been in years (*Canadian Press*, 19 Nov. 1999).

Why, then, does a CIBC poll, released November 18, find 65% of Canadians struggling financially, living from paycheque to paycheque, and "discouraged" about their financial situation? If the economy is so healthy, why are Canadians in deeper debt than ever, with consumer debt double what it was in the mid-1980s, student debt at record levels, and credit card debt alone at 29% of disposable income (up from 17% in 1983)?

Why this disparity in perceptions? And who are we to believe -- the experts and politicians, or ordinary Canadians? Governments are now actually telling the public they are wrong. The Nova Scotia Department of Economic Development has targeted public opinion polls showing that the chief concern of Nova Scotians is employment prospects for the future. In a release entitled, *The Future of Work - Is the Anxiety Justified*, the department concluded that "public perceptions may not be warranted by the facts," that employment is up and "work is generally available" (July 14, 1999).

But what are these "facts?" Is there a way that our current measures of progress obscure reality, and contribute to selective reporting, misinformation, and confusion? GPI Atlantic has always argued that there is no "blame" here, and that the fault lies with our pervasive and inaccurate methods of assessing economic health and prosperity. Growth statistics and unemployment rates not only don't tell us the whole story. They can seriously mislead us.

**1) Available Jobs and Available Work -- Not the Same Thing.**

Official employment statistics note a steady increase in jobs in the last two years, frequently cited in government statements and publications as a sign of economic health. But these statistics mask steadily growing *under*-employment, which is a direct result of the increasing "casualization" of work.

Underemployment can only be measured by the number of work hours available to those that want to work. In Nova Scotia growth in underemployment actually *exceeded* growth in employment by the equivalent of more than half a million hours in the last year alone. This means that there although there are more *jobs*, there is actually less paid *work* available to Nova Scotians than before. Increasingly, Nova Scotians can't get the hours they need to make ends meet.

Across Canada the standard work week is gradually disappearing. Canadians working 35-40 hours are now just 57.2% of all workers, compared to 65.8% in 1976. In Nova Scotia, the drop is even more dramatic -- standard-hours workers now constitute only 54.3% of all workers compared to 65.4% in 1976, a decline of 17% from two-thirds to a little over one-half of all workers (Statistics Canada, *Labour Force Historical Review*, 1998).

Instead, there is an increasing polarization of hours that is not reflected in official growth rates or employment rates. Across Canada, 25.2% of workers now work less than 35 hours a week, compared to 16.2% in 1976. In Nova Scotia, 26.6% of workers put in less than 35 hours, compared to 15.5% in 1976.

At the same time, as firms downsize, there has been a steady increase in the number of Canadians putting in long hours. 11.2% of Canadian workers, and 12.1% of Nova Scotian workers now put in more than 50 hours a week. In fact the number of short-hours and long-hours workers is now almost equal -- 19.5% of Nova Scotians work less than 30 hours a week, and 19.1% work more than 40 hours a week.

Though there is an increasing gap between "core" and "contingent" workers (see below), the overworked and underemployed are not always separate individuals. Bluestone and Rose, writing in *The American Prospect*, have used longitudinal studies to document statistically, for the first time, a tremendously stressful "feast and famine" pattern of work among marginalized workers. They note that the *same* workers are often overworked *and* underemployed. Because of increasing job insecurity, many workers are working as hard and long as possible when they do get contract, term and temporary work, knowing that they may have long spells without income.

## **2) "Is Part-Time Work a Problem?"**

The number of part-time workers in Canada has more than doubled in the last 20 years. "Is part-time work a problem?" asks the N.S. Department of Economic Development. The Department answers its own question: "Statistics Canada says increased part-time work is largely due to voluntary decisions to combine work and other activities, such as school and family," and notes that the "Netherlands has the highest level of part-time work (39%) in developed countries."

But the information is not complete, and is seriously misleading. Only 6% of part-timers in the Netherlands say they would prefer full-time work; so part-time work in that country is genuinely "voluntary." By contrast, Canada has seen a *six-fold* increase in the number of *involuntary* part-time workers from 129 million in 1976 to 790.2 million in 1998. In Nova Scotia *involuntary* part-time workers (those who want full-time work but can't get it) are now 38.7% of all part-time workers, compared to 13.5% in 1976. In Canada involuntary part-timers are 29.4% of all part-timers compared to 10.1% in 1976.

Comparisons with the Netherlands are misleading because part-time work in that country is regarded as "good" work, with equal hourly pay, prorated benefits, and equal opportunities for seniority, promotion, training, and career advancement guaranteed by law. By contrast, the increase in involuntary part-time work in this country signifies that many part-time jobs are highly insecure, -- often temporary, casual, and on-call jobs with lower hourly pay, few or no benefits, minimal career opportunities, and very susceptible to layoff.

## **3) Structural Underemployment**

Until recently trends in involuntary time work and underemployment have tended to follow the business cycle, and been highly correlated with unemployment rates. The persistence of stubbornly high rates of involuntary part-time work in the midst of an "economic recovery" indicates a major structural adjustment in the economy. Due to globalization and "free" trade, Canadian workers are now competing with cheap labour countries at the same time that technology continues to reduce available work and increase the capital intensity of production and growth.

The growing polarization of hours reflects the emergence of two separate work-forces -- a "core" work force of highly educated and highly skilled employees, working longer hours and putting in higher rates of *unpaid* overtime than ever, and a "contingent" work force that can be hired and laid off in response to market conditions and fluctuations in demand. The latter are usually unrepresented by trade unions that often protect their own "core" members through contract clauses requiring layoffs according to seniority, thus reinforcing the increasing segmentation of the work force.

All this is not news. These trends have been well documented. The obscuration that remains is largely an artifact of our accounting system and measures of progress that continue to send misleading signals to policy-makers, experts, journalists and the general public alike. Counting only growth rates and the *number* of jobs as indicators of economic health leads to the kind of misinformation typified by the N.S. Department of Economic Development bulletin cited above. That confusion, in turn, has serious consequences -- blunting potential policy initiatives, failing to give priority to urgent labour market issues, and widening the gap between expert pronouncements and public perceptions.

The failure to address *structural underemployment* directly in the policy arena actually leads to mis-identifying the problem and a consequent misallocation and waste of resources. For example, governments persist in identifying the shortage of skills, education and training as the primary labour market problem. Thus, the same N.S. Economic Development report notes that "the economy offers less for those with low skills or little education, but the data shows work is generally available and unemployment rates are dramatically lower for those with adequate education."

In actual fact, educational data show that the population as a whole, and young people in particular, have more skills, training and higher levels of education than ever before. Unnoticed is a steady "credentials gap," as educational requirements steadily increase beyond the levels of knowledge actually needed to perform the job. A series of Ontario studies found that post-secondary credentials were required for 47% of clerical workers in 1996, compared to 34% in 1990 and 24% in 1984. For unskilled manual workers, 52% were expected to have a high school diploma in 1996 compared to 40% in 1990 and 19% in 1984 (Livingstone, *The Education-Jobs Gap*, page 74).

The problem does *not* seem to be a lack of education, skills and training, but rather a larger pool of available skilled and educated people seeking work, that allows employers to ratchet up the entry requirements over time. One subtle but highly significant aspect of underemployment, not captured in the market statistics at all, is the growing percentage of *over-qualified* job entrants unable to find work that adequately uses their talents, skills and abilities. Until we clearly identify *structural underemployment* as a core policy issue, we will continue to divert attention from fundamental causes and keep advocating more training as a supposed panacea for marginalized workers.

#### **4) Impact of Job Casualization on Workers**

The explosion of marginal, insecure, and low-paying jobs, and the dramatic growth of underemployment and involuntary part-time work, in turn have *three* major direct impacts on Canadian workers, each of which have profound secondary and indirect consequences. Those impacts are on income, equity, and security.

### a) Income Effects

Contingent work at low rates of pay has deepened poverty in Canada. In Nova Scotia, real disposal income has declined by 8% in the last 10 years, but the *poorest* 40% of Nova Scotians has seen a 24% drop in their real income (after taxes and transfers). As a consequence, child poverty has grown by 50% since the House of Commons determined to eliminate it completely. Among marginalized groups, poverty has become more widespread, with more than 70% of Nova Scotian single mothers today living below Statistics Canada's low-income cut-off.

### b) Equity Impact

A Statistics Canada analytical study found that the growing polarization of hours is one the main causes for rising income inequality in Canada (Statistics Canada #13-S39-90). The segmentation of the work force also has secondary social impacts, with trends towards a two-tiered health care system in some provinces, and rising tuition fees effectively excluding many disadvantaged youths from upper levels of schooling. The casualization of jobs is also age-related, with young workers experiencing the greatest growth in part-time and temporary work (Statistics Canada 75-001E), leading to rising earnings inequality between young and old.

In the long-term, both poverty and inequality can damage the social fabric, with high potential costs. Studies demonstrate a clear link between economic inequality and poor health outcomes. Poverty and unemployment are also highly correlated with crime, delinquency, family breakup, child abuse, and poor educational performance, which in turn can negatively impact workplace productivity.

### c) Job Security

Temporary jobs frequently carry few or no benefits. Only 20% of non-permanent jobs (including all term, casual, seasonal, and contract positions) carry employer-provided pension plans compared to 55% of permanent jobs (that have no specified termination date). Only 19% provide supplementary health care compared to 64% of permanent jobs; 16% provide dental care (compared to 60%); 20% provide paid sick leave (compared to 62%); and 20% provide paid vacation leave (compared to 78% of permanent jobs) (Statistics Canada cat. #75-001). Temporary jobs also provide few, if any, promotion and career advancement opportunities; and contingent workers are, by definition, the first laid off in times of economic downturn or reduced demand.

Livelihood in Canada is still primarily dependent on paid work, and high levels of job insecurity produce high stress levels. A detailed longitudinal study in the United States found that workers under *threat* of layoff experienced more psychosomatic stress

symptoms than after they were actually laid off, indicating that job *insecurity* may be as damaging to health as unemployment.

A recent Japanese study indicated equally high stress levels and heart attack risks for the unemployed and the overworked. Job-related stress, including both insecurity and overwork, has been correlated with propensity to cardiovascular and gastrointestinal disorders, high blood pressure, immunity suppression, neuro-endocrinal abnormalities (elevated adrenaline and noradrenaline levels), increased drug use, and a wide range of psychosomatic symptoms. Temporary workers on the "feast and famine" roller-coaster work cycle may be particularly prone to such health disorders.

## **5) Policy Recommendations**

The trends described here are very troubling, the consequences serious, and the costs potentially enormous. The good news is that there are clear paths out of this conundrum that have been tried and tested both in individual enterprises and by several countries. Here are a few examples of short, medium, and long-term policy initiatives that can help turn the situation around.

### **a) Short-Term**

One immediate and non-controversial step that government can take is to remove systemic disincentives to new hiring. This could easily garner all-party support, and would address one aspect of the growing polarization of hours. In particular, the current payroll tax system, with ceilings on Employment Insurance and Canada Pension Plan deductions, provides incentives to employers to reduce their workforce and to work their existing employees overtime. Fixed employer costs as a percentage of total compensation have risen steadily in the last 20 years, creating a major disincentive to hiring.

There are several ways to reform the system. Either the ceilings can be abolished and premiums adjusted to make them directly proportional to hours worked, or ceilings can be calculated on an hourly rather than annual basis. Alternatively, employer contributions can be assessed on a firm-by-firm basis according to total full-time job equivalents, rather than on an employee basis. Better still, a *floor* for contributions rather than a ceiling can be established, as recommended by Dr. Frank Reid, Director, Centre for Industrial Relations, University of Toronto. Thus, the first \$10,000 of earnings could be exempted from EI and CPP contributions, thereby rewarding new hiring. These proposals can be entirely revenue-neutral to avoid any additional costs.

**b) Medium-Term**

There is no inherent problem with shorter work hours. On the contrary, they can signify real progress, provided job security is maintained and decent conditions prevail. The Netherlands, and some of the Scandinavian countries, have demonstrated that part-time work can be "good work," and that involuntary part-time levels can be significantly reduced without compromising business efficiency, competitiveness, and high levels of social supports.

The European Union has adopted provisions prohibiting discrimination against part-time workers. The Netherlands has translated these into legislation guaranteeing equal hourly pay, pro-rated benefits, and guarantees of equal opportunities for seniority, promotion, training, and career advancement for part-timers. Most collective agreements in Holland already give workers the right to reduce their work hours voluntarily and legislation currently before the Dutch parliament (and introduced by the conservative parties) guarantees workers the right both to reduce and increase their hours according to need and in cooperation with employers. The Netherlands has reduced its unemployment rate from 12% in 1982 to 3.2% today largely through work time reduction.

In Canada, only Saskatchewan has begun to move in this direction with legislation guaranteeing pro-rated benefits to part-time workers. Premier Roy Romanow, addressing the Halifax Chamber of Commerce recently, noted that such legislation is very difficult for one province to implement alone, as employers argue that it raises their labour costs relative to other provinces. He argued that a federal initiative is called for, in order to raise the level of the playing field and improve worker conditions in the country as a whole. Because unions have inadequately represented part-time, temporary and casual workers, provisions that can greatly enhance security for the contingent work force are unlikely to find their way into collective agreements without a government initiative.

There are many other initiatives that European countries have taken, and from which Canada can learn, to overcome the polarization of hours, and to reduce and redistribute work hours. An outstanding use of the huge EI surplus would be to offer payroll tax rebates or reductions to employers who create new jobs by reducing work hours for their existing employees, as France, Belgium and Italy have done. France estimates that it has saved or created 118,433 jobs due to work time reduction in the first 14 months of its 35-hour law.

In Canada, the 1996 Quebec Summit on the Economy and Employment announced a \$1,200 tax credit for each job created through a voluntary work time reduction program. But it is the federal government, as custodian of the EI fund, that has the best means to offer financial incentives that can improve short-hour jobs. In the end, the broadening of

the tax base, the saving in employment insurance and social assistance costs, the avoidance of underemployment wastage, the use and retention of valued skills, and the improvement of workplace morale and industrial relations will more than compensate for such investments in the labour market.

**c) Long-Term**

In the long-run, the underlying causes of job casualization must be addressed. Globalization, forcing Canadian workers to compete against cheap labour abroad, has frequently produced a fatalistic and unquestioned attitude that business survival and competitiveness depends entirely on reducing labour costs. There are fewer buffers against global business cycles, and communities feel increasingly powerless, as decisions affecting their future are made at an ever greater distance. Their sense of wealth and self-sufficiency becomes broken. The most practical antidote to some of the most destructive and disempowering trends of globalization is investment in community economic development that enhance local self-reliance.

The use of local inputs into industry, the strengthening of local markets for local business, support for small business, the strengthening of the voluntary sector, the creation of local apprenticeships for school students, community service as a required part of schooling, food cooperatives, community-shared agriculture, local currency and micro-lending activities -- such initiatives can strengthen communities, and create good job opportunities for our children close to home.

And we will never make headway in any of these arenas while our measures of well-being and prosperity are based on a misleading and narrow set of market statistics that simply do not tell the true or whole story about the changing nature of work. Ultimately, if we value livelihood security, we have to measure it and keep track of it as an agreed social goal.

While crude *quantitative* measures like GDP growth and numbers of jobs are our only signposts of progress, we will never pay attention to the *quality* of those jobs, and vital work issues affecting our health and livelihood will never receive priority in the policy arena. Worst of all, politicians, bureaucrats, economists and journalists will continue to tell the public that their employment anxieties are unfounded, and will sow seeds of confusion that muddy the waters, befuddle the public discourse, and distract attention from social priorities.

Ultimately what we count and measure completely reflects what we value as a society. In the most profound, subtle and long-term way, we shift our entire paradigm by changing our benchmarks of progress so that they represent the full range of consensus social

values. We literally change the social dialogue. Including trends in livelihood security in our core measures of progress will naturally encourage the needed policy initiatives.

