

## News Release

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### **Nova Scotians Working Longer Hours To Make Ends Meet Overtime, “Junk Jobs” on the rise: Report**

Middle class Canadians and Nova Scotians may have more disposable income than they did 20 years ago. But they’re working longer hours to get it.

That’s just one finding of a new report on work by GPI Atlantic – the most detailed and comprehensive study of work conducted in Nova Scotia. The 500-page report, which took two full years of research and writing, outlines work trends in Nova Scotia and Canada over the past two decades, and estimates the economic costs of unemployment and underemployment. Some of the findings are surprising:

- Nearly two-thirds of Nova Scotians who work overtime do not get paid for it. In other words, in a typical week in 2001, roughly 373,000 overtime hours were worked free of charge in the province. Overtime altogether is on the rise in the province.
- In Nova Scotia, involuntary part-time employment has grown much faster than the voluntary types in the last 25 years, and is driving the overall upward trend in part-time work. Generally, Atlantic Canada has the highest rate of involuntary part-time work in the country. In addition, part-time workers are paid more poorly. For example, in Nova Scotia in 2001, full-time employees were paid on average nearly 50% more per hour than their part-time counterparts.
- A growing proportion of workers are working longer work hours, while on the opposite end of the scale, a growing number can’t find enough work hours.
- Couples with children are working longer hours for comparatively modest increases in pay. In 2000, Canadian parents together worked 206 more hours – equivalent to 26 more work-days – than they did in 1981. Nova Scotian couples with children worked an additional 141 hours combined – or 18 more eight-hour days – than they did in 1981. Despite the extra work, the disposable income of these families only rose by about eight per cent during the same time period. That means 40 per cent of the increase in disposable income was “bought” with extra work hours.

“We’re locked into a ‘work-and-spend’ cycle,” says the study’s lead author, Linda Pannozzo. “A segment of society has a reasonably high standard of living. But people are having to work increasingly long hours just to maintain the living standards they’ve become used to.”

#### **No progress in work hours, quality of jobs, job security; leisure declining**

GPI Atlantic is a non-profit research institute based in Nova Scotia that is developing new measures of wellbeing – the Genuine Progress Index (GPI). The key indicators of genuine progress for this component of the Nova Scotia GPI show an overall decline in the last 25 years: Unemployment is higher, underemployment – as signified by the rate

of involuntary part-time work – has increased; rates of overwork, including overtime, have increased; work stress is up; and there has been an overall decline in job security as signified by a massive increase in temporary, contingent work and a decline in permanent jobs with fringe benefits. As well, the growing polarization of hours has contributed to a widening income gap between rich and poor.

“The report clearly points to some troubling work and income trends in Canada and Nova Scotia,” says Pannozzo. “We’ve got people who are over-worked from all walks of life – rich, poor, and the struggling middle class. And at the same time we have a huge gap between rich and poor, and a growing class of underemployed.”

A large segment of working men and women – especially couples who work full time and have children – have less free time today than they did in the 1960s. Comparative time-use studies cited in the report also show that Canadians generally have less free time than most western Europeans. The average Danish citizen, for example, has 11 more hours of free time each week than the average Canadian.

### **Create jobs, improve quality-of-life by cutting overwork**

The study also details the costs to society of both long work hours and lack of work. It points to solutions such as voluntary work-time reductions (with a proportionate reduction in pay without imperilling career advancement opportunities) and the right to refuse overtime work, both of which can redistribute work hours and create new jobs.

Unemployment in Nova Scotia cost the provincial and national economies at least \$4 billion in 2001 in lost output and taxes, and in direct payments to the unemployed. In addition, unemployment may cost the province between \$250 million and \$400 million yearly in illness, divorce, and crime costs associated with joblessness.

Long work hours are similarly costly. In 2001, absenteeism costs alone specifically attributable to stress from long work hours were nearly \$70 million in Nova Scotia.

In just one week in 2001, the amount of paid overtime clocked in Nova Scotia was equal to more than 6,000 full-time jobs. If all paid *and* unpaid overtime were eliminated Nova Scotia would have been 17,573 jobs richer. If even half these overtime hours were converted to new jobs – a more realistic scenario – there would be 8,787 new jobs. Similarly, a 10 per cent reduction in working time for those who are currently employed would free up nearly 1.6 million hours of work for redistribution among the unemployed or underemployed. Turning just half those hours into new jobs would create 19,370 new jobs and drop the unemployment rate to 5.6%. The report notes that the Netherlands dropped its unemployment rate from 12.2% to 2.9% partly by redistributing work hours.

**Full report available at [www.gpiatlantic.org/pdf/workhours](http://www.gpiatlantic.org/pdf/workhours)**

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About the primary author: GPI Atlantic researcher, *Linda Pannozzo*, has degrees in environmental science, education, and journalism. She has written for *This Magazine*, *The Ottawa Citizen*, *High Grader Magazine*, and *The Coast*, among others. She is currently writing a book on proportional representation in the Canadian electoral system.

## MAIN FINDINGS \*

### Trends

- **Hours polarization:** The apparent stability of average work hours in recent decades in Nova Scotia conceals growing disparities among different groups of workers. The decline in the proportion of workers working standard hours (35-40 hours/week) is coupled with increases in the proportions working long hours and short hours. In Nova Scotia the percentage of workers working standard hours fell from 65% in 1976 to 57% in 2001.

The proportion of full-time employed workers working long hours (50 hours or more/week) increased between 1976 and 2001 from 12.7% to 16.4%. Full-time employed men in this province saw a 35% increase in long work hours (50+/week) during this time period from 16.6% to 22.4%. Full-time employed women working long hours increased from 4.5% in 1976 to 8.4% in 2001.

In 1976 roughly one in five full-time workers clocked more than 41 hours a week. By 2001 nearly one in three workers was doing so. Full-time employed women working more than 41 hours per week increased from 12.2% to 20.3% during this time period.

At the same time as more Nova Scotians are working long hours, larger numbers of Nova Scotians are also working shorter hours, with many of these unable to get the hours they need to make ends meet (see “underemployment” below). Part-time employment increased from 12.5% in 1976 to 17.8% in 2001. In 2001, 31% of all workers in the province clocked less than 35 hours a week, up slightly from 29% in 1976. Those working less than 30 hours a week increased from 16% in 1976 to more than 20% in 2001.<sup>1</sup> Short hours were most prevalent among employed women. Roughly two out of every five employed women and one in five employed men worked less than 35 hours a week in 2001.

In sum, the standard workweek (35-40 hours) has declined, and there is a growing gap between long and short hours workers. According to Statistics Canada, this increasing polarization of work hours has contributed substantially to the growing income gap in Canada since the early 1990s.

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\* In most cases only Nova Scotia data have been cited in the *Main Findings*. Comparative Canadian data can be found in the Executive Summary of the report.

<sup>1</sup> Note that these represent *actual* hours worked, which include overtime hours, sick days, vacations etc. When *usual* hours of work are considered, excluding overtime, work absence, and vacations, the proportion of Nova Scotians working less than 30 hours/week was 13.3% in 1976 and 17.8% in 2001. Statistics Canada defines a part-time worker as one whose *usual* hours of work at their *main* job are less than 30 hours/week. In the full GPI Work Hours report, as in Statistics Canada Labour Force Survey results, both usual and actual hours of work are cited. In the executive summary, and also in this summary of "main findings," however, only the *actual* hours of work are cited, in order to convey changes in the actual work burden of Nova Scotians.

- **Total Work Hours:** Statistics Canada's special tabulations for GPI Atlantic on usual hours worked show that in 2002, dual-earner couples between 25 and 44 years of age without children in Nova Scotia worked a combined week of 78.2 hours for pay, an hour longer than the Canadian average. Couples in this age group with children worked 76.1 hours per week. Full-time employed parents between 25 and 44 years of age worked a combined workweek of 82.6 hours. Their non-parent full-time counterparts were employed 81.8 hours/week.

When we combine paid and unpaid work hours, dual-earner couples with children are working longer total hours today than their counterparts did 100 years ago. Total (paid plus unpaid) average work hours per week for couples with children increased substantially in Canada between 1900 and 2000 from about 111 hours in 1900 to 137 hours in 2000. Total work hours for full-time employed parents in 2000 are even higher at 145 hours.

- **Work effort and income:** In Canada between 1980 and 2001, the average real disposable income of dual-earner parents increased by 8.4%. In Nova Scotia it increased by 8.1%. During roughly this same period (1981-2000), the average combined annual paid work hours of dual-earner parents with children increased by 6% in Canada and by 4% in Nova Scotia. When we include 2001 data, the increase is 3.4% and 3.1% respectively. In other words, in 2000, Canadian parents were actually working 206 more hours per year for pay – equivalent to 26 more workdays – than they did in 1981. Nova Scotian couples with children worked an additional 141 hours – or 18 more eight-hour days – than they did in 1981.

When the earnings and hours data are combined, it is clear that a substantial portion of the increased earnings were purchased with additional work hours. More than 40% of the increase in disposable income in Canada and nearly 40% of the increase in Nova Scotia were bought with increased work effort.

- **Overtime:** Among those who work overtime in Nova Scotia, nearly 38% get paid for it, while a striking 59% don't. The remaining 3% of overtime workers put in a combination of both paid and unpaid overtime hours. In other words, in a typical week in 2001, roughly 373,000 overtime hours were worked free of charge. Between 1997 (the first year data were available) and 2001, the incidence of overtime rose from 18.6% of all employees to 21.4%. In 2001, Nova Scotian women working overtime were less likely than men to be compensated for their extra labour. Fifty-two per cent of all male employees working overtime in 2001 were working unpaid overtime while nearly 68% of all female employees working overtime did so for free.
- **Part-time Employment:** In 2001 in Nova Scotia 17.8% of all employees worked part-time, compared with 12.5% in 1976. Part-time rates peaked in 1996 at more than 20%. While youth (15-24 years old) have always constituted a large proportion of part-timers in this province, their predominance has declined over the last 25 years from 46% of part-timers in 1976 to 36% in 2001. Instead, more and more adults between 35-54 years of age now work part-time, with this age group increasing from 25% of all part-timers in 1976 to 35% in 2001. In Nova Scotia, one in four working women were employed part-time in 1976, compared with one in 20 employed men. By 1996, nearly one in three working women worked part-time compared

to one in 10 men. In 2001, 26.5% of employed women and 9.9% of employed men worked part-time in Nova Scotia. These figures are consistent with the Canadian averages.

- ❑ **Contingent or Temporary Work:** Statistics Canada estimated that in 1989, only 8% of workers had temporary jobs with a specified end date. By 2001, the proportion of Canadian workers with temporary jobs had increased by more than 50% to 12.8% of all workers. In 2001, 18% of Nova Scotian workers were employed on a temporary basis, up from 16.7% just four years earlier.
- ❑ **Underemployment:** Many Canadians who work part-time would rather be working full-time, but are unable to find full-time work. These same individuals often experience economic hardship because they have insufficient work hours to make ends meet, and because part-time jobs are more likely to pay poorly, carry no benefits, and provide limited job security. Involuntary part-time work is therefore considered a key indicator of underemployment. In 2001, 31% of all part-timers were working part-time involuntarily in Nova Scotia. In Canada the figure was closer to 26%.

According to Statistics Canada and other sources, underemployment is closely related to unemployment, and the rates tend to move in tandem, indicating that many people are forced into part-time work when economic conditions worsen. It is not surprising, therefore, that underemployment rates are higher in the Atlantic provinces (including Newfoundland and Labrador) than elsewhere in Canada. In 1993, for example, the underemployment rate in Atlantic Canada was 51%, the highest in the country. With the exception of only two years out of the last 25, this region has had the highest rate of involuntary part-time work in Canada every year. By 2001, (with a new definition of involuntary part-time work in effect) the involuntary part-time rate in the Atlantic provinces was 35%, still nearly 10 percentage points higher than the Canadian average.

- ❑ **Unemployment:** Since 1976, the unemployment rate in Nova Scotia has consistently exceeded the Canadian average. The 1980s saw average jobless rates of 11.8%, and in the 1990s the proportion out of work in this province averaged 12%. In 2001, the official jobless rate in Nova Scotia was 9.7%. Currently the unemployment rate in Canada is 7.4%, and in Nova Scotia it is 9.4%.

The provincial jobless rate conceals marked intra-provincial disparities, with some regions considerably worse off than others. Unemployment was least severe in the Halifax area in 2001 at 7.1% – less than the Canadian average. But a short drive in this province does not only result in changes in weather – the official jobless rate also soars as one leaves the capital, reaching a staggering 17% in Cape Breton and 19.1% in the industrial Cape Breton heartland of Sydney. These official unemployment rates exclude discouraged workers who have given up looking for work. So the actual jobless rate is higher than the official figures indicate.

- ❑ **Discouraged Workers:** Discouraged workers – those who are out of work but have given up looking for work – are left out of the official unemployment numbers. According to current estimation methods, the official unemployment rate actually falls when the unemployed stop

looking for work. For instance, if the labour force consisted of 900 employed and 100 unemployed people, the unemployment rate would be 10%. But if the 100 unemployed people became discouraged with their job prospects and stopped looking for work, they would no longer be counted as members of the labour force and the total labour force would drop to 900. The number of officially unemployed would then be zero. For example, in the U.S. recently, the unemployment rate fell to 6.2% from 6.4% because of the sharp rise in the number of "discouraged workers." So discouraged workers are part of the "hidden unemployed."

- In 2001, once a portion of "hidden" unemployed were added to the official numbers, the unemployment rate was three percentage points higher for Canada, and more than four percentage points higher for Nova Scotia. This hidden unemployment includes both discouraged workers, and the full-time equivalent hours difference between the actual hours worked by involuntary part-timers and the full-time hours they want.

Discouraged workers tend to be concentrated in areas of high unemployment. In 1989, about one-third of all discouraged workers in Canada resided in the four Atlantic provinces, although the region accounted for only 7.6% of the country's labour force in that year. In 2001, the Atlantic provinces accounted for 36% of the country's discouraged workers and 7.2% of the country's total labour force.

When some of the "hidden" unemployed are included, nearly one in four youth (15-24 year olds) in the province were out of work in 2001. Unemployment rates increase by three and four percentage points respectively for workers in the 25-44 and 45-and-over age groups when discouraged workers and underemployment estimates were included. For those over 55, the unemployment rate nearly doubled from 6.8% to 12% when the hidden unemployed were included.

- **Duration of Unemployment:** In 2001, unemployed Nova Scotians were without work for an average of 15.9 weeks, up from 13.9 weeks in 1976, and down from 22.1 weeks in 1996.

The OECD defines the long-term unemployed as being continuously without work for at least one year. In Canada the proportion of the unemployed who were out of work for 52 weeks or more in 1976 was 3.8%. This soared to 16.3% in 1996 and then dropped to 9% in 2001, but is still more than double the levels of 25 years earlier. In Nova Scotia the jobless have experienced a four-fold increase in long-term unemployment since 1976 – up from 2% in 1976 to 8.6% in 2001, after peaking in 1996 at 14.5%.

## Costs

- **Costs of Stress Associated with Long Work Hours:** Excessively long work hours are one significant contributing factor to work stress and may result in a number of health effects including: increased risk of heart disease, gastric disturbances, increased incidence of accidents, sleep difficulties, headaches/migraine, backaches, depression, and burnout.

Absenteeism costs specifically attributable to stress from long work hours in Nova Scotia are estimated at nearly \$70 million in 2001.

- **Long Work Hours and the Family:** The direct and indirect costs associated with the impact of long work hours and other work stresses on family life and the workplace may include:
  - Health effects on stressed individuals and their partners, including depression, burnout, and heart disease, as well as numerous other stress-related disorders;
  - Organizational costs, including higher absenteeism and lower productivity;
  - Costs of family breakdown (lawyers fees, lost productivity in the work place, human costs, societal costs, and further health costs);
  - Effects on children (short and long-term health effects, and adverse psychological and learning impacts of "parental deficit" and family breakdown, including the long-term costs associated with children being socialized by television sets instead of by their parents);
  - Costs associated with increased drug and alcohol abuse;
  - Long-term societal costs associated with the deterioration of family life due to increased parental absence from the home.
  
- **Loss of Leisure:** Statistics Canada's time-use data indicate that leisure time declines with marriage and with raising children. On average, married people have less free time in a day than single people do, and married people with young children have the least amount of free time. But these patterns are exacerbated by full-time employment:

In 1998 (most recent data), employed single men and women without children enjoyed 6.2 and 6.0 hours of leisure per day respectively. Married men and women without children had 5.4 and 4.9 hours of leisure per day respectively. Married men and women with children had 4.4 and 4.3 hours of free time, while their full-time employed counterparts have the least amount of free time at 3.6 hours a day.

A large segment of working men and women, particularly full-time dual earners with children, have less free time today than they did in the 1960s. Comparative time-use studies indicate that Canadians generally have less free time than most western Europeans and about the same amount of free time as Americans. For example, the average Danish citizen has 11 hours more free time per week than the average Canadian. For married parents working full-time in Canada, leisure time decreased by 2 hours/week for both men and women between 1992 and 1998.

- **Growing Inequality:** In 1998 low-income Nova Scotians (the bottom 20% of all households including both economic families and unattached individuals) had the lowest average disposable income (after taxes and transfers) in the country at \$9,293 (\$2001 constant dollars). By 2001, Nova Scotia's poorest 20% of households ranked third lowest in the country with an average disposable income of \$10,604. Only the poor in British Columbia and New Brunswick had lower incomes.

Between 1990 and 2001 the poorer the household, the bigger the percentage drop in income, leading to a growing gap between rich and poor. However, while the poorest Nova Scotians

lost the most in both percentage terms and in actual constant dollars – \$1,782 between 1990 and 2001 – the richest Nova Scotians gained \$5,512 in constant dollars, an increase of 7.2%. Middle income Nova Scotians (3<sup>rd</sup> quintile) lost \$616 in actual constant dollars between 1990 and 2001. In 1990 the richest 20% of Nova Scotian households had 6.2 times as much disposable income as the poorest 20%. By 1998, they had 8.2 times as much. In 2001, the richest 20% of households had 7.7 as much disposable income as the poorest 20%. Statistics Canada attributes a substantial portion of the growing income gap in Canada to the growing polarization of work hours.

In Nova Scotia the incidence of low income among families increased in the 1990s from 7.4% of families in 1990 to 11.1% in 1998, and then declined to 7.9% in 2001, still slightly above the 1990 rate.

Income distribution is one of the most important determinants of population health. Job insecurity, low wage work, and unemployment can and do lead to low income and poverty. Low income Canadians are more likely to have poor health and die earlier than other Canadians. Socio-economic status has been identified as a precursor of cancer, cardiovascular disease, arthritis and musculoskeletal disorders, diabetes mellitus, dental diseases, drug dependence and abuse, and infant mortality and morbidity.

Poverty is not an independent variable, but has causes that can often be found in employment characteristics. Thus, unemployment, underemployment, and non-standard work – characterized by poor pay, tenuous stability, frequent and longer bouts of unemployment, and a polarization of work hours – contribute to both income inequality and poverty, and thus to adverse health outcomes.

- **Economic and Social costs Associated with Unemployment:** Assessments of the costs of unemployment demonstrate that unemployment is costly for everyone in society, not just the unemployed. Unemployment in Nova Scotia cost the provincial and national economy at least \$4 billion in 2001 in lost output and taxes and in direct payments to the unemployed.

The evidence indicates that unemployment may cost Nova Scotia between \$250 million and \$400 million a year in excess disease, crime, and divorce costs. The \$400 million estimate includes costs attributable to discouraged and underemployed workers who are excluded from the official unemployment figures, and also includes a wider range of crime cost estimates. The \$250 million estimate is based only on the official unemployment figures and uses a conservative estimate of direct crime costs only.

## **Job Creation Potential in Nova Scotia**

- **Job Creation Potential from Overtime Elimination:** In Nova Scotia, an average of 643,000 overtime hours were clocked each week in 2001 – of which approximately 241,000 hours were paid overtime. Counting *only* paid overtime, these 241,000 hours/week could yield more than 6,000 additional full-time jobs. If these new jobs were filled by workers previously unemployed, this would have reduced the ranks of the unemployed by 13% and brought the 2001 unemployment rate down from nearly 10% to 8.4%.

If all paid and unpaid overtime had been eliminated across the board for all industries in 2001, and if all new jobs created were based on the average straight hours worked per employee in each industry, Nova Scotia could have been 17,573 full-time jobs richer – an increase in employment of 5.2%. Even if offsets that reflect more realistic industry responses to overtime reduction efforts reduced this job creation potential by 50%, there would still have been 8,787 new jobs created.

- **Job Creation Potential from Hours Reduction:** Evidence indicates that a 10% reduction in working time for those who are currently employed would likely result in an increase in hourly labour productivity of 5%. Because of this productivity offset, only about half of the reduction in work hours would result in new jobs. In 2001, Nova Scotians worked a total of 15.6 million hours per week. Theoretically, a 10% reduction in work hours would have amounted to almost 1.6 million freed up hours, available both for new hires from among the unemployed and for redistribution among the underemployed. This reduction in work hours can be achieved in a number of ways, including shorter workdays, shorter workweeks, longer vacations, sabbaticals, phased-in retirement, improvement in the conditions of part-time work, and other methods that could be tailored to the particular needs of different sets of employees.

This reduction in hours is equivalent to roughly 38,740 full-time jobs, or about 85% of the 45,600 Nova Scotians who were officially unemployed in 2001. Due to the offsetting effect of productivity increases, only half of the hours reduction would have resulted in new jobs. Therefore, about 19,370 new jobs could have been created. Assuming that all the new jobs were filled from the ranks of the unemployed, this job creation would have brought the unemployment rate down from 9.7% to 5.6%. It should be noted that an unemployment decline of this magnitude is not inconceivable and was actually achieved in the Netherlands, where a long-term drop in unemployment from 12.2% to 2.9% was partly attributed to the country's deliberate redistribution of work hours through promotion of high-quality part-time work.

## RECOMMENDATIONS

Following are five key sets of indicators of genuine progress as it relates to paid work. While it is acknowledged that there will be special circumstances in which some indicators do not apply to particular groups, the indicators are presented here as overall societal indicators of aggregate and average work hours.

As all indicators, by definition, measure progress towards defined social goals, the five indicators below correspond to the following social values and goals:

- Employment and adequate work hours for all those who want paid work;
- Increased job security, and adequate rates of pay for hours worked;
- Increased free time and leisure time for those working long hours;
- Improved work / family / life balance;
- Increased equity and social cohesion;
- Reduced work stress;
- Improved environmental quality

The following five indicators are based on those values and measure progress towards those broad social goals.

Below each set of indicators are key policy recommendations, which could help achieve progress in these areas.

***1.) A decline in work hours for those who already have full-time work, who are working overtime, and who are working excessively long hours.***

- ❑ The standard workweek in Nova Scotia, after which the overtime premium must be paid, should be lowered from the current 48 hours a week (for most workers) to 40 hours a week. In addition, the right to refuse overtime work after the legislated standard workweek should be incorporated into employment standards legislation in Nova Scotia.
- ❑ Employers and employees should be encouraged to offer and utilize time off (at the overtime rate) in lieu of overtime pay for hours worked after the standard workweek. For example, an hour's overtime work would be compensated by 1.5 additional hours off, and five hours of overtime can be compensated by an additional day off (or long weekend), rather than by increased pay.
- ❑ Governments, employers, trade unions, and employees should place more emphasis on working-time issues in collective bargaining and workplace decision-making, as occurs in the Scandinavian countries, rather than maintaining the almost exclusive current emphasis on rates of pay.
- ❑ Canadian governments should amend current provincial and federal employment standards to give workers the right to voluntary work-time reductions with a proportionate reduction in

pay without imperilling career advancement opportunities. Evidence shows that this will improve employee autonomy, quality of life, morale, and productivity. A wide range of work reduction options should be made available. For example, employees may choose shorter workdays, shorter workweeks (3-day weekends), longer vacations, sabbaticals, educational leaves, or phased retirement.

- ❑ The standard for vacations with pay should be increased. Currently, Canadians rank near the bottom of OECD countries in the annual amount of vacation time to which they are entitled. European countries can provide working models of industrialized economies in which dramatically longer vacations and shorter annual work hours do not imperil high productivity, prosperity, and a high standard of living.
- ❑ There should be a legislated right for all workers to take unpaid educational, parental, and sabbatical leaves.
- ❑ The most critical ingredient of a successful work-time reduction plan is education, which in turn is dependent on gradual, phased implementation. Since work-time reduction is an unfamiliar concept to most North American workers, the full range of options and the pay ramifications (if any) should be fully explored, explained, and understood by employees and employers in a cooperative and consensual manner. In general, successful work-time reduction plans – which meet expectations of job creation and which are welcomed by employees and firms – have balanced a number of key elements including consensus and cooperation among partners; legislation; financial incentives; collective bargaining; a range of voluntary options; and gradual, phased implementation allowing time for education and adaptation.

## **2.) A decline in hours polarization, unemployment, and underemployment.**

- ❑ A nation's monetary and fiscal policies play a significant role in determining levels of unemployment. The promotion of “NAIRU,” or the non-accelerating inflation rate of unemployment, has been used as an “excuse” to fight inflation regardless of the social and economic costs that may result from the unemployment this policy may promote. Currently, the official monetary policy in Canada accepts relatively high, so-called “natural” rates of unemployment and poverty as the price for curbing inflation. Greater political will on the part of governments is needed so that economic policies more effectively prioritize and balance employment and adequate income needs with low rates of inflation, in order to meet the needs of all Canadian citizens, including the poorest.
- ❑ The government needs to take steps to remove systemic disincentives to new hiring. The current payroll tax system, which has ceilings on Employment Insurance, Canada Pension Plan, and Workers Compensation deductions based on annual earnings, has the unintended side-effect of creating a bias against work-sharing and new hires, and in favour of layoffs and overtime. The current system provides incentives to employers to work existing workers long hours, as they do not have to pay additional payroll taxes once the ceilings for those workers are reached, whereas they would have to pay these taxes on new hires.

The system can be reformed in a number of ways: 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. All these reforms can be implemented in a revenue-neutral way to ensure that firms do not pay more EI, CPP, and WCB contributions in aggregate, and that the changes are not perceived as a tax grab by government.

- ❑ Government incentive programs could be implemented to encourage work-time reduction to be used to create new jobs. These incentives, for example in the form of payroll tax reductions or rebates, could be self-financing through the EI surplus, through savings to EI (since more people will be working), and through the increased tax revenues that will result from an expanded tax base. Studies and empirical evidence from Europe have shown that if a desired outcome of work-time reduction is job creation, then reductions to payroll taxes proportional to new hires can successfully stimulate job creation.

Alternatively, the savings to government realized through reduced EI payments and an expanded tax base could be used to increase hourly wages. This would increase the incentive for voluntary work time reduction, as income reductions would then be less than proportional to reductions in hours. For example, the Belgian government offered its civil servants a 20% reduction in hours in exchange for a 10% reduction in pay, thus effectively increasing hourly pay rates. When hourly productivity increases are also considered, such actions can produce net revenue gains to government, according to the conclusions of the Canadian Federal Advisory Group on Working Time and the Distribution of Work.

- ❑ If skill mismatches arise from using work-hours reductions to create new jobs, time and money should be invested in skills training programs. Just as in any economic or market adjustment, new demands and sectoral shifts require new education and training initiatives.
- ❑ Adequate leisure time is a key contributor to health and quality of life. It should also be considered a basic right of all workers. To this end, minimum wage levels should be increased to a living wage, so that all workers can freely choose to reduce their hours and enjoy more leisure time. If low minimum wages and sharp income inequality persist in their present form, then the working poor will not likely choose a reduction in work hours. Instead, they would likely retain their hours or increase them as they became available in order to make ends meet. Those with financial resources would be able to reduce their work hours and enjoy more leisure time. But this would ultimately result in a leisured class working short hours and a low-wage class working long hours with virtually no gains in free time. To avoid this potential polarization of leisure hours, work hours reduction initiatives should be accompanied by increases in the minimum wage.

### **3.) A reduction in work stress, improved work/family balance, and an increase in work that contributes to positive human development and quality of life.**

- ❑ The reduction of workplace stress should be recognized by governments and businesses as a source of substantial savings in both health and social costs.

- To improve work-family balance and quality of life, work options that are supportive of families should be promoted, including job-sharing, extended maternity leave, paid family leave, and shorter workdays. Raising children is undoubtedly one of the most important types of work in contributing to societal wellbeing, and it directly contributes to human capital. Yet its value is almost entirely invisible in our current system of economic accounts, because unpaid work has no value in market-based measures of progress. When the paid and unpaid work-time of dual-earner families are both considered, we have seen that working parents today generally have less free time and correspondingly less time to spend with their children than parents did 100 years ago. To this end, unpaid work should be properly valued in our system of national and provincial accounts, so that the total work burden of Canadians can be properly assessed, and so that family-friendly work options that effectively balance paid and unpaid responsibilities can be properly justified, promoted, and implemented.
- The reduction of work hours should be accompanied by guarantees against the intensification of work (i.e. increased workloads). Work reduction schemes will backfire and fail to improve overall quality of life if employers simply reduce hours and expect the same amount of work in fewer hours from their current workers. Incentive programs need to address this possibility and ensure that any reduction in hours is accompanied by a redistribution of the freed up work among additional/new hires.
- The provincial and federal governments should initiate studies on the effects of long hours of work on worker health and safety. To date there has been one major Statistics Canada study that found higher rates of smoking, overweight, physical inactivity, alcohol consumption, and major depression among workers moving to longer work hours. Follow-up studies are needed.
- Workers should be given a range of choices in how to use entitlements of time off over their lifetime. Some workers, particularly with growing children, may prefer more frequent periods of time off (like more long weekends or vacations) while their children are young, or shorter workdays that coincide with school schedules, while other workers may prefer to bank their time off for longer sabbaticals later.

**4.) An increase in types of work that are socially and environmentally benign and a corresponding decrease in work that is damaging to communities and the environment.**

- Ecological tax reforms (ETRs) can potentially create more jobs in environmentally benign industries while at the same time encouraging households and firms to use energy and materials more efficiently and to pollute less. ETRs can involve charges on energy/carbon, primary materials, water, pollution emissions, pesticides, landfill disposal, road use, disposable products, and other products and activities that deplete resources and cause environmental damage. ETRs can spur job creation in the areas of reuse, repair, reconditioning, and recycling with smaller-scale, labour- and skill-intensive work units.

However, the most important way in which ETRs spur job creation is that they begin to replace existing taxes on income, profits, and employment, which can be correspondingly

reduced as ETRs are introduced, ensuring that tax reform remains revenue-neutral. Not only does this replacement mechanism ensure that the aggregate tax burden on firms and households does not increase, but a reduction in taxes on income, profits, and employment can spur investment and job creation. According to Canadian economist William Rees: "It should gradually become more productive to lay off unproductive kilowatt hours and barrels of oil than to lay off people."

- ❑ Productivity gains can be channelled toward greater free time without expanding production and consumption, and thereby reducing the resource depletion and waste production that are largely proportional to increases in production and consumption.
- ❑ Employment could be generated in socially desirable and environmentally sound areas. For example, with its world-class, leading-edge waste management system, Nova Scotia is well positioned to promote the province actively as a hub for environmental technology industries.
- ❑ Environmentally friendly work options can be encouraged and promoted. Telecommuting and flexible work schedules help reduce commuting days and commuting time (avoidance of peak hours). Less driving and less rush hour congestion in turn reduces air pollution and greenhouse gas emissions.

**5.) An increase in job security and a corresponding decline in "non-standard" work that is characterized by low pay, insecurity, lack of benefits, and lack of worker autonomy.**

- ❑ Part-time workers should be entitled to hourly pay equal to that paid to full-time workers for equivalent work, benefits (on a pro-rated basis) where they are provided to full-time workers, and equal opportunity for career advancement. The Netherlands has successfully implemented such legislation and policies prohibiting discrimination against part-time workers, thereby increasing the quality of part-time work, encouraging shorter work hours, redistributing work hours, and reducing unemployment. As a result, the Netherlands today has among the shortest annual work hours, lowest rates of *involuntary* part-time work, and highest hourly labour productivity, of any industrialized country. The policy helped reduce the country's unemployment rate from 12.2% to 2.9%. Part-time work in Canada is largely associated with low pay, lack of benefits, and increased job insecurity. But it does not have to be that way.
- ❑ Employment standards should pay special attention to non-standard workers to ensure they are fully covered and protected, have access to collective bargaining rights, and receive at least the minimum hourly wage and other workplace-related benefits.
- ❑ Globalization forces Canadian workers to compete against cheap labour abroad and is at the root of some of the trends towards increased contingent and insecure work in the last 20 years. This points to a clear need for governments to ensure that the interests of citizens and communities are paramount in global trade agreements. In addition, the most practical antidote to some of the most problematic and disempowering trends of globalization is investment in community economic development that enhances local self-reliance. Such investment may include support for small business, "buy local" campaigns, and the creation

of local apprenticeships, food cooperatives, community-shared agriculture, local currency, and micro-lending activities.

- Every week in Canada, workers put in millions of overtime hours free of charge. In an uncertain job market, a growing number of Canadian workers are afraid to refuse extra work for fear of losing their jobs. One possible solution is to convert all salaried positions to hourly paid positions so that the overtime premium would have to be paid for all overtime work, thereby discouraging employers from working their employees longer hours without pay.
- The speed at which new technologies are transforming the workplace is staggering, with many new technologies replacing jobs. Currently the proliferation of new technologies is not regulated. Legislation can be introduced that encourages technologies that are compatible with quality job creation, and that limits and regulates the scale of those technologies that have been shown to de-skill workers, undermine local economies, and contribute to the rapid growth of insecure, non-standard work. In short, governments can use tax and financial incentives and penalties that promote technologies compatible with broader societal and economic goals.

## About GPI Atlantic

“We measure what we value.”

GPI Atlantic is a non-profit research organization committed to the development of the Genuine Progress Index (GPI) – a new measure of sustainability, wellbeing and quality of life.

The Genuine Progress Index is an alternative to the practice of equating progress with economic growth alone. The GPI links the economy with social and environmental variables to create a more comprehensive and accurate measurement tool.

The GPI, for example, treats pollution and crime as costs rather than gains to the economy. That might seem obvious, but pollution clean-up costs and the purchase of burglar alarms in response to crime waves actually contribute to “growth” in the Gross Domestic Product, our most common measure of progress. As well, the GPI assigns explicit value to health, security, volunteer work, environmental quality and other assets. By contrast, the GDP can grow even as poverty, insecurity, and inequality increase, while the gap between rich and poor widens, and while the earth's resources are depleted.

Conventionally, long work hours are counted as an asset because they usually translate into increased output. But free time is not valued in our measures of progress, so its loss does not register anywhere in our accounting system. Given this imbalance, it is not surprising that the substantial economic productivity gains of the last 50 years have manifested in increased output, incomes, and spending, while there has been no real increase in leisure time.

GPI recognizes there are economic, social, cultural, and environmental costs associated with increased work hours and output. Longer work hours may produce adverse health outcomes and diminish our quality of life, while increased output may place excess demands on our natural resources. At the same time, unemployment and underemployment waste precious resources and also produce substantial social, human, and economic costs.

Our core mission is the development of a demonstration index consisting of 22 components – of which work hours is one – focusing on the province of Nova Scotia. This “full cost accounting” project will serve as a pilot project for Canada and other provinces.

Taken alone, each of the 22 GPI components addresses one vital aspect of our way of life. Taken together, the components provide a comprehensive management tool for use by politicians, policy makers, and community planners. The GPI can also provide

the media and ordinary citizens with an easy-to-understand measure of the effectiveness of government in advancing our shared social values.

GPI Atlantic is a pioneer and leader in quality of life research. Established in 1997 by Ronald Colman, PhD, and supported by a distinguished group of academics and researchers, GPI Atlantic is not affiliated with any political party or interest group.