

Dear Ms Lafrance

We are pleased to submit a brief on income inequality in Canada to the House of Commons Standing Committee on Finance for consideration. We believe that precarious employment is strongly correlated with income inequality, and are pleased to know that the House of Commons will be researching this important issue. The Poverty and Employment Precarity in Southern Ontario (PEPSO) research group recently published a report entitled *It's More than Poverty*. The following is a summary of that report.

Summary

Social scientists adopted the term 'precarity' to describe states of employment that do not have the security or benefits enjoyed in more traditional employment relationships. These precarious employment relationships are becoming the 'new normal' for our workforce.

In its 2007 report, *Losing Ground*, United Way Toronto voiced the concern that employment precarity was aggravating many of the social problems facing the city of Toronto. This concern led directly to the *It's More than Poverty* report, prepared by the Poverty and Employment Precarity in Southern Ontario (PEPSO) research group.

Income inequality has been growing in the GTA-Hamilton labour market since the 1980s, and it is well established that poverty creates serious stresses on households. At the same time, the nature of employment itself has changed. Only half of the sample in the study that forms the basis for this report described themselves as having a permanent, full-time job with benefits.

It's More than Poverty expands the discussion of the social consequences of Canada's polarizing income distribution by examining the effects of precarious employment on people's lives. It explores how employment precarity and income together shape social outcomes.

Precarity has real implications for economic well-being and job security of workers. But it also reaches out and touches family and social life. It can affect how people socialize, and how much they give back to their communities. It causes tensions at home. The *It's More than Poverty* report puts a special focus on how precarious employment affects household well-being and community connections.

The report shows that employment insecurity has an independent effect on household well-being and community connections, regardless of income. That said, the study demonstrates how precarity greatly magnifies the difficulties of supporting a household on a low income. We argue that the social effects of precarity are a concern for Canadians at all income levels.

The *It's More than Poverty* report draws its data from two main sources. The first is a specially commissioned survey that examined the characteristics of employment in the GTA-Hamilton labour market. We refer to this as the PEPSO survey. The second is a series of intensive interviews with people from our communities who are precariously employed.

How many workers are precariously employed?

The report begins by examining the prevalence of both precarious and stable employment in the labour market stretching from Hamilton in the west to Whitby in the east, and centred on the City of Toronto. This includes the regions of Durham, Halton, Peel, and York.

Drawing on data from Statistics Canada and from the PEPSO survey, we find:

- At least 20% of those working are in precarious forms of employment.
- This type of employment has increased by nearly 50% in the last 20 years.
- Another 20% are in employment relationships that share at least some of the characteristics of precarious employment. This includes full-time employees who receive a wage, but no benefits, workers who may work variable hours, and workers who believe they are unlikely to be employed by the same firm a year from now.
- Barely half of those working are in permanent, full-time positions that provide benefits and a degree of employment security.
- Another 9% are in permanent, part-time employment.
- In the Toronto Census Metropolitan Area (CMA), the number of people who describe their job as temporary has increased by 40% since 1997.
- Across Canada, the category of 'self-employed without employees' increased almost 45% between 1989 and 2007.
- Newcomers to Canada are more likely to be in precarious employment.

What are the characteristics of precarious employment?

The PEPSO survey included a number of questions on the characteristics of employment relationships. We used this data to construct an Employment Precarity Index that is less reliant on the form of the employment relationship and considers other important factors to identify the precariously employed.

The Index provides a more precise indicator of insecure employment and how its characteristics differ from secure employment. When looking only at differences related to different levels of employment security, we compare the 25% of the sample with the highest scores on this Index (the precarious cluster) with the 25% with the lowest scores (the secure cluster). When we examine the combined effects of employment precarity and household income we use the Index to define insecure employment (half of the sample with the highest Index scores) and secure employment (half with the lowest Index scores).

Using the Index, we find that:

- A significant number of those who describe themselves as being in permanent employment still have many of the employment characteristics of those in precarious employment.
- Men and women are about equally likely to be in the secure and the precarious clusters.
- White people, people born in Canada, and immigrants who have been in Canada for 20 or more years are more likely to be in the secure cluster.
- New immigrants are mainly in the precarious cluster.

- People working in the knowledge, service, and manufacturing sectors are equally likely to be in the precarious cluster. People working in manufacturing are the least likely to be in the secure cluster.

Compared to those in the secure cluster, people in the precarious cluster:

- Earn 46% less and report household incomes that are 34% lower.
- Experienced more income variability in the past and expect to experience more in the future.
- Rarely receive employment benefits beyond a basic wage.
- Are often paid in cash and are more likely not to get paid at all.
- Often don't know their work schedule a week in advance and often have unexpected work schedule changes.
- Have limited career prospects and are less likely to be satisfied with their job.
- Have more weeks without work and are more likely to anticipate future hours reductions.
- Fear that raising an issue of employment rights at work might negatively affect future employment.
- Are less likely to be unionized.
- Rarely receive training provided by the employer and often pay for their own training.

How does precarious employment affect household well-being?

The third section of the report explores how precarious employment affects household well-being. How do income and precarity interact to shape people's home lives? While those who participated in the PEPSO study showed remarkable resilience in sustaining healthy households despite the challenges of precarious employment, there are clear indications of increasing stress.

First, we looked at family and household status, and we find:

- People in the secure cluster are more likely to be living with a partner than people in the precarious cluster.
- When a person in the precarious cluster did have a partner or spouse, that partner is less likely to be employed full-time, and less likely to be working at all, than partners in the secure cluster.
- People in the secure cluster are more likely to be raising children than those in the precarious cluster.

Next, we looked at how precarity affects household well-being:

- People who have insecure employment and who live in low- and middle-income households are two to three times more likely to report that anxiety about employment interferes with personal and family life than other workers.
- People who have insecure employment and who live in low- and middle-income households are one and a half to twice as likely to say that work uncertainty interferes with fulfilling household activities.
- Regardless of household income, uncertainty over work schedules prevents those in insecure employment from doing things with family and friends more frequently than it does for others.
- People who have insecure employment and who live in low-income households are twice as likely to find it difficult to make ends meet or to run out of money to buy food, compared to workers with secure employment in the same low-income category.

Overall, the findings in this section raise serious concerns regarding the potential breakdown of social structures as precarious employment becomes more of the norm in Canadian society. They suggest that employment precarity increases the stress on households and limits community participation.

How does precarious employment affect children in the household?

What are the implications for children when household income becomes less certain and when income distribution becomes more polarized? Most parents make heroic efforts to provide for their children, to put food on the table, and to be a part of their communities. The combination of low income and precarious employment makes the task of maintaining a healthy household much more of a challenge. These are issues we must address if, as the evidence shows, precarious employment continues to rise.

These are our key findings about precarity and the well-being of children:

- Low-income households are the most likely to report problems buying school supplies, paying for school trips, and financing children's activities outside of school.
- Employment insecurity significantly increased the problem of paying for these expenses within low- and middle-income households.
- Those in low-income households are least likely to report that they attend school-related meetings or volunteer at children's activities outside of school.
- Insecure earners in middle-income households are almost as unlikely as low-income earners to volunteer at children's activities outside of school.
- Finding appropriate child care is much more of an issue for low- and middle- income households in insecure employment.
- Insecure earners in low- and middle-income households are the most likely to report delaying having children as a result of employment uncertainty.

How does precarious employment affect community connections?

Does precarious employment make it more difficult for people to be socially and civically engaged? By 'community connection', we mean family and friends, and also activities like volunteering and charitable giving – having a feeling of belonging to one's community.

We find that:

- Employed women living in high-income households, are the most likely to report a strong sense of belonging to their community, regardless of whether their employment relationship is secure or insecure.
- Most of the people in our study report making a financial contribution to a charity in the last year. This was somewhat more likely in high-income households.
- Employment insecurity reduced the probability of individuals donating to charities in low- and middle-income households.
- Women in insecure employment are more likely to volunteer 20 or more hours a month than women in secure employment.
- Men in secure employment and in high-income households are more likely than all other men to volunteer 20 or more hours a month.
- Men in low- and middle-income households are the least likely to volunteer at all.

- People in insecure employment are only moderately more likely to say that scheduling problems prevent them from volunteering.
- People in households with insecure employment and low income are less likely than other groups to report having a close friend to talk to.
- People in low-income households are less likely to have a friend to help with small jobs.
- Men in insecure employment and in low- or middle-income households are less likely to report having a friend to do things with.

What can be done to improve household well-being and community connections?

The final section of this report explores a wide range of policy options to enhance family well-being and community participation in the face of the increasing prevalence of precarious employment.

The It's More than Poverty report is a first step in understanding more fully how changing labour market structures are likely to affect households and community participation. As we learned from our survey respondents, the rise in precarious employment and its accompanying insecurity is having a large impact on our society.

While low income clearly affects household well-being and community participation, the It's More than Poverty report has pointed to the independent effect of precarious employment on well-being. The policy recommendations put forth by a wide range of stakeholders, both national and international, give us the opportunity to start the conversation on what can be done to improve conditions for this class of workers.

Labour market regulations and income security policies were designed in an era when precarious employment was less prevalent. What is needed today is a new public policy framework that will be responsive to those in precarious employment and buffer them from the challenges associated with employment uncertainty and lack of control over work schedules. Using the findings of this report, we can begin to assess how current labour market regulations and income security policies are supporting people in precarious employment and explore options for making them more responsive.

The It's More than Poverty report illustrates the need to examine policies that can either limit the spread of insecure employment or mitigate its negative effects. Raising incomes is critical, but it is not enough. More attention also needs to be given to the restructured labour market and the negative effects of employment precarity on households in all income brackets. We need a more comprehensive set of policies to ensure healthy households and full participation in community life.

Who are we?

PEPSO is the Poverty and Employment Precarity in Southern Ontario research alliance. The PEPSO project is a five year SSHRC Community University Research Alliance funded initiative investigating the growth of precarious employment in southern Ontario and its impacts on individual and family well-being. The PEPSO project aims to meet the research need to gather data on trends in precarious employment and to encourage policy debate. More information about the project and its publications can be found at www.pepso.ca.