



**‘Good Jobs in Good  
Workplaces’:  
Reflections on Medium-Term  
Labour Market Challenges**

*by*

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**July 2003**

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*Andrew Jackson is Senior Economist with the Canadian Labour Congress. This paper was prepared with financial support from the Labour Market Policy Branch of Human Resources Development Canada. The opinions expressed herein are those of the author and do not necessarily reflect those of Human Resources Development Canada or the Caledon Institute.*

ISBN 1-55382-054-1

Published by:

The Caledon Institute of Social Policy  
1600 Scott Street, Suite 620  
Ottawa, Ontario, Canada  
K1Y 4N7  
Phone: (613) 729-3340  
Fax: (613) 729-3896  
E-mail: [caledon@caledoninst.org](mailto:caledon@caledoninst.org)  
Website: [www.caledoninst.org](http://www.caledoninst.org)

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## ***Introduction***

The central argument of the paper is that labour market policy will fail if it does not take full account of the fact that 'macro' employment policy outcomes are largely determined in workplaces. The emerging focus of Canadian labour market and social policy on social inclusion through paid employment is broadly appropriate (with significant caveats), but positive outcomes for workers critically depend upon the existence of 'good jobs in good workplaces.' While there are many dimensions to 'good jobs,' the paper highlights pay and access to opportunities for the development of skills, capacities and capabilities.

'Good jobs in good workplaces' are needed if individuals are to be able to develop their talents and capacities, to actively participate in society, and to enjoy a broad equality of life-chances. However, 'precarious employment' is a major risk for many Canadians – those with relatively low levels of formal education; women, especially single parents; recent immigrants; Aboriginal persons; and persons with disabilities. A key issue for labour market policy is the increased segmentation of the job market between 'precarious jobs' and 'core jobs.'

Macro-economic factors and the 'social safety net' can play a major role in countering the growth and social implications of precarious work, as well as the problem of work intensification in core jobs. However, the task of creating 'good jobs' cannot be left to the market alone. Labour market regulation which impacts at the level of the workplace is also needed. The example of many European countries shows that labour market regulation through collective bargaining helps achieve better employment outcomes at no cost in terms of labour market adaptability, employment and productivity.

The paper highlights the need for greater knowledge of workplace conditions and calls for policy measures which would gradually lead to the development of a more inclusive Canadian labour market model. A start can be made by establishing a 'living wage' and workplace-based training entitlements for all workers.

## ***Labour market policy and social inclusion through paid work***

In recent years, much has been written in Canada and elsewhere about a 'new architecture' for social and economic policy. The general thrust has been to insist upon the critical importance to 'social inclusion' of high rates of participation of the working-age population in paid employment. A sub-theme has been the need for investment in 'human capital' to secure higher quality employment and successful transition to the 'new, knowledge-based economy.'

Employment is rightly seen as a critical source of income and of personal well-being, of access to economic resources as well as capabilities for individual development within an 'active society.' The goal of inclusion through work is often contrasted to 'dependency' upon state income support programs, which have been variously seen as creating 'disincentives to work' because of overly 'generous' substitutes for wage income (as in the neo-classical economic paradigm), or (in the progressive social policy paradigm) as barriers to inclusion and poverty traps because of poor program design and inadequate twinning with 'activating' social investments in areas like child care, training and employment assistance.

A policy focus on social inclusion through employment is appropriate, and not very different from the long-standing, social-democratic goal of 'full employment' (which stressed high employment at family wages for men). But, some caveats must be entered. If we want to achieve high employment for both men *and* women, as we should to equalize economic resources as well as opportunities for self-development, then full account must be taken of the 'caring needs' of households. To some extent, these can be taken care through the expansion of high quality public services, such as child care and home care. But, society should not expect single parents with young children to work as a condition for economic security, and it is problematic to expect two-parent families with children to hold down two full-time jobs in a context of rising hours and greater demands in 'core jobs.' Intensification of work and long hours pose a threat to 'socially inclusive employment' and active social participation outside work. As well, full-time paid work may not be appropriate for many persons with mental and physical disabilities who deserve decent income and social supports.

A strategy of social inclusion through employment must recognize that the macro-economic context is absolutely critical to both high employment and good employment outcomes. Involuntary unemployment remains a cyclical problem, and can also result from structural economic change driven by changes in trade, technology, etc. Further, orthodox monetary and fiscal policies with their fixation on a 'natural' or 'non-accelerating inflation rate of unemployment' or NAIRU can and do *deliberately* raise unemployment to fight perceived inflationary threats. A high employment policy demands a facilitative macro-economic context, and strong employer demand for workers is critically needed to improve conditions in workplaces. For example, the degree of slack in the job market is a huge influence upon employer investment in training for the unskilled, attention to the unrecognized skills and credentials of new immigrants, relative pay levels by skill, employer willingness to balance demands of work and family, and so on. The very low unemployment rates reached in the US after 1995 significantly reduced the incidence of low pay and earnings inequality, as well as pay and opportunity gaps based upon race (Mishel *et al.*, 2002) and there is no doubt that falling unemployment since the mid-1990's has also had positive impacts in Canada.

The general thrust of labour market policy in Canada in the 1990's has been to promote higher employment and lower unemployment through 'flexible' labour markets. EI and welfare benefits were reduced, not just to balance government budgets, but also to counter supposed 'rigidities' and

'disincentives to work' by explicitly increasing worker dependence on *wage* income. At the same time, it has been increasingly recognized by policy makers that promotion of employment requires carrots ('make work pay') and not just sticks. The 'welfare wall' has been addressed (in a still very limited way) through income supplements and the continuation of welfare benefits into work for low income *working* families, and, more in theory than in practice, by the provision of supports and services, such as child care and employment supports for persons with disabilities. However, income supplementation for the working poor is still very limited, and cuts in EI and welfare transfers to lower income working families have not been fully offset by wage income supplements and 'activation' investments. An income tax threshold of below \$8,000 is very low (particularly when compared to the US after the enhancement of the Earned Income Tax Credit). The rhetoric of investment in skills has not been accompanied by major new training initiatives for the unemployed or precariously employed, and Canada spends far less on such programs than leading OECD countries. We have just begun the task of developing a coherent national child care policy, and provision of affordable, quality child care is very limited despite widespread recognition of its crucial importance to inclusion through employment. Employment supports to persons with disabilities and new immigrants are woefully deficient.

In sum, the ostensible goal of social inclusion through employment has not been adequately reflected in the needed changes to social and labour market programs. That said, it could be optimistically maintained that the basic trajectory of change is in the right direction (the beginnings of a national child care program, the continuing increase in the National Child Benefit, baby steps to an employment program for persons with disabilities, labour market inclusion policies for new immigrants, etc.). *However, the workplace dimension is relatively absent from conceptualization let alone implementation of the 'new' labour market policy package in Canada.*

### ***The new face of jobs: Implications for social inclusion***

By some measures, Canada has done well on the job front since economic recovery began in earnest in the mid-1990's. The employment rate is at an all-time high, and *long-term* adult unemployment is very low. Job creation has been tilted to relatively highly skilled occupations, particularly among women (though the recent shift is no more rapid than the long-term trend).

As shown in Table 1, from the late 1990's, rising employment has boosted the market incomes of lower- and middle-income families after several years of decline. And, annual earnings inequality seems to have stabilized since 1997. But, earnings inequality is at a significantly greater level than in 1989, as indicated by both the gap between the top and the middle and the top and the bottom of the annual market income distribution.

**Table 1**  
**Family Income Trends in the 1990's**

	1989	1997	2000	% Chang 1989-20C
<b>Market Income</b>				
Bottom Quintile	\$3,088	\$1,746	\$2,780	-10
Middle Quintile	\$39,627	\$34,475	\$38,685	-2.4
Top Quintile	\$109,752	\$111,377	\$122,638	11.7
Share of Top Quintile	42.4%	45.5%	45.1%	
Ratio of Top/Bottom	35.5	63.8	44.1	
Ratio of Top/Middle	2.8	3.2	3.2	
<b>Post Tax/ Transfer Income Shares</b>				
Bottom Quintile	7.7%	7.3%	7.3%	
Next Quintile	13.6%	12.9%	12.8%	
Middle Quintile	18.2%	17.9%	17.6%	
Next Quintile	23.6%	23.6%	23.5%	
Top Quintile	36.9%	38.4%	38.8%	
<b>Poverty (Post Tax LICO)</b>				
All Persons	10.0%	13.5%	10.9%	
Children	11.5%	16.0%	12.5%	
18-64	9.3%	13.5%	11.0%	
65 plus	10.9%	8.6%	7.3%	

(Data are for Economic Families of Two Persons or More.) Statistics Canada. Income in Canada T701.

Constant \$ 2000

Statistics Canada: Income in Canada CD-ROM. Table T802.

Male median earnings have stagnated for two decades, while, from the mid-1990's, there has been an increase in the proportion of men with 'high' annual earnings of more than \$60,000. For women, the pattern of stagnation of real median earnings is less pronounced, while the trend to more 'high income' earners is much more pronounced. The trend is to increased annual earnings inequality among both men and women, particularly the former, and to somewhat reduced earnings inequality between women and men (until the late 1990's). (See Beach, Finnie and Gray, 2003, for a wealth of supporting empirical detail.) Earnings inequality is a close proxy for other aspects of employment, such as access to health benefits and pensions.

Turning to the after-tax and transfer distribution of income, it is striking that the income share of the top 20% of families has continued to increase even in a period of strong employment growth.



It is only the top 40% or so of working families who have been relatively insulated from increased income insecurity and stagnation of real incomes in the 1990's. However, poverty rates for the working-age population, particularly families with children, have fallen (but remain somewhat above the level of 1989). In sum, rising employment in the late 1990's recovery has had modestly positive impacts on real incomes, but there is a disturbing longer term trend towards a much more polarized society.

Low paid workers who manage to find full-time, full-year jobs may escape poverty, depending upon family circumstances, but it is clear that low pay combined with a high risk of unemployment is a major factor behind the structural increase in after-tax/transfer family income inequality and poverty. There is a clear link between low pay on the one hand, and after-tax income inequality and risk of poverty on the other. This is particularly the case given the erosion of income transfers in the 1990's, as well as more recent reductions in income taxes which have been tilted to the more affluent.

Restructuring in both the private and public sectors, driven by 'globalization,' technological change, contracting-out, and spending cuts, has increased labour market segmentation. At one pole, we have seen an increased incidence of 'precarious work,' relatively concentrated among youth (including young adults) and 'high risk' groups such as single parents, recent immigrants, Aboriginal Canadians, persons with disabilities, and adults with limited education or in-demand skills, particularly women. Precarious work can be 'permanent' full-time employment which is frequently interrupted by unemployment; employment in temporary jobs; underemployment in involuntary part-time jobs; or employment in low income 'own account' self-employment. Precarious work overlaps with the growth of 'non-standard' work such as temporary jobs and own account self-employment, both of which increased significantly as a share of the labour force in the 1990's. But, it is perhaps best defined by the *combined* risk of unemployment and relatively low pay.

The limited data that we have from longitudinal surveys (e.g., Drolet and Morissette, 1998; Finnie, 2000; Beach, Finnie and Gray, 2003) suggest that most adult low paid workers (particularly women and those with low levels of education) remain low paid, and that many working poor families cycle in and out of poverty and near poverty as they find, or fail to find, enough weeks of work at decent wages in a year. Even full-time, full-year jobs must pay about \$10 per hour just to keep a single person above the pre-tax LICO line in a large city, and the incidence of annual unemployment among low-wage workers is at least double and even treble the average monthly rate. Throughout most of the 1990's, between one-quarter and one-third of Canadian families experienced at least one spell of unemployment in a given year, and the risk of unemployment is concentrated among the relatively uneducated and unskilled. (Adults with less than a high school education have about double the unemployment risk of high school graduates, and three to four times the unemployment risk of college and university graduates.) The risk of both periodic unemployment and low pay is highest among youth, single adults, recent immigrants, Aboriginal Canadians, and persons with disabilities.

As shown in Table 2, about 1 in 4 Canadian workers are low paid, defined as earning less than two-thirds of the national median hourly wage (or less than about \$10 per hour in today's dollars). About 1 in 5 men and 1 in 3 women are low paid, and about 1 in 10 'core working-age' men and 1 in 5 'core working-age' women are low paid. Data for Canada reported by the OECD (1996) show that the incidence of low pay among full-time workers (also defined as less than two-thirds the median) is 30% or more in clerical, sales, service, and labouring occupations, and generally quite low outside these clusters. The table shows that the incidence of low-paid work has been stable since 1997, despite falling unemployment. At the other end of the scale, the incidence of high pay – defined as two times the median hourly wage – increased from 7.5% to 8.3% between 1997 and 2002.

Table 2  
Employed in Low-Wage Jobs  
Low Wage defined as earning less than two-thirds  
the National Median Hourly Wage.

	1997	2002
All	25.0%	25.3%
Men	19.4%	19.4%
Women	31.1%	31.5%
15-24	68.7%	67.3%
25-54	16.0%	16.0%
55+	19.2%	19.8%
Men 25-54	10.3%	10.2%
Women 25-54	22.1%	22.2%
Full-Time	18.4%	18.2%
Part-Time	53.9%	57.0%
Union	7.1%	8.4%
Non-Union	34.0%	33.0%

Source: Labour Force Survey.

(Median Wage: \$14.00/hr. in 1997; \$15.65/hr. in 2002.)

(Table 2, continued)  
Employed in High-Wage Jobs  
High Wage defined as earning double  
the National Median Hourly Wage.

	1997	2002
All	7.5%	8.3%
Men	10.3%	11.1%
Women	4.4%	5.4%
15-24	0.0%	0.0%
25-54	11.9%	12.9%
55+	11.4%	11.6%
Men 25-54	11.9%	12.9%
Women 25-54	5.3%	6.6%
Full-Time	8.4%	9.4%
Part-Time	3.5%	3.5%
Union	8.7%	9.3%
Non Union	6.9%	7.9%

Source: Labour Force Survey.  
(Median Wage: \$14.00/hr. in 1997; \$15.65/hr. in 2002.)

The connection between precarious work (low pay and high unemployment risk) on the one hand and poverty and social exclusion on the other is much greater for single parents and single adults who must depend upon one wage income, as well as larger families. Low income dynamics are strongly influenced by family circumstances (as well as changes in household composition as a result of marriage and divorce). The implications of precarious work for poverty and social exclusion are, then, particularly serious for singles (single parents, many older workers, many persons with disabilities) and those with large families (most recent immigrants and many Aboriginal families).

With longitudinal surveys, such as SLID still in their infancy, we lack good data and analysis on medium and long-term labour market trajectories of precarious workers, and the role played by education and skills (including recognition of foreign skills and credentials); discrimination in employment on the basis of race, gender and ability, and the role of structural change which can quickly devalue skills and experience). Beach, Finnie and Gray (2003) find that there has been a

significant widening of longer term or 'life cycle' earnings differentials and life-chances in the 1990's, particularly among men. Inter-generational differences have also grown significantly, as the relative position of younger workers in the job market has been eroded. This trend to inequality has been driven both by more unstable employment and by increased earnings inequality even among those with relatively few major earnings interruptions. To some extent, the dominant policy focus on poverty has distracted attention from this wider phenomenon of growing social distance and inequality of lifetime opportunities and outcomes driven by labour market developments.

Precarious work involves much more than low pay, limited access to benefits, such as pension and health benefits, and a high risk of unemployment. It also carries a high risk of not being 'developmental,' not leading to the development of skills and capacities which increase the ability of workers to access better jobs, to start and proceed on lifetime career ladders, and to better handle labour market risks, such as permanent layoffs. In the economic jargon, the accumulation of job experience and on-the-job training are sources of 'human capital' which enable workers to make upward progress in the job market and better deal with uncertainty. Almost by definition, precarious workers are excluded from the internal labour markets of large establishments. Job experience in a sequence of 'dead-end' jobs may be worth something compared to long-term unemployment, but not much in periods when labour markets are slack and skill requirements for 'good jobs' are rising.

Second, precarious work and 'dead-end jobs' do not allow for the exercise of skills, capacities and capabilities on the job. Inclusion in the labour market means more than having a job which provides an income and a modicum of 'human capital.' It also means being able to derive some meaning and fulfilment from work. Jobs are valued by workers not only for purely economic reasons, but also to the extent that they provide interesting work, self-dignity and respect, and good relations with co-workers and supervisors.

We lack good data on working conditions in Canada, notably lacking a major survey such as that undertaken by the European Union. (An EU institution, the European Foundation for the Improvement of Living and Working Conditions, conducted major surveys of European working conditions in 1990, 1995 and 2000.) We know that just 4 in 10 workers report a lot of freedom over how to work, and that lack of control is much more pronounced among women and lower skilled workers. Data from the EU survey – which we do not have for Canada – show that about 1 in 3 workers, with a heavy concentration among the relatively unskilled, have little or no influence over the pace of work, the order in which tasks are performed, or break times. Many machine operators and clerical and service workers report continuously working at high speed. It is well-established that the combination of low job control and high work demands is very stressful, with negative implications for both physical and mental health.

A significant minority of workers feel that their skills and qualifications are under-utilized at work, in part, because many jobs are deliberately structured so as to minimize the need for skills and discretion. Literacy, numeracy and other skills of young adults and recent immigrants trapped in

'dead-end' jobs atrophy from lack of use. The lack of developmental opportunities on the job for precarious workers is also underscored by the fact that it is the least skilled and least educated who get the least access to employer-sponsored and on-the-job training. Those with a highschool education get only one-fifth the workplace training of those with a university education, locking in differences in lifetime labour market trajectories from the point of entry into the labour market. Precarious workers also have great difficulty accessing training and education opportunities because of low income and unpredictable and unsocial working hours.

*The key point is that most low-pay jobs held by adults are not just insecure, they also tend to be 'dead-end' jobs which offer little or no opportunity to develop skills, capacities and capabilities which are important from the perspective of social inclusion.*

It could be argued that many jobs are *intrinsically* low-skill jobs, and that low worker control and high demands are needed to raise productivity. But, there is significant variation between countries in terms of job characteristics, with little apparent difference in productivity outcomes. And, micro-level studies show that objectively similar work (such as assembling cars or nursing patients or providing clerical support to professionals) can be structured in quite different ways. Different combinations of technology, skills and work processes can be utilized by firms producing the same products and services, with very different implications for workers. Countries such as Germany and the Scandinavian countries which relatively emphasize investment in the skills of the bottom third of workers, including manual and routinized service workers, have done relatively well in productivity terms, while also producing more satisfying jobs and more opportunities for workers to follow developmental career paths. (See ILO, 2003.)

The key point is that not all jobs are equal from the perspective of inclusion. Workplace conditions matter a great deal, and it cannot be assumed that these conditions are consistently determined by industry, sector, kind of production, etc.

At the other end of the job spectrum, there is accumulating evidence that 'core jobs' – reasonably secure, full-time, full-year jobs in larger workplaces – are becoming more intense, more demanding and more stressful. Such jobs generally require higher levels of education and skills (particularly when 'routinized' work can be contracted out to small firms employing peripheral workers); often involve the use of skills and discretion on the job; and provide access to lifetime career ladders. For professionals and skilled workers, work reorganization and new technology can, and often do, produce more interesting and developmental jobs. But, there has also been a lot of old-fashioned work intensification in the 1990's in the form of greater demands and longer hours. Surveys (e.g., Duxbury and Higgins, General Social Survey) consistently report high and rising levels of stress among core workers from very long hours, demands to 'do more with less' in the wake of 'downsizing,' the intrusion of paid work into the home, and reduced ability to balance the demands of paid work with those of family and community. Given the gendered division of household labour, much of the negative impact of work intensification falls on women.

To date, the intensification of work in core jobs has taken place in tandem with increased entry of women into such jobs. It is generally recognized that provision of child care, access to home care, and flexible hours and leaves are needed to better balance work and household demands. But, it is also clear that progress to date has been quite limited, and that only a minority of employers provide genuine flexibility of hours. There remain substantial barriers to the full participation of women in the most demanding jobs, particularly in the private sector. Working conditions are thus a major barrier to inclusive employment for women.

Less well studied is the impact of changing work conditions on the retirement decision. There is some evidence that voluntary early retirement is related, not just to access to decent pensions, but also to the incompatibility of work demands with the needs of older workers. For example, early retirement is common among nurses partly because the physical demands of hospital nursing are great, and partly because older workers are less willing to work shifts and unsocial hours. There are major workplace level barriers to the desire of some older workers to work shorter hours, but to remain in the workforce, not least the provisions of defined benefit plans.

To summarize, workplace conditions in 'core jobs' also increasingly run counter to the goal of promoting high levels of socially inclusive employment.

### ***The Workplace and Labour Market Policy***

Good employment outcomes for workers – in terms of pay, opportunities for development, and working conditions – depend upon conditions in workplaces. Yet, labour market policy in Canada, to a large degree, has been about compensating for labour market failure as opposed to being about creating better workplaces.

To take the most obvious example, it is widely recognized that 'making work pay' is an important part of employment policy. The 'welfare wall' for parents, particularly single parents, has been addressed through the National Child Benefit, which now provides a significant income supplement to working poor families with children. In a similar way, there are many advocates of increasing the Disability Tax Credit to make it a more effective income supplementation program for low income workers with disabilities, and some very limited steps have been taken in this direction. These are important initiatives. But, they beg the question of what level of wage income should be supplemented by the state. Should governments not expect employers to provide at least a 'living wage' sufficient to maintain a single person above the poverty line, if only to reduce the burden of taxes? Similarly, in the area of training and 'human capital development,' the focus (which itself remains very far from realization) is upon public provision of training for the unemployed as opposed to those employed in precarious jobs. Only Quebec expects employers to meet a minimum training level (defined as a percentage of payroll) for the already employed, and no jurisdiction has

established an employee right to training or leaves for training. In short, pay, training and 'human capital development' are all largely left to the market.

To be sure, the federal and provincial governments maintain a framework of legislated minimum (or minimal) employment standards covering hours of work, paid time off, unsafe working conditions, and minimum pay. But, as Battle (2003) has recently shown, minimum wage incomes fall well below accepted poverty lines, even if it is somewhat improbably assumed that minimum wage workers work full-time for a full year. Employment standards legislation has nothing to say about workplace governance issues, and it is striking that the vast majority of complaints (more than 90%) are filed *after* severance of the employment relationship.

Governments also play a modest role in workplace governance to the extent that they facilitate access to collective bargaining. Bargaining tends to be associated with higher levels of worker access to training and better working conditions, and it is well-established that collective agreement coverage raises the relative pay of lower paid and lower skilled workers and compresses wage differentials within the unionized sector between the skilled and the unskilled, as well as between men and women and between racial groups. Union coverage reduces low pay for both men and women and reduces wage inequality, particularly among men. (For recent Canadian evidence, see Card, Lemieux and Riddell, 2002.) But, union coverage extends to only 1 in 3 workers overall, and just 1 in 5 private sector workers. Coverage in the private sector is concentrated in larger firms in transportation, communications, utilities, manufacturing, and the resource sector, as well as in construction, but is marginal – covering no more than 5% to 10% of workers – in the small firms in the service sector where most precarious workers and most new jobs are to be found. The 'Wagner Act' model of workplace by workplace representation makes unionization difficult to achieve and maintain in private services, because of small workplace size and the fact that it is difficult to achieve wage gains for the low paid unless higher pay and standards are generalized across a sector, an occupation or a geographic locale. (See *The Collective Reflection on the Changing Workplace: Report of the Advisory Committee on the Changing Workplace*. Human Resources Development Canada, 1997, particularly the contributions of Alex Dagg, Serge Brault and Lars Osberg.)

The deregulated Canadian labour market model, like that of the US, differs profoundly from that to be found in many European countries. It is common to distinguish 'welfare regimes' based upon the level of income transfers and public services. But, it is also important to note that the social-democratic countries of Scandinavia and the 'social market' countries, such as Germany and the Netherlands, are *also* distinguished by the fact that the labour market and the workplace are collectively regulated by the 'social partners.' In these countries, collective bargaining coverage is very high (and generally quite stable) because of high union membership in combination with the *de facto* or sometimes legal extension of agreements on a sectoral or regional basis. Wage floors set by bargaining protect the great majority of non-professional/managerial workers, including most part-time and even temporary workers. Bargaining covers more than 80% of workers in Germany and the Scandinavian and Benelux countries, as well as France and Italy, and is very much the preferred

instrument of regulation. Statutory minimum wages are, perhaps surprisingly, significantly higher than in Canada as a percentage of average earnings in only a few countries (notably France). Also, unions and legislatively mandated works councils mean that there are strong elements of joint workplace governance over such issues as training and working conditions.

Countries with high levels of bargaining coverage have relatively equal earnings distributions and high wage floors, so that the incidence of low pay and earnings inequality are much lower in the Scandinavian and social market countries than in Canada and other 'deregulated' labour markets. (See OECD 1996.) About 1 in 4 full-time workers in Canada in the mid-1990's (23.7%) were low paid – defined as earning less than two-thirds of the median national full-time wage – compared to just 1 in 20 (5.2%) in Sweden and only 1 in 8 in Germany and the Netherlands. Earnings distributions differ profoundly between OECD countries mainly because of *institutional* differences, notwithstanding common exposure to the forces of globalization and technological and organizational change. The incidence of low pay is highly correlated to collective bargaining coverage and declines in coverage are associated with rising wage inequality in deregulated labour markets, particularly among men (Card, Lemieux and Riddell, 2002; Aidt and Tzannatos, 2003).

Many low paid workers, particularly youth, live in middle-income households. But, there is a clear relationship between regulated labour markets on the one hand, and low levels of after-tax/transfer income inequality on the other. (Smeeding, 2002). Indeed, there is a very close link between a low incidence of low pay and a low level of after-tax income inequality, and countries with high wage floors have much more equal distributions of income. In part, this is because countries with more regulated labour markets also tend to have relatively 'generous' income transfers such as EI and welfare, and many offer earnings supplements to the low paid. But, it is mainly because *the task of redistributing income and opportunities on the part of the state is made far easier when the initial labour market distribution is more equal*. A combination of a high level of employment and a low level of earnings inequality and low pay is almost guaranteed to produce a low level of after-tax/transfer inequality and poverty. Such a fortunate combination is to be found in the Scandinavian countries and the Netherlands which are the most equal and inclusive advanced industrial countries.

It is commonly assumed and argued that high wage floors and low earnings inequality come at the price of growth and jobs. But, summaries of research by the ILO (1995, 1996-97) OECD (1996) and World Bank (Aidt and Tzannatos, 2003) show that relative earnings equality and high unionization are quite consistent with high rates of employment, productivity and job growth. Denmark and the Netherlands both performed very well in both economic and social terms in the 1990's, certainly much better than Canada. (Jackson, 2001; Auer, 2000; ILO, 2003.) There is substantial evidence that unions and wage floors can help promote firm level productivity through good workplace relations, and unionization is quite consistent with maintaining adaptable labour markets and wages which are responsive to changing macro-economic conditions. (ILO, 2003.)



*The central point is that labour market outcomes are significantly improved if the labour market and workplaces are regulated jointly by 'the social partners' with the support of governments. While the evidence is clearest for the impact on pay differentials, collective bargaining and institutions of joint governance such as works councils are also closely associated with higher levels of training, more equitable access to training, and better workplace conditions. (Auer, 2000; ILO, 2003.)*

Canada cannot, of course, just produce a new labour market model out of thin air by copying others. There may be some constraints and challenges posed by close economic integration with the US, which tilts even more heavily to the deregulated model than does Canada. Moreover, European systems developed historically out of specific national circumstances, as the result of conscious efforts by social movements and other social actors, not just governments. While governments can facilitate change, it is mainly up to unions to organize workers, and up to business and labour to develop a good climate of labour relations. What counts above all is a broad and genuine national commitment to goals of equality, solidarity and social inclusion.

The key labour market policy challenge is how to push Canada in this direction over the next decade.

### ***Towards a 'living wage'***

In principle, a wage floor should be sufficient to maintain a single person working full-time/full-year at the poverty line, so that income supplementation of low earnings by governments is concentrated on dealing with unemployment (good EI benefits) and family or personal circumstances (e.g., through family income-tested benefits, such as child benefits and GST credits, disability tax credits, etc.). There are several key arguments for a wage floor. It places some obligation on employers and the labour market to generate adequate incomes. Because it applies to *all* employers, it stops the most irresponsible and unscrupulous firms from undercutting the efforts of the more socially responsible. It 'makes work pay' and can provide strong work incentives. It allows limited government resources to be directed to other purposes (including employment supports and services, and employment relevant programs such as child care). As noted above, wage floors create a more equal distribution of earnings and reduce poverty. Wage floors also tend to minimize the problem of high marginal tax rates for low income earners and households which can be associated with income-tested supplements, depending upon their design.

There are two major arguments against a wage floor. The first is that many low wage workers (particularly youth, but also many working women) live in middle- or even higher income households. This argument glosses over the fact that most adult low-paid workers live in lower income

families and that working poor families by definition hold low-paid jobs. In any case, a wage floor should not be seen only as an anti-poverty measure (let alone the only anti-poverty measure). Rather, it should be seen as an instrument for achieving a higher level of earnings equality and for compressing wage differences based on gender, age, race, and disability. A wage floor is an instrument of social inclusion.

The most serious argument against a wage floor is that it reduces employment, allegedly hurting those whom we want to help. Here, it is important to distinguish between different wage floor designs. As noted above, wage floors in most of Europe are set by bargaining more than by statute. As such, effective 'minimum' wages often vary by sector, occupation and industry and bargaining makes the floors responsive to market conditions. Moreover, bargaining has the effect of compressing the distribution of wages. This means that higher wages at the bottom are paid for in part by lower wages for those at the middle and top. Unskilled workers and women make more, so the more highly skilled and men make a bit less. Because bargaining *redistributes* wage income, it does not necessarily raise the total wage bill. The wage share of national income is no higher in Sweden than in Canada and returns to capital are no lower just because there is a much higher wage floor.

Economists tend to argue that introducing or raising a statutory minimum wage destroys jobs by artificially truncating the wage structure, pushing some low productivity workers into unemployment. This may be true in theory, given that countries with minimum wages typically have a big spike in the wage distribution at and very near the statutory minimum wage level. But, in practice, it has been found that there are offsetting positive effects. Minimum wages tend to reduce worker turnover, reducing employer recruitment and training costs. Further, there is no negative employment effect if a higher minimum wage just reduces excess profits due to excessive employer bargaining power. Finally, higher minimum wages boost demand for goods and services. The economic evidence, as comprehensively summarized by the OECD (1998), indicates that there are minimal negative effects from minimum wages on the employment of adults aged 20 and over. And, it can be noted that, even if there is a small negative effect on hours worked, low-wage workers can still benefit by working somewhat fewer hours at higher hourly wages.

An appropriate policy conclusion is that minimum wages in Canada could be gradually increased from the current very low levels, raising the real wage floor over time so that the job market has a chance to adjust. The federal government could adopt a new standard in its own jurisdiction, and attempt with others, such as unions and social development organizations, to persuade the provinces to raise their own minimum wages to this level so as to produce a 'national' and not just federal living wage. (Currently, there is no federal minimum wage as such, and workers in the federal jurisdiction are, by federal regulation, covered by the provincial minimum wage.) One approach might be to raise the minimum wage to two-thirds of median hourly earnings (i.e. to about \$10 per hour), and to index it to this base. This would be at about the pre-tax LICO level for a single worker in a large city, which could be twinned with other initiatives, such as higher GST

credits, an earned income tax credit, or a higher tax threshold. The new 'national' minimum wage could be seen as a benchmark for responsible corporate behaviour and a focus for community and labour-based living wage campaigns.

In the UK, the national minimum wage re-introduced by the Labour Government was set on the basis of recommendations from an expert committee, including employer and labour representatives. In several European countries, statutory minimum wages are negotiated nationally by business and labour organizations. Similarly, the task of designing a national minimum wage along the lines suggested could be delegated to a Commission with representation from employers and unions. This would help set the stage for a bargained national wage floor.

### *Towards a right to training*

As noted, precarious work is closely bound up with lack of access to 'developmental' work and training opportunities, and thus with limited worker ability to deal with labour market changes and to progress in the job market. Many circumstances militate against individual participation of precarious workers in training, including financial and family circumstances and working hours.

For all of the rhetoric of 'lifelong learning,' little or nothing has been done to increase training opportunities for those in 'dead-end' jobs. The policy objective should be to increase training and skill development opportunities, *and* to develop joint workplace level institutions to promote skill development and the use of skills.

A good way forward would be to introduce a training benefit under EI on the model of income replacement for the classroom portion of apprenticeship training. Workers should qualify for income replacement during periods of training or educational leave provided that the training is also relevant to labour market needs. The CLC has proposed that a training benefit under EI should be available only where joint employer/labour training committees (at a firm or sector level) are in place. In short, the proposal seeks to expand both training *and* joint institutions to plan training. Discussion of training needs would help promote joint discussion of the use of skills on the job, how new technology and new work practice are introduced, etc.

The employer contribution to training under EI would come from premiums, and from an agreement to maintain employment of workers on leave. The employee contribution would come from premiums, and the fact that the EI income replacement would be lower than the normal wage. A training benefit under EI could be initially developed in specific sectors where training needs are particularly high. For example, in the health sector, skills shortages are looming, there is a strong desire for greater access to training on the part of nurses and others, and there is widespread under employment of recent immigrants, whose skills and qualifications could and should be recognized and upgraded.

## **Conclusions**

'Good jobs in good workplaces' are needed to counter poverty and exclusion and to promote social inclusion. Such jobs promote a broadly equitable distribution of wages and after-tax income. And, they are socially inclusive in the sense that they underpin the ability of working people to develop their talents and capacities, to actively participate in society, and to enjoy a broad equality of life-chances.

In Canada today, a large minority of the adult workforce hold precarious jobs which do not adequately provide for their economic needs, and also offer little or no opportunity to develop skills, capacities and capabilities.

Labour market and social policy have emphasized the importance of employment, and have begun to emphasize the need for 'active' labour market policies and income supplementation. The missing, but necessary, element in the policy package is labour market regulation.

The task of creating 'good jobs in good workplaces' cannot be left to the market alone. Labour market regulation, which impacts at the level of the workplace, is also needed. The example of many European countries shows that regulation through collective bargaining and relatively limited use of statutory instruments helps achieve better employment outcomes at no cost in terms of labour market adaptability, employment and productivity.

While European models cannot be simply imported, the federal government could help promote and develop new labour market institutions by promoting a 'living wage' and a right to training and lifelong learning.

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