

## **Food Banks Canada Policy Brief**

*August 2011*

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### ***CREATING QUALITY SUSTAINABLE JOBS AND A RESILIENT WORKFORCE IN CANADA***

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Food Banks Canada is the national charitable organization representing the food bank community across Canada. Our Members, Affiliate Member food banks, and their respective agencies serve approximately 85% of people accessing emergency food programs nationwide. We work to support food banks in the short term, and to find long term solutions to hunger in Canada.



## **CREATING QUALITY SUSTAINABLE JOBS AND A RESILIENT WORKFORCE IN CANADA**

### **Executive Summary**

It is more important than ever that Canada maximize the number of its working-age citizens who are able to play an active, productive role in the labour market. This is crucial to create the tax revenues that will support rising health care, pension and other program costs, and to decrease the number of people receiving public income benefits.

A large number of Canadians are being left behind by the job market, which has changed radically in the past two decades. Too many working-age people are unemployed, on social assistance, or working jobs that offer low pay and few non-wage benefits. This is good for neither Canada nor Canadians. Without a good job, Canadians are more likely to have low incomes, receive welfare and Employment Insurance benefits, and suffer from ill health. These issues translate into lower quality of life for individuals, lost opportunity for businesses, and increased costs for federal, provincial/territorial, municipal and First Nations governments.

This brief makes several policy recommendations that will help to increase labour force participation among disadvantaged workers, improve the well-being of Canadians and reduce costs to governments. Its arguments and recommendations revolve around two connected issues:

- It is imperative that those not currently qualified for the jobs of today have the opportunity to effectively and efficiently gain needed education, skills and experience.
- The jobs of today and tomorrow must allow Canadians to adequately support themselves and their families, provide opportunities for advancement, and enable the attainment of personal career and life goals.

Food Banks Canada respectfully recommends that the federal government:

1. **Conduct a thorough evaluation of federally funded labour market development programs**, including the Working Income Tax Benefit, the Hiring Credit for Small Business, and – in particular – programs run by private contractors offering active labour market programming to disadvantaged workers.
2. **Fund research and/or demonstration projects focused on the creation of well-paying jobs** that are open to those at risk of poor labour market outcomes.
3. **Institute and lead a federal/provincial/territorial/First Nations working group** to examine and address the inefficiencies, overlaps, and lack of coordination among the various funders and providers of active labour market programming in Canada.

## **INTRODUCTION**

It is more important than ever that Canada maximize the number of its working-age citizens who are able to play an active, productive role in the labour market. This is crucial to create the tax revenues that will support rising health care, pension and other program costs, and to decrease the number of people receiving public income benefits.

A large number of Canadians are being left behind by the job market, which has changed radically in the past two decades. Too many working-age people are unemployed, on social assistance, or working jobs that offer low pay and few non-wage benefits. This is good for neither Canada nor Canadians. Without a good job, Canadians are more likely to have low incomes, receive welfare and Employment Insurance benefits, and suffer from ill health. These issues translate into lower quality of life for individuals and increased costs for federal, provincial/territorial, municipal and First Nations governments.

This short paper focuses on the problem of disadvantaged workers in Canada. While there has been a great deal of recent research and policy development with respect to *displaced* workers (i.e. long-term employed individuals who have lost their jobs), research and policy related to *disadvantaged* workers (i.e. individuals with very low labour force attachment) is an area of untapped opportunity.

The paper puts forward several policy recommendations with an eye to increasing labour force participation among this population, improving the well-being of Canadians and reducing costs to governments. Its arguments and recommendations revolve around two connected issues:

1. It is imperative that those not currently qualified for the jobs of today have the opportunity to effectively and efficiently gain needed education, skills and experience.
2. The jobs of today and tomorrow must allow Canadians to adequately support themselves and their families, provide opportunities for advancement, and enable the attainment of personal career and life goals.

### **1. WE FACE A RADICALLY CHANGED LABOUR MARKET**

Canada made it through the recent recession relatively well. We have seen the addition of hundreds of thousands of jobs since the end of the downturn, and the unemployment rate stands at 7.4% as of June 2011, compared to a low of 5.7% in late 2008 and a high of nearly 9% in mid-2009.<sup>1</sup>

Even with Canada's relatively healthy economic status, there is clear room for improvement:

- 1.4 million Canadians are unemployed and looking for work<sup>2</sup>
- Hundreds of thousands of working-age adults are employable yet not looking for work<sup>3</sup> – a group of people often referred to as *discouraged workers* or the *hidden unemployed*<sup>4</sup>
- Hundreds of thousands of Canadians are working in jobs, particularly service-sector jobs, that are part-time, temporary, and offer low pay and few non-statutory benefits<sup>5</sup>

More broadly, the Vanier Institute of the Family estimates that the rate of poverty (as measured by the after-tax Low income cut off) has increased to 12.5% in 2010, up from 9.4% in 2008.<sup>6</sup> 1.7 million Canadians are in receipt of social assistance benefits,<sup>7</sup> and food banks are currently assisting nearly 900,000 individuals each month.<sup>8</sup>

The best way to an adequate income and good health is a job. However, not every job is a ticket to good health and adequate income, and not every Canadian is adequately prepared to take on a job that pays well.

Since 1989, Canada's supply of manufacturing jobs (which tend to pay reasonably well) has dropped by more than 500,000,<sup>9,10</sup> even as the country's population has grown by nearly 7 million people. During the same period, there has been a four-fold shift in Canada's labour market:

- A drive toward increased flexibility in employer-employee relationships, to cut down on costs for employers in order to better compete in globalized markets
- Increasing use of technology in the workplace
- Growth in work requiring significant knowledge specialization, and high levels of education<sup>11</sup>
- A shortage of relevant skills among a significant number of Canada's working-age adults, with the result that many have little choice but to make do with jobs that are low-paying, part-time, temporary, and that offer few non-wage benefits<sup>12</sup>

Canada's labour market is efficient and responds well to shocks, with benefits that are diffused widely across society: relatively low unemployment, a resilient economy, and predictable tax revenues. However, the negative aspects of the labour market – including low investment in employee retention and development, high rates of turnover, and high likelihood of layoffs during downturns – are borne disproportionately by a minority of Canadians who are being left behind.<sup>13</sup>

What this means, in a nutshell, is that in a time when federal, provincial and municipal governments are facing revenue shortfalls and looking to cut expenditures, there is a large group of Canadians who need intensive aid in finding and keeping work. Unfortunately, the availability of this aid is at risk of shrinking.

## **2. SUPPORTS FOR DISADVANTAGED WORKERS ARE INADEQUATE**

Canadians who are unemployed, on social assistance, or working one or several low-paying jobs often face multiple issues that affect their ability to gain and keep well-paying employment. The most prominent of these are low levels of education, persistent health problems, mental health issues, physical and intellectual disabilities, and – last but far from least – the misconceptions that exist with respect to these issues.<sup>14</sup> These and other factors contribute to the fact that many Canadians simply have not been able, for various reasons, to develop a strong attachment to the labour force. They find themselves at an age when they are expected to be working full-time, yet they may not have the hard skills one can put down on a resume, or the soft skills required to engage with employers.<sup>15</sup>

The current approach to addressing insecure labour market attachment among Canadians involves a range of passive and active income support and training programs. Passive elements include Employment Insurance (EI) and the recently-introduced Working Income Tax Benefit (WITB). Active elements include educational upgrading, job search assistance, and job placement services.

Recent trends in Canadian social policy have led to several innovations in passive labour market programs aimed at reducing the “welfare wall,” i.e. the factors that make working less lucrative than social assistance. These include, among others, the above-mentioned WITB, and provincial programs such as the Ontario Child Benefit.

Innovations in passive labour market policy have occurred alongside relative stagnation in active labour market programming.<sup>16</sup> The dominant approach in active programming is to encourage Canadians with low levels of education to enrol in training, utilize job search and job placement assistance, and take the best jobs that are available. This is the case despite the fact that evaluations tend to show that this approach has limited effectiveness for disadvantaged workers:

Over the past twenty years, the evaluation literature has generally found training programs to have had limited success in helping particularly disadvantaged groups integrate into the labour market and reduce their reliance on transfer programs.<sup>17</sup>

Despite the (mostly international) evidence on the shortcomings of active labour market assistance for disadvantaged workers, there is little ongoing substantive evaluation of these programs in Canada, either at the provincial or federal level.<sup>18</sup>

### **3. TOO MANY JOBS ARE LOW-PAID AND OF POOR QUALITY**

Governments across the country have put in place a variety of measures meant to support the safeguarding or creation of jobs in the post-recessionary period. Federal measures include the EI Work-Sharing Program, the Hiring Credit for Small Business, and a reduction of federal business tax rates.

While helpful, these job creation measures tend to be agnostic about the types of jobs that are created; they support the maintenance or creation of full-time/well-paying jobs, part-time/low-pay jobs and everything in between.

If a significant number of the jobs created in Canada are part-time, temporary, and low-wage with few non-statutory benefits, an important piece of the puzzle is missing: regardless of the steps Canadians take to upgrade their skills, they may still face a labour market where their only option is a low-paying job.

There is a burgeoning literature in Canada that deals with this type of work, often referred to as “precarious” or “non-standard” employment. The literature describes a sector of the labour market in

which jobs are rarely permanent or full-time, and where employees are contracted and scheduled so that they never qualify for non-statutory benefits like prescription drug and dental coverage.<sup>19</sup>

While in many cases non-standard employment can offer high levels of pay and job satisfaction (e.g. professional contract work), it can also be a quick road to low pay and professional stagnation. Canada “has one of the highest proportions of low-paid workers among similarly industrialized countries,”<sup>20</sup> with such workers particularly concentrated in the retail, accommodation and food services sectors. Whereas Canadian pre-tax earnings currently average around \$850 per week, workers in these sectors earn much less: around \$500 per week in retail (totalling 1.8 million jobs/12% of the active workforce) and \$348 per week in accommodation and food services (1 million jobs/7% of the active workforce).

## **RECOMMENDATIONS**

There is much we don’t know about improving the labour market outcomes of disadvantaged workers. It is clear, however, that there is a real need to improve our current approach . There are positive outcomes to be realized if the federal government can support innovations in the field, work to support the creation of well-paying jobs, and help Canadians move out of the low-wage job market and into something better.

For the purpose of this brief to the House Finance Committee, Food Banks Canada’s three recommendations are:

1. **Conduct a thorough evaluation of federally funded labour market development programs**, including the Working Income Tax Benefit, the Hiring Credit for Small Business, and – in particular – programs run by private contractors offering active labour market programming to disadvantaged workers. Do these programs lead to improved labour market participation and income levels for Canadians, particularly those at highest risk of poor outcomes?
2. **Fund research and/or demonstration projects focused on the creation of well-paying jobs** that are open to those at risk of poor labour market outcomes. Include in these projects a focus on program and legislative changes necessary for federal government engagement with non-profit and for-profit social enterprises, i.e. organizations that combine market-optimization with social/philanthropic goals.
3. **Institute and lead a federal/provincial/territorial/First Nations working group** to examine and address the inefficiencies, overlaps, and lack of coordination among the various funders and providers of active labour market programming in Canada.

These issues will not be addressed quickly or easily. But if we are to solve the problems and inefficiencies in Canada’s labour market, we must fully understand the issues, acknowledge them openly, innovate and change our approach.

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## ENDNOTES

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<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> E.B. Akyeampong (1989). “Discouraged Workers.” Perspectives on Labour and Income, 1 (2).

<sup>5</sup> R. Saunders (2003). Defining vulnerability in the labour market. Ottawa: Canadian Policy Research Networks.

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<sup>6</sup> R. Sauvé (2010). The Current State of Family Finances – 2010 Report. Ottawa: Vanier Institute for the Family.

<sup>7</sup> Institut de la statistique de Québec (2011). Clientèle de l’aide sociale, 2005-2009. Available : [http://www.stat.gouv.qc.ca/donstat/econm\\_finnc/conjn\\_econm/TSC/pdf/chap5.pdf](http://www.stat.gouv.qc.ca/donstat/econm_finnc/conjn_econm/TSC/pdf/chap5.pdf) .

<sup>8</sup> Food Banks Canada (2010). HungerCount 2010. Toronto: Food Banks Canada.

<sup>9</sup> Statistics Canada (2000). Annual Estimates of Employment, Earnings and Hours, 1987-1999.

<sup>10</sup> Statistics Canada (2011). Employment, Earnings and Hours, April 2011.

<sup>11</sup> M. Hilton, ed. (2008). Research on Future Skill Demands: A Workshop Summary. Washington: National Academy Press.

<sup>12</sup> R. Saunders (2003).

<sup>13</sup> See R. Finnie & D. Gray (2011). Labour-Force Participation of Older Displaced Workers in Canada. Ottawa: Institute for Research on Public Policy.

<sup>14</sup> Organization for Economic Cooperation and Development (2010). Sickness, Disability and Work: Breaking the Barriers.

<sup>15</sup> T. Zizys (2011). Working Better: Creating a High-Performing Labour Market in Ontario. Toronto: Metcalf Foundation.

<sup>16</sup> Ibid.

<sup>17</sup> G. Lacroix (2009). Assessing the Impact of a Wage Subsidy for Single Parents on Social Assistance. Working Paper No. 26, Canadian Labour Market and Skills Researcher Network.

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<sup>20</sup> S. LaRochelle-Côté & C. Dionne (2009). International differences in low-paid work. Perspectives on Labour and Income, June 2009. Ottawa: Statistics Canada.