UNTAPPED POTENTIAL:
Creating a better future for service workers
The Institute for Competitiveness & Prosperity is an independent not-for-profit organization established in 2001 to serve as the research arm of Ontario’s Task Force on Competitiveness, Productivity and Economic Progress.

The mandate of the Task Force, announced in the April 2001 Speech from the Throne, is to measure and monitor Ontario’s competitiveness, productivity, and economic progress compared to other provinces and US states and to report to the public on a regular basis. In the 2004 Budget, the Government asked the Task Force to incorporate innovation and commercialization issues in its mandate.

Research by the Institute is intended to inform the work of the Task Force and to raise public awareness and stimulate debate on a range of issues related to competitiveness and prosperity. It is the aspiration of the Task Force and the Institute to have a significant influence in increasing Ontario’s and Canada’s competitiveness, productivity, and capacity for innovation. We believe this will help ensure continued success in creating good jobs, increasing prosperity, and building a higher quality of life. We seek breakthrough findings from our research and propose significant innovations in public policy to stimulate businesses, governments, and educational institutions to take action.

Comments on this report are welcome and should be directed to the Institute for Competitiveness & Prosperity. The Institute is funded by the Government of Ontario through the Ministry of Economic Development, Trade and Employment.

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The Institute for Competitiveness & Prosperity
ISBN: 978-1-927065-06-8
UNTAPPED POTENTIAL:
Creating a better future for service workers
I am pleased to present Working Paper 17 of the Institute for Competitiveness & Prosperity, in partnership with the Martin Prosperity Institute. In the first project, Ontario in the Creative Age (2009), Richard Florida and I identified some of the challenges facing routine-service workers in the province. This is the second joint project by the two Institutes and applies their unique perspectives on economic competitiveness and prosperity in the analysis of the growing problem of precarious employment in the service sector. Focusing on Toronto as a case study, this Working Paper builds on the former work to identify the characteristics of routine-service work in the region and illustrates how the nature of these jobs and economic trends have combined to create a rise in temporary, part-time, and low-paying employment.

The precarious employment issue has been widely covered in the media over the past year. Many workers – particularly youth, women, and immigrants – are finding themselves in temporary, low-wage positions that offer little job security and few benefits. This is particularly noticeable in routine-service work – the retail jobs, clerical posts, and food service and custodial occupations that are ubiquitous in the modern urban economy. These jobs account for 45 percent of the workforce in the Toronto region.

Routine-service work is the lowest paid and most likely to be unstable of all types of occupations. This is primarily by design. Businesses in service industries require flexibility to adapt easily to the changing and highly competitive marketplace. And since many service jobs require few complex skills, employers have little incentive to offer generous wages or perks to attract and keep top-notch workers. In turn, routine-service jobs are a frequent choice for those who have low levels of education, are new to the job market, or are looking for flexible work arrangements.

In the past decade, these jobs have been paying relatively less and becoming more precarious than ever before. Defining precarious employment as work that is temporary, part-time, and paying below the Low Income Cut-Off (LICO), the Institutes found that the group experiencing all three of these aspects of precarious employment increased by 33 percent between 2001 and 2012 among routine-service workers in the Toronto CMA, which is faster than the overall growth of routine-service jobs.

This is a concerning trend. Temporary and part-time jobs are much less likely than full-time jobs to offer employment benefits and, coupled with low wages, provide a poor standard of living for workers, most of whom are women, youth, and immigrants.

Moreover, many workers are taking these jobs on out of necessity rather than choice. The incidence of involuntary part time – where employees work part time but want to work full time – is high among routine-service workers. Many highly educated immigrants and, increasingly, university graduates are also finding themselves in routine-service jobs rather than creativity-oriented jobs where they can apply more of their skills. This is a great loss for the Ontario economy.
The best way to help many of these workers is to increase the creative intensity of the jobs. For this to happen, governments must identify the barriers to recognizing their skills and find ways of reducing them. There is an untapped potential in this sector from which we can all benefit.

The service sector is the largest provider of employment in Toronto’s economy and, as such, deserves more public attention. Routine-service work has the potential to offer more than low-skill, “filler” jobs, but that requires a re-invention of the sector’s economic role. Service jobs need to be designed with creativity in mind: How can workers add more skill to their positions and how can they be encouraged to make productive improvements to their workplace? How can routine-service workers earn higher wages and benefits in exchange for adding greater value to their roles? Achieving this would benefit precariously employed workers, their employers, and the economy as a whole.

This Working Paper offers comprehensive recommendations to improve working conditions in routine-service jobs. Ensuring workers are well-matched and productive in their jobs is the most important step to boosting wages and creating a dedicated service workforce.

Precarious employment in routine-service work is a complex issue and one that will require actions from policymakers, business leaders, and citizens. This is not a problem that can be solved tomorrow but can be addressed by enhancing the creative content of service work and helping workers achieve their maximum productivity potential. Toronto and Ontario can set the new standard for service employment and become more competitive and prosperous in the process.

We gratefully acknowledge the ongoing funding support from the Ontario Ministry of Economic Development, Trade and Employment. We look forward to sharing and discussing our work and welcome your comments and suggestions.

Roger L. Martin
Institute for Competitiveness & Prosperity
Academic Director, Martin Prosperity Institute
UNTAPPED POTENTIAL: CREATING A BETTER FUTURE FOR SERVICE WORKERS

THE EFFECTS OF THE 2009 RECESSION generated substantial public debate on the high rates of unemployment, the growing trend of contract positions and unpaid internships, and dampened business confidence and profitability. Ontario’s overall unemployment rate rose to 7.8 percent in 2012, with youth unemployment topping out at 16.9 percent, an increase from 15.8 percent in 2011.¹
POOR ECONOMIC CONDITIONS ALSO EXACERBATED THE INEQUALITY that was mounting prior to the recession. Organized demonstrations, such as the Occupy Movement called attention to the structures that kept wealth concentrated in the hands of the top 1 percent of the world’s population. CEOs and executives earned bulging salaries and bonuses, while other workers in the same firm earned minimum wage and worked part time without any hope of a permanent job or benefits. The demand for low-priced products and services and fast product cycles drove service industries to minimize labour costs and increase business flexibility. This has resulted in an increasing reliance on low-wage and contractual employment relationships.

These trends have given rise to what is deemed “precarious employment,” defined as temporary or part-time work at low wages. Specifically, workers are precariously employed if they are in a nonstandard employment relationship (non-SER) and earn equal to or below the Low Income Cut-Off (LICO), before tax, which for one person in the Toronto Census Metropolitan Area (CMA) was $23,647 in 2012.

Across the Toronto CMA, the majority of workers experiencing these changes are in routine-service jobs, consisting of occupations that are mainly low skill and routine, such as servers, secretaries, cleaners, clerical staff, and cashiers. This group of routine-service jobs accounts for nearly 45 percent of the total labour force in the Toronto CMA and its share is growing. This change has grave implications for overall living standards in the Toronto region. Unstable, low-wage, and low-skill positions deflate disposable income and overall prosperity. To counteract these trends, policymakers must critically evaluate the economic impact of service job market trends and assess what policy tools are needed to boost job security and wages within these occupations. Businesses must also lean into the wind and invest in their employees to ensure the long-term growth and success of their enterprises.

In this Working Paper, the Institute for Competitiveness & Prosperity, in partnership with the Martin Prosperity Institute, provides an overview of precarious employment in routine-service occupations in the Toronto CMA, examining how the nature of these jobs leads to precarious

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1 Statistics Canada, Labour Force Survey (LFS), supplementary unemployment rates by sex and age group, annual (rate), CANSIM Table 282-0086.
employment and how some demographic factors mutually reinforce this situation, as well as the effects of these employment dynamics (Exhibit 1). Where this Working Paper contributes most to the discussion on precarious employment is in lending greater shape to the definition of precarious employment and in advancing business and public policy solutions.

Comparisons are conducted across time, between routine-service and non-routine-service occupations (routine-working and creativity-oriented jobs), and at or below and above LICO. The analysis reveals that the nature of routine-service jobs, combined with a high proportion of female employees, youths, immigrants, and some with relatively high educational attainment, intensifies precarious employment.4

Alleviating precarious employment in the Toronto CMA would benefit Ontario

The Toronto CMA comprises 24 census subdivisions and is home to over 5.9 million people, or more than 43 percent of Ontario’s population (Exhibit 2). The region generated $300 billion worth of goods and services in 2012, which is nearly 45 percent of Ontario’s Gross Domestic Product (GDP).5 However, the region is missing out on the economic potential that would be achieved if routine-service workers moved into better paying service jobs or creativity-oriented positions, thereby increasing their ability to contribute more to the economy.

The region is missing out on the economic potential of routine-service workers.

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4 The non-routine-service workforce does not include routine-resource occupations because data are unavailable for the Toronto CMA in the Labour Force Survey.

As an engine for economic growth within Ontario and Canada, what happens within the Toronto CMA will undoubtedly have profound effects on the province and country. The focus on routine-service jobs in this Working Paper is partially based on the size of this group in the Toronto CMA. As the largest group in the workforce, precarious employment will undoubtedly affect a large number of people overall. Therefore, proposing and implementing solutions to address the problem within these routine-service jobs in the Toronto CMA will be a large step toward alleviating the situation in Ontario overall.

While precarious employment and poverty are related, this Working Paper focuses on solutions to the precarious employment issue. Poverty may prevent employees from gaining the skills or education required to be upwardly mobile and move into higher paying service jobs or into well-paying, creativity-oriented positions, and many academics have already studied the linkage between the two. Routine-service jobs were chosen because these workers are affected by precarious employment characteristics more so than workers in other types of jobs, not because precarious employment is absent in non-routine-service jobs.

Exhibit 2  Toronto CMA comprises 24 census subdivisions

Source: Martin Prosperity Institute analysis based on data from Statistics Canada.

Businesses, civil society, and governments must decide how to move forward in the post-recession era to create a new model for service employment that provides workers with a stable quality of life and opportunities for career enhancement. The largest group in the Toronto CMA workforce has long been taken for granted as having an inconsequential impact on overall economic conditions and living standards. The growing number of people in service jobs and the rising trend of precarious employment in these occupations call attention to the plight of these workers. Solutions to combat precarious employment in routine-service jobs will entail actions from policymakers and the business community. Routine-service jobs hold tremendous potential for economic growth in Toronto and Ontario; yet this requires an overhaul of how service workers are trained, compensated, and incorporated into the broader economy. Failure to address this problem will have short- and long-term consequences for a generation of workers.

↑ 45%
Share of Toronto CMA workforce in routine-service jobs.

↑ 33%
Growth in routine-service jobs that are precarious between 2001 and 2012; nearly twice the overall growth rate of routine-service jobs (18.5% over the same period).
The number of precariously employed routine-service workers – those employed in part-time and/or temporary positions earning at or below LICO – in the Toronto CMA is increasing at a higher rate than the number in non-precarious employment.

Routine-service workers are less likely to have access to employer-provided benefits, less likely to work a regular 9-to-5 schedule, and more likely to hold multiple jobs.

Women, youth, and immigrants form the majority of these precariously employed workers.

The nature of service work is low skill, leading to routine-oriented jobs with low wages.

The labour market has seen a shift away from permanent, full-time employment toward more temporary, contract and part-time arrangements. This is influenced by hyper-competition and the need for flexibility amid economic uncertainty.

Personal characteristics can lead some workers to choose or be forced into precarious employment. For example, mothers with young children are more likely to seek jobs that offer irregular, flexible schedules. Youth and immigrants who lack relevant work experience may only be qualified for service jobs.

Find new ways of enhancing the creativity content of service jobs through increased certification, better training, and designing jobs that require more creative input from workers.

Increase vocational education to help create a dedicated and professionalized routine-service workforce.

Create tax credits for vocational training programs undertaken by businesses similar to apprenticeship tax incentives.

Help youth and immigrants better integrate into the labour market and have their skills recognized.

Extend publicly-funded benefits to workers.

Prioritize long-term investments in worker retention and view employees as assets. Increase creativity content of jobs. Invest in and reward employee skill and productivity enhancements.
PRECARIOUS EMPLOYMENT IN ROUTINE-SERVICE JOBS: WHAT IS IT AND WHY DOES IT MATTER?

ROUTINE-SERVICE WORKERS PLAY A CRUCIAL ROLE in the modern Creative Economy. Yet how their jobs are designed – low skill requirements, irregular work schedules, and low wages – often works to keep them in precarious employment conditions with few opportunities for career and skill development.

Precarious employment can be defined in a multitude of ways, as employment conditions vary drastically from person to person. Nonetheless, the commonality that runs across all definitions is the instability or “precarity” of many jobs in today’s labour market. This instability is never preferred, because not knowing one’s work schedule or where income will come from has far-reaching consequences.
Routine-service jobs are more likely to be precarious than others

Richard Florida in the *Rise of the Creative Class* argued that the modern economy has undergone a fundamental shift and transformed into what he describes as the Creative Economy. Similar to Peter Drucker’s notion of the knowledge economy, the Creative Economy is based on the assertion that the drivers of the economy are knowledge and creativity. Creativity has become more valuable because it leads to innovation and “the meaningful creation of new forms,” such as new technologies, industries, or business models.7

Florida and the Martin Prosperity Institute have applied an occupational approach to economic, geographic, and business analyses to examine the work that people actually do and what kinds of skills are involved. This categorization system classifies workers based on the type of work they are paid to do, rather than their qualifications or industry placement. It takes advantage of the National Occupational Classification for Statistics (NOC-S), developed by the Canadian government for data collection and analysis, and provides a standardized way to describe jobs in the labour market. This approach organizes the labour force into two foundational types of occupations:

- **Routine-oriented jobs** – workers carry out tasks according to a prescribed order or do the same tasks repeatedly according to standard operating procedures. Of these jobs, there is an additional layer of differentiation based on the areas of the economy individuals work in:
  - **Routine-service jobs** - perform low-skill routine work on behalf of employers
  - **Routine-physical jobs** - operate heavy machinery and performs skilled trades
  - **Routine-resource jobs** - extract natural resources from the ground and seas and includes farmers, fishers, and other primary resource extractors who sell their products

- **Creativity-oriented jobs** – use critical thinking and problem-solving skills in decision-making or relatively autonomous roles.

This Working Paper compares routine-service jobs to non-routine-service ones, which include routine-physical and creativity-oriented positions. Routine-resource jobs are omitted from the analysis as they constitute less than 1 percent of the Toronto CMA workforce.

**Routine-service jobs form the largest occupational group in Toronto**

In the Toronto CMA, routine-service jobs constitute the largest occupational group, representing 45 percent of the workforce in the Toronto CMA or more than 1.5 million workers in 2012 (Exhibit 3). Creativity-oriented positions follow, at 37.7 percent.

The proportion of routine-service occupations has remained relatively

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**Exhibit 3** Routine-oriented jobs make up the majority of Toronto CMA workforce

![Exhibit 3](image-url)
stable over time but increased in absolute terms. This surge can be attributed to important changes in the labour market. Over time, the bulk of routine-oriented jobs shifted from being routine-physical to routine-service as manufacturing jobs declined and were outsourced. Routine-service work also expanded as service jobs, such as paralegals and data entry clerks, were created and added over time to support the Creative Economy.

**Routine-service occupations extend beyond sales and service professions**  
There are five categories of routine-service occupations:

- **Management** – retail and food service managers
- **Business, finance, and administration** – secretaries, administrative and regulatory jobs, and clerical supervisors and clerks
- **Health** – support health services such as dental assistants and nurse aides
- **Social science, education, government, science and religion** – paralegals and those working in social services
- **Sales and service** – wholesale trade, technical, and insurance sales representatives, cashiers, chefs and cooks, food and beverage servers,

<table>
<thead>
<tr>
<th>Exhibit 4 Administrative occupations are well-represented in routine-service jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percent of routine-service jobs by occupation and category</strong></td>
</tr>
<tr>
<td><strong>Toronto CMA, 2001–2012 average</strong></td>
</tr>
<tr>
<td>Sales and service occupations</td>
</tr>
<tr>
<td>Wholesale, technical, insurance, real estate sales specialists, and retail, wholesale, and grain buyers</td>
</tr>
<tr>
<td>Retail and sales clerks</td>
</tr>
<tr>
<td>Cashiers</td>
</tr>
<tr>
<td>Food/beverage service</td>
</tr>
<tr>
<td>Childcare and home support workers</td>
</tr>
<tr>
<td>Protective services</td>
</tr>
<tr>
<td>Sales and service supervisors</td>
</tr>
<tr>
<td>Chefs and cooks</td>
</tr>
<tr>
<td>Travel and accommodation, including attendants in recreation and sport</td>
</tr>
<tr>
<td>Clerical occupations</td>
</tr>
<tr>
<td>Administrative and regulatory occupations</td>
</tr>
<tr>
<td>Clerical supervisors</td>
</tr>
<tr>
<td>Secretaries</td>
</tr>
<tr>
<td>Managers in retail trade, food, and accommodation services</td>
</tr>
<tr>
<td>Paralegals, social services workers, and occupations in education and religion</td>
</tr>
<tr>
<td>Assisting occupations in support of health services</td>
</tr>
</tbody>
</table>

security guards, workers in the travel industry, and childcare and home support workers, and other sales and service jobs such as retail clerks.  

As a percentage of all routine-service occupations, not surprisingly, sales and service jobs form the majority at 52 percent (Exhibit 4). However, business, finance, and administration positions made up of mainly administrative professions are the second largest group at 34.1 percent. Clerical occupations, which make up 24.4 percent of routine-service jobs, are proportionately bigger than any other single occupation.

**Routine-service jobs require fewer skills than other jobs**
Florida et al. define three skill sets that are present in every occupation:

- **Analytical skills** – include mental skills such as information processing, reasoning, and creative thinking. Examples include applying rules and methods to solve a problem, deriving associations between concepts, ideas and items, and figuring out how to use a piece of software.

- **Social intelligence skills** – include understanding, collaborating with, and managing people using verbal and oral communication. They also include complex thinking skills such as making judgments and decision-making. For example, customer service is a social intelligence skill that requires ascertaining and meeting the needs of customers.

- **Physical skills** – involve strength, coordination, dexterity, and other physical abilities.  

Routine-service jobs have fewer barriers to entry and exit than non-routine-service positions because they require lower levels of creativity. Low levels of creative skills, including analytical skills, and, to a lesser extent, social intelligence skills, are mandated to get a routine-service job. These positions expect workers to follow a set routine or script without needing to recognize patterns or perform difficult problem solving tasks, which form the basis of analytical abilities. Service employees may possess these skills and these jobs may have room for more complex cognitive skills, but they are not explicitly required. Accordingly, routine-service jobs are relatively amenable for young people, immigrants who lack local market work experience, women desiring flexible schedules to meet childcare obligations, or individuals without the higher education mandated by creativity-oriented jobs.

Not only are analytical skills not expressly needed for service jobs, workers are not required to develop these skills and employers do not have to offer intensive training. As a result, workers have more difficulty gaining the skills that would increase their employability for higher paying professions. Employers are also less willing to invest in workers, as many routine-service jobs exist only because they cannot be outsourced or automated.

Low-skill jobs often do not warrant high pay by employers. The Martin Prosperity Institute found that the wages of occupations that require social intelligence and analytical skills rose with the level of skill complexity. The nature of routine-service jobs therefore prompts employers to offer lower compensation as there is a limit to how much skill any worker can apply to the job. This intensifies precarious employment and has negative effects on both the personal economic situations of workers and the overall economic prosperity of the Toronto CMA.

**Irregular work schedules are characteristic of precarious jobs**
Service work is often synonymous with shift work to accommodate the demands of patrons and businesses. For example, many cooks go to work in the early hours of the morning to prepare food before restaurants open. Often routine-service workers cannot determine their own schedules.

Type of work schedule influences the level of precarity experienced in a particular job. Having a regular daytime schedule allows workers to have sufficient time in the day outside of work for recreation and sleep, as well as spending time with family. For this reason, the traditional ‘9-to-5’ job has become the benchmark for most working adults.

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8 Industries and job classifications are specified in the National Occupational Classification for Statistics (NOC-SI 2001).
Using provincial data for urban regions as a proxy for Toronto, the *Survey of Labour and Income Dynamics* revealed that service workers are less likely to have a regular daytime schedule than the routine-physical or creativity-oriented workers (Exhibit 5). While 80 percent of those in creativity-oriented occupations worked a regular daytime schedule in Ontario’s urban regions between 1999 and 2008, this figure was 68.1 percent for routine-physical employees and 61.2 percent for routine-service workers. Service workers are well-represented in several non-normal work schedule types. Service workers are more than twice as likely as non-routine-service employees to work an irregular schedule (12.1 percent for routine-service versus 6.7 percent for creativity-oriented and 4.2 percent for routine-physical) and have the highest rate of work that is on call or follows a regular evening schedule (2.0 percent and 8.9 percent, respectively).

These work schedules are unavoidable for many service jobs. Food service and cleaning are inherently in higher demand at night than during the regular work day. This is an inescapable condition for many service workers; however, coupled with the other aspects of precarious employment prevalent in routine-service jobs, irregular schedules add a significant hardship for these workers.

**The definition of precarious employment has several dimensions**

Academic and public policy literature defines precarious employment in a multitude of ways. The most common definition of precarious employment focuses on *nonstandard employment relationships* (non-SER); in other words, employment that is low wage, non-union, non-permanent, and part time.

The standard employment relationship (SER) is characterized as:
- full time
- permanent, employed indefinitely
- located on the premise of one employer
- earns a social wage

Often the flexibility of non-SER is one of its only desirable benefits, because it can accommodate different lifestyles and working arrangements. Many workers may prefer flexible arrangements, so long as they can still provide them with sufficient income. When work is nonstandard and income does not compensate for lack of job security, this becomes an undesirable situation. This Working Paper focuses on the non-SER, mainly part time and non-permanent or temporary work, combined with low income. These factors can limit the ability of workers to raise a family and they also can create a vicious cycle of remaining in precarious conditions. The education and skill

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**Exhibit 5** Routine-service workers are the most likely to have irregular schedules

<table>
<thead>
<tr>
<th>Schedule Type</th>
<th>Creativity-oriented</th>
<th>Routine-service</th>
<th>Routine-physical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular daytime schedule</td>
<td>6.7</td>
<td>12.1</td>
<td>61.2</td>
</tr>
<tr>
<td>Irregular schedule</td>
<td>4.2</td>
<td>6.8</td>
<td>68.1</td>
</tr>
<tr>
<td>Rotating shift</td>
<td>6.8</td>
<td>11.4</td>
<td></td>
</tr>
<tr>
<td>Regular evening schedule</td>
<td>2.0</td>
<td>6.9</td>
<td>13.3</td>
</tr>
<tr>
<td>Regular night or graveyard shift</td>
<td>0.9</td>
<td>2.3</td>
<td>4.1</td>
</tr>
<tr>
<td>On call</td>
<td>2.3</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Split shift</td>
<td>1.0</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1.1</td>
<td>1.3</td>
<td>1.0</td>
</tr>
</tbody>
</table>

development that would lift an individual out of these low-paying, insecure jobs are simply not available.

**Precarious employment is based on temporary work contracts and part-time jobs**

Statistics Canada classifies the permanency of work as form of employment, of which there are four:

- **Permanent** – Position with no definite end date that is available unless an employee leaves a position or market/business conditions cause the business to close down.

- **Temporary, contract, or term** – Position with a predetermined end date indicated to the worker upon hiring. Temporary, contract, or term is used interchangeably.

- **Seasonal** – Position that is available during certain seasons when workers are required. The end date is at the end of the particular season.

- **Casual or other** – Position in which work hours vary from week to week or workers are on-call with no regular specified schedule.14

Form of employment is one of the leading indicators of precarious employment as it dictates income, benefits, and working schedules. Temporary, contract, or term, seasonal, and casual, or other forms of employment are combined and classified in this Working Paper as temporary. Temporary work is considered precarious, because it lacks the security and entitlements of permanent jobs.

Overall, in Toronto, the division between permanent and temporary employment across occupations is 66 percent permanent occupations and 34 percent temporary. The share of temporary employees, regardless of occupation type, is steadily increasing as permanent jobs decrease. Of the workers in the Toronto CMA in 2001, 9.6 percent held temporary jobs. This share rose to 13.3 percent in 2012. The only exception occurred in 2008 when the proportion of permanent workers in routine-service, routine-physical, and creativity-oriented positions increased, while those in temporary jobs decreased. The onslaught of the 2009 recession then saw the number of permanent jobs fall across all occupations, raising the proportion of temporary positions.

Clearly, precarious forms of employment are an issue within all types of occupations, not just routine-service ones. However, because of the sheer size of the routine-service workforce, in 2012, half of the nearly 332,000 workers employed temporarily in the Toronto CMA were in routine-service jobs.

Another dimension of nonstandard employment relationships is part-time work, which is defined as usually working less than 30 hours at a main job. Between 2001 and 2012, the average share of routine-service part-time workers was 25.1 percent, which is much higher than the part-time share in creativity-oriented jobs of 11.7 percent and routine-physical roles of 5.9 percent. This split between full time and part time remained the same in routine-service positions during this time period. By 2012, more than 340,000 service workers in the Toronto CMA held part-time positions.

**Precarious employment definition is based on income**

Another dimension of the precarious employment definition is income, measured by the Low Income Cut-Off (LICO). Statistics Canada calculates LICO lines annually, whereby an economic family unit (ranging from 1 to 7 or more persons) falls under LICO if the proportion of its income spent on food, shelter and clothing is 20 percentage points above the average household. At this point, the household is considered to be in “straitened circumstances.”15 For a single person living in a CMA with a population of over 500,000 such as Toronto, the LICO was $23,647 in 2012.16

It is assumed that those who earn a higher wage or above LICO are better able to overcome the effects of precarious employment by having more disposable income for additional health expenses, retirement contributions, or supplementing income should they lose their jobs or have their work hours reduced. Thus precarious employment will pose a more significant hardship for workers who earn very little than for workers who earn a decent wage.

Previous Martin Prosperity Institute research found that routine-service workers are likely to live in poverty because of the low skill nature of their work, which prevents them from commanding higher wages.17 Working fewer hours in part-time and temporary employment exacerbates low-income status. Between 2001 and 2012, 38.1 percent of routine-service workers were at or below LICO, significantly higher than those in routine-physical occupations with 17.8 percent of workers at or below LICO, and creativity-oriented positions with 7.5 percent. Of non-students – who account for 83.6 percent of routine-service workers – a shocking 30.4 percent earned at or below LICO, dispelling the view that student workers are the primary low-wage earners. In 2012, low-income workers accounted for 453,000 members of routine-service occupations, an increase of 27.2 percent from 2001. This proportion may be even higher as the calculation of LICO for this

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16 Ibid, p. 27.
analysis is based on a one person household, which has a lower threshold than for families with more members.

**Precarious employment combines non-SER and income elements**

For the purpose of this Working Paper, precarious employment focuses on those in nonstandard employment relationships who earn less than or equal to LICO, before tax. The level of precarity ranges from most to least precarious. Individuals are considered to be most precariously employed if they work in part-time, temporary positions at their main job and earn at or below LICO. The least precarious group are those in permanent or full-time work who earn above LICO. Moderately precarious is more encompassing. Temporary or part-time employment falls under this category regardless of whether wages are above LICO or not. Those who are permanent, full-time workers but earn below LICO may also be moderately precariously employed.

As a note on the research, the Institutes recognize that Lewchuk et al. were better able to capture the insecurity of workers in the Toronto area, because they designed an independent survey. The data in this Working Paper are entirely from Statistics Canada, with the majority from the Labour Force Survey and the remaining from the Survey of Labour and Income Dynamics (SLID). While the Labour Force Survey microdata are available at the Toronto CMA level, the Survey of Labour and Income Dynamics data are not and therefore the use of urban Ontario (over 500,000 population centres) is used instead as a proxy for the Toronto region. Employing two surveys is due to the lack of complete data on precarity in one survey alone. Both Institutes call on all levels of government to increase the capacity of Statistics Canada in the gathering of statistics or to establish Ontario and Toronto statistical branches.

**Precarious employment in routine-service occupations has risen**

In 2012, nearly 87,000 members of the Toronto CMA workforce held temporary, part-time jobs and earned at or below LICO. This translates to 6.7 percent of the routine-service workforce (Exhibit 6). These workers are considered to be most precarious as they experience all three aspects of precarity.

The population of routine-service workers in 2012 who faced moderate

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18 Non-SER can encompass more than temporary or part-time work. It can be expanded to include temporary help agency and contract company employment, short-term and contingent work, and independent contracting, as stated by Arne L. Kalleberg, "Nonstandard Employment Relations: Part-Time, Temporary and Contract Work," Annual Review of Sociology, 2000, Vol. 26, pp. 341-65.

19 This definition is based on one developed by Statistics Canada in Harvey Krahn, "Non-standard work on the rise," Statistics Canada Perspectives, Winter 1995. Self-employed individuals with no additional employees were omitted from this Working Paper because routine-service employees are almost never self-employed. Multiple job holder is classified as an effect of precarity and not part of the definition.


---

**Exhibit 6 All dimensions of precarious employment have increased since 2001**

<table>
<thead>
<tr>
<th></th>
<th>Toronto CMA, 2001 and 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent of routine-service workers for each dimension of precarious employment</td>
</tr>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>Temporary</td>
<td>117,000 12.0%</td>
</tr>
<tr>
<td>Part time</td>
<td>270,000 24.3%</td>
</tr>
<tr>
<td>At or below LICO</td>
<td>356,000 36.5%</td>
</tr>
</tbody>
</table>

Note: Highlighted areas are precariously employed, with dark blue representing most precarious and light blue representing moderately precarious.

Precarious employment was approximately 564,000, made up of individuals either earning at or below LICO, on a temporary contract, or working part-time at their main or only job, up from 433,000 employees in 2001. Temporary, part time, and below LICO accounted for a larger share of the workforce in 2012 than 2001.

The most precariously employed group as a percentage of the Toronto CMA population is growing. The Institutes constructed a portrait of how many people in Toronto are precariously employed within the routine-service and non-routine-service occupations. For the sake of the analysis, temporary, part-time employees who earn below LiCO are labelled as precarious and those who are moderately or least precarious are simply identified as “non-precarious.”

The results show that service workers are unquestionably the most disadvantaged of all Toronto workers. Routine-service jobs overall grew by 18.5 percent since 2001, but the number of most precariously employed grew by 33.1 percent, while the non-precarious group rose by 17.6 percent over the same period (Exhibit 7). This is an alarming trend, as the growth of the most precariously employed far outstrips that of the routine-service workforce overall and those who are considered non-precarious.

The most precariously employed population in the non-routine-service jobs is less than half that of those in routine-service jobs: just 36,000 in 2012, forming only 2.2 percent of total employment in the non-routine-service jobs. However, this group has also grown significantly since 2001 (by 67.9 percent versus 16.3 percent for the non-precarious group.) The rising trend for this group is concerning and has been discussed widely in academe and the media, but given the size of the routine-service workforce and the higher percentage of those most precariously employed, the needs and concerns of this group constitute a larger problem than those in other types of work.

While the proportion of the routine-service workforce has remained relatively stable since 2001, the group who are in temporary, part-time jobs that pay low wages is growing at an alarming rate compared to those in non-precarious work. The combination of labour market changes and deleterious business conditions in recent years has exacerbated the precarious conditions that routine-service workers face. Taking these trends as given holds serious implications for living standards and job quality in Toronto.

Exhibit 7  Precarious employment is growing faster than non-precarious employment

<table>
<thead>
<tr>
<th></th>
<th>Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>Precarious</td>
<td>700</td>
</tr>
<tr>
<td>Non-precarious</td>
<td>700</td>
</tr>
<tr>
<td>Growth rate</td>
<td>+33.1%</td>
</tr>
</tbody>
</table>

Note: Precariously employed workers defined as those working part time (less than 30 hours per week at their main job), earning below LiCO and holding a casual, temporary, term, or seasonal employment contract.
Source: Institute for Competitiveness & Prosperity analysis based on data from the Labour Force Survey, Statistics Canada
WHO IS AFFECTED BY PRECARIOUS EMPLOYMENT?

THE ROUTINE-SERVICE WORKFORCE IS MARKEDLY DIFFERENT from that in other types of occupations. Investigating how the two elements of precarious employment – nonstandard employment relationships and LICO – interact with the demographic factors of age, gender, educational attainment, and immigrant status reveals a complex picture of how different workers are affected and how efforts to reduce precarious employment should be directed.
Precarious employment disproportionately affects certain demographics

Those in routine-service work are often susceptible to precarious conditions partly because of the nature of these jobs, but also because of their own personal characteristics, most notably gender, age, educational attainment, and immigrant status or a mixture of all. For example, someone with lower educational attainment may only be qualified for routine-service jobs and, since these positions have a higher incidence of precarious elements, this person may be more likely to end up working under precarious conditions. Some workers may also have engagements such as school or child care that prevent them from working full time.

**Women are over represented in routine-service jobs**

Between 2001 and 2012, women held 61.1 percent of routine-service jobs. The high proportion of women is unique, as creativity-oriented and routine-physical workers are predominantly male. The creativity-oriented workforce is 45.6 percent female, while women make up only 20.7 percent of those in routine-physical jobs. Part of the explanation may be that routine-physical roles rely on the physical skills of workers, and women are less likely than men to apply and be selected for these jobs. Thus...
women who do not work in creativity-oriented occupations are most likely to work in service ones. Additionally, many routine-service occupations are traditionally dominated by women, such as secretaries (97.1 percent) and childcare/home support workers (94.6 percent), and fewer men are likely to apply for them (Exhibit 8). These positions are often inherently precarious, offering low wages and requiring low levels of skill, but may also appeal to women by providing work schedules that accommodate childcare. Nevertheless, this may trap women in these low-paying jobs, prolonging their tenure in precarious work.

The fact that the routine-service workforce is predominantly female warrants a gendered analysis of income to investigate whether a gender wage gap exists. Examining temporary and part-time service work separately and comparing those below and above LICO by gender does not indicate that a greater proportion of women are in temporary work compared to men (Exhibit 9). However, the percentage of women who are least precarious (permanent employment with above-LICO compensation) is less than for men, which means that women are still more likely to work in precarious conditions. Similarly, a higher percentage of women earn at or below LICO wages compared to men regardless of full- or part-time status.

### Exhibit 9  More women than men are in part-time employment earning at or below LICO

**Toronto CMA, 2001–2012 average**

<table>
<thead>
<tr>
<th>Percent of routine-service workers by gender and dimensions of precarity (%)</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Full time</th>
<th>Part time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Female</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below LICO</td>
<td>31.0</td>
<td>9.3</td>
<td>15.4</td>
<td>24.9</td>
</tr>
<tr>
<td>Above LICO</td>
<td>55.9</td>
<td>3.7</td>
<td>56.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Total</td>
<td>86.9</td>
<td>13.1</td>
<td>72.3</td>
<td>27.7</td>
</tr>
<tr>
<td><strong>Male</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below LICO</td>
<td>24.7</td>
<td>9.7</td>
<td>14.0</td>
<td>20.4</td>
</tr>
<tr>
<td>Above LICO</td>
<td>61.9</td>
<td>3.7</td>
<td>64.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>86.7</td>
<td>13.3</td>
<td>78.3</td>
<td>21.7</td>
</tr>
</tbody>
</table>

Note: Highlighted cells are precariously employed, with orange representing most precarious and grey representing moderately precarious. Temporary includes temporary/term/contract, casual, and seasonal forms of employment. Part-time workers are those who usually work less than 30 hours at their main job.


### Exhibit 10  Weekly earnings are lower for women than men

**Weekly earning percentiles by gender and type of occupation (C$ 2012)**

<table>
<thead>
<tr>
<th>Weekly earning percentiles</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Creativity-oriented</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25th</td>
<td>$929</td>
<td>$769</td>
</tr>
<tr>
<td>50th</td>
<td>$838</td>
<td>$539</td>
</tr>
<tr>
<td>75th</td>
<td>$1,124</td>
<td>$822</td>
</tr>
<tr>
<td><strong>Routine-service</strong></td>
<td>$378</td>
<td>$331</td>
</tr>
<tr>
<td>25th</td>
<td>$1,327</td>
<td>$1,094</td>
</tr>
<tr>
<td>50th</td>
<td>$643</td>
<td>$568</td>
</tr>
<tr>
<td>75th</td>
<td>$952</td>
<td>$822</td>
</tr>
<tr>
<td><strong>Routine-physical</strong></td>
<td>$606</td>
<td>$419</td>
</tr>
</tbody>
</table>

Note: Values have been deflated using GDP deflators.

Women are also as likely as men to work in permanent contracts, yet much more likely to earn below LICO. The distribution of wages reveals a gender divide, but there is some evidence that the gender gap is lower amongst routine-service occupations than in other types of occupations. Intuitively, this is due to the fewer skills required for these positions, which effectively puts a cap on wages. As a result, the percentage difference between the two genders is less compared to creativity-oriented and routine-physical occupations because there is less potential for any worker to earn higher wages. Men in routine-service jobs earn on average $952 weekly, which is 15.8 percent higher than their female counterparts at the 75th percentile of wages (Exhibit 10). However, the analysis does not control for every wage-generating characteristic, which means that this gender premium could be overstated.

In general, the gender wage gap is especially apparent among creativity-oriented occupations. Policymakers and businesses should work to close this gap as it presents strong negative implications for the prosperity of all women in the Toronto CMA. Women are more likely to work in routine-service jobs than men and in doing so, are more likely to work part time and thus earn on average less than men. A sizeable proportion of this wage difference can be attributed to the types of service jobs women hold. Of the seventeen routine-service occupations, the weekly earnings of women are only higher than men in three, and the wages of these positions are some of the lowest in this group of occupations. For example, cashiers earn the lowest weekly wages of all routine-service occupations regardless of gender. Therefore, even though female cashiers earn marginally more than their male counterparts, the low wages overall cancel out any advantage for women.

Youth are most at risk in the routine-service occupations

Youth aged 15 to 24 are predominantly employed in routine-service jobs because of their low skill requirements and ease of entry. Nearly 67 percent of this age group work in routine-service positions (Exhibit 11). Above the age of 25, workers are evenly distributed between routine-service and creativity-oriented workforces with the smallest percentage in routine-physical roles.

In many ways, the overwhelming percentage of youth employed in routine-service roles is a natural labour force phenomenon. Most of them are students who begin their working lives in routine-service jobs and, upon attaining higher education, move into creativity-oriented positions. Yet the sheer size of the youth population will make their job insecurity a concern if they do not move into higher paying occupations or upgrade their skills to warrant higher pay.

Exhibit 11  More youth than other age groups are in routine-service occupations

<table>
<thead>
<tr>
<th>Age group</th>
<th>Routine-service</th>
<th>Creativity-oriented</th>
<th>Routine-physical</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>17.4%</td>
<td>66.9%</td>
<td>15.7%</td>
</tr>
<tr>
<td>25-34</td>
<td>40.2%</td>
<td>41.8%</td>
<td>22.3%</td>
</tr>
<tr>
<td>35-44</td>
<td>39.3%</td>
<td>38.3%</td>
<td>22.1%</td>
</tr>
<tr>
<td>45-54</td>
<td>37.8%</td>
<td>40.1%</td>
<td>21.7%</td>
</tr>
<tr>
<td>55-64</td>
<td>37.2%</td>
<td>41.0%</td>
<td></td>
</tr>
</tbody>
</table>

Note: The columns do not add up to 100% because those in routine-resource positions (<1 % of Toronto CMA workforce) are excluded.

In recent years, there has been an increasing proportion of older workers in routine-service jobs, crowding out youth. Both groups of workers aged 15 to 24 and workers aged 35 to 44 have slowly decreased from 2001 to 2012 (Exhibit 12). Notably, the share of 25 to 34 year olds decreased from 2001 to 2007 but has since increased slightly from its decade low of 19.7 percent in 2007 to 21.6 percent in 2012. This may be driven by a growth in the number of recent graduates who are unable to find jobs in creativity-oriented jobs.

The percentage of those aged 45 to 64 in routine-service work also rose from 27.4 percent in 2001 to 35.9 percent in 2012. The steady increase of older workers could be attributed to overall ageing of the population. Whatever the reason, the steady influx of older routine-service workers is problematic. The job insecurity and low incomes could severely limit the ability of these workers to accumulate savings and will force them to work beyond the standard retirement age of 65, live in inferior economic conditions, or find a second job. While younger workers are more socially mobile because of their ability to attain higher education or other means, the older generation is less so, fixing them in careers where precarious employment is more prevalent.

Youth are disproportionately in precarious jobs. Compared to older workers, a higher proportion of youth is in most or moderately precarious employment (Exhibit 13). Separating temporary and part-time work, 26.8 percent of youth work temporarily and earn at or below LICO, and 59 percent work part time and earn at or below LICO. These findings are mutually reinforcing; youth are more likely to work in temporary and part-time positions, which are less likely to provide higher earnings. Nearly 60 percent of youth are employed in part-time routine-service jobs, and 31.2 percent hold temporary contracts. The low income aspect is only acceptable if these jobs are temporary and youth are able to move into better-paying positions. Without these opportunities, even those in permanent or full-time yet low-income jobs can still have poor prospects for long-term prosperity.

### Low educational attainment increases precarious employment

The skill and educational requirements of jobs often differ between types of occupations. Those in knowledge- or creativity-oriented jobs have the highest percentage of university degrees, while those in routine-physical positions have the lowest (Exhibit 14). Only one managerial routine-service occupation requires a university education. Many other positions call for college graduates with diplomas and certificates, as college programs are the best form of education for many routine-service jobs, such as dental assistants, health support worker, and clerical positions. Hence, individuals with college certificates or diplomas make up the largest proportion of the routine-service workforce. The routine-physical workforce has nearly the same proportion of post-secondary certificate or diploma-holders; however, most of these include workers who completed apprentice-ships, which do not exist for most routine-service jobs. In total, approximately half of routine-service

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**Exhibit 12 The presence of older workers is increasing in routine-service occupations**

![Graph showing the percentage of routine-service workers by age group from 2001 to 2012 for the Toronto CMA.](chart)

Exhibit 13  Youth are more likely than others to work in precarious employment

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Full time</th>
<th>Part time</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>Below LICO</td>
<td>52.0</td>
<td>26.8</td>
<td>19.9</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
<td>16.8</td>
<td>4.4</td>
<td>20.2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>68.8</td>
<td>31.2</td>
<td>40.1</td>
</tr>
<tr>
<td>25-34</td>
<td>Below LICO</td>
<td>22.4</td>
<td>4.9</td>
<td>15.4</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
<td>67.8</td>
<td>4.8</td>
<td>70.6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>90.2</td>
<td>9.8</td>
<td>86.0</td>
</tr>
<tr>
<td>35-44</td>
<td>Below LICO</td>
<td>20.0</td>
<td>4.0</td>
<td>12.4</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
<td>72.3</td>
<td>3.7</td>
<td>73.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>92.4</td>
<td>7.6</td>
<td>85.9</td>
</tr>
<tr>
<td>45-54</td>
<td>Below LICO</td>
<td>20.0</td>
<td>3.2</td>
<td>12.3</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
<td>74.2</td>
<td>2.5</td>
<td>73.9</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>94.2</td>
<td>5.8</td>
<td>86.2</td>
</tr>
<tr>
<td>55-64</td>
<td>Below LICO</td>
<td>23.9</td>
<td>4.2</td>
<td>12.9</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
<td>69.6</td>
<td>2.3</td>
<td>68.7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>93.6</td>
<td>6.4</td>
<td>81.6</td>
</tr>
</tbody>
</table>

Note: Highlighted cells are precariously employed, with orange representing most precarious and grey representing moderately precarious. Temporary includes temporary/term/contract, casual, and seasonal forms of employment. Part-time workers are those who usually work less than 30 hours at their main job. Figures may not sum to the total due to rounding.


Exhibit 14  Post-secondary certificate or diploma attainment is higher among routine-service workers

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Full time</th>
<th>Part time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Routine-physical</td>
<td>3.3%</td>
<td>9.4%</td>
<td>28.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Routine-service</td>
<td>4.8%</td>
<td>16.7%</td>
<td>29.3</td>
<td>11.7</td>
</tr>
<tr>
<td>Creativity-oriented</td>
<td>22.8%</td>
<td>35.2%</td>
<td>24.4</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Workers have some form of post-secondary education. Such a highly educated workforce provides companies with a large group of (perhaps over educated) applicants. When the educational attainment of workers in routine-service jobs is tracked over time, the percentage of individuals with a bachelor’s or graduate degree is rising (Exhibit 15). The Toronto CMA has the highest percentage of routine-service workers with a bachelor’s degree or above (at 21 percent) compared to all other Canadian CMAs for two major reasons. First, the Toronto CMA receives the highest number of immigrants of any Canadian metropolitan area, and many of them come to the city with high levels of educational attainment, but work in routine-service jobs. Second, the high concentration of universities in the Toronto CMA contributes to the high proportion of educated individuals in the region.

The more education workers have, the less likely they will end up in precarious employment. Nearly 49.2 percent of service workers without high school diplomas in part-time work earn at or below LICO wages (Exhibit 16). Individuals who have partially completed only some post-secondary studies are also more likely to work in precarious temporary or part-time positions, earning at or below LICO. This is likely due to a high proportion of students who have not yet completed their college or university studies. Routine-service workers with a post-secondary certificate or diploma from a college offer specialized skills for many service jobs and therefore are less likely to work in temporary positions and earn at or below LICO. In fact, 90.4 percent of college graduates are employed permanently in routine-service occupations. Furthermore, routine-service employees who have completed some form of post-secondary education are more likely to work full time, at 83 percent across all post-secondary educational attainments. These individuals also exhibit the lowest percentage of those earning at or below LICO compared to those with lower educational attainments.

Immigrants are major contributors to the routine-service workforce

Immigrants make up half of routine-service jobs in the region, or 48.3 percent of the overall Toronto CMA labour force according to the latest Census data (Exhibit 17). The proportion of routine-service jobs filled by immigrants is lower than that of in routine-physical roles, but higher than that of creativity-oriented positions. The low entry requirements and large number of jobs make employment in routine-service occupations a frequent choice for immigrants as they attempt to gain Canadian experience, learn the language, and support themselves when their qualifications from their home countries are not recognized. As a result, immigrants are disproportionately affected by precarious employment.

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Exhibit 15  Bachelor’s and graduate degree holders in routine-service occupations are increasing

Note: Some post-secondary and less than high school highest educational attainments are omitted from the graph.

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Exhibit 16  Post-secondary education reduces the likelihood of precarious employment

**Toronto CMA, 2001–2012 average**

Percent of routine-service workers by educational attainment and dimensions of precarity (%)

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Full time</th>
<th>Part time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below LICO</td>
<td>47.4</td>
<td>18.8</td>
<td>17.1</td>
<td>49.2</td>
</tr>
<tr>
<td>Above LICO</td>
<td>32.3</td>
<td>1.4</td>
<td>32.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td>79.7</td>
<td>20.3</td>
<td>49.8</td>
<td>50.2</td>
</tr>
<tr>
<td>High school graduate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below LICO</td>
<td>30.3</td>
<td>8.6</td>
<td>17.7</td>
<td>21.3</td>
</tr>
<tr>
<td>Above LICO</td>
<td>58.3</td>
<td>2.8</td>
<td>58.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Total</td>
<td>88.6</td>
<td>11.4</td>
<td>76.6</td>
<td>23.4</td>
</tr>
<tr>
<td>Some post-secondary</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below LICO</td>
<td>38.6</td>
<td>16.5</td>
<td>15.5</td>
<td>39.6</td>
</tr>
<tr>
<td>Above LICO</td>
<td>40.9</td>
<td>4.0</td>
<td>43.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Total</td>
<td>79.5</td>
<td>20.5</td>
<td>58.5</td>
<td>41.5</td>
</tr>
<tr>
<td>Post-secondary certificate or diploma</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below LICO</td>
<td>21.5</td>
<td>5.8</td>
<td>12.9</td>
<td>14.5</td>
</tr>
<tr>
<td>Above LICO</td>
<td>68.8</td>
<td>3.8</td>
<td>70.1</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>90.4</td>
<td>9.6</td>
<td>83.0</td>
<td>17.0</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below LICO</td>
<td>20.7</td>
<td>6.1</td>
<td>12.8</td>
<td>14.1</td>
</tr>
<tr>
<td>Above LICO</td>
<td>67.3</td>
<td>5.8</td>
<td>70.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>88.1</td>
<td>11.9</td>
<td>83.1</td>
<td>16.9</td>
</tr>
<tr>
<td>Graduate degree</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below LICO</td>
<td>20.9</td>
<td>6.8</td>
<td>13.6</td>
<td>14.1</td>
</tr>
<tr>
<td>Above LICO</td>
<td>65.8</td>
<td>6.4</td>
<td>69.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>86.7</td>
<td>13.3</td>
<td>83.0</td>
<td>17.0</td>
</tr>
</tbody>
</table>


Exhibit 17  Immigrants account for half of routine-service workers

**Toronto CMA, 2006**

Percent of workers by type of occupation and immigrant status

- Routine-physical: 36.3%
- Routine-service: 50.0%
- Creativity-oriented: 54.8%
- Non-immigrant: 63.7%
- Immigrant: 45.2%

Source: Martin Prosperity Institute analysis based on data from 2006 Census microdata, Statistics Canada.
Precarious employment negatively affects workers

Precarious employment brings challenges. This analysis presents two: lack of access to employer-provided benefits and the necessity to hold multiple jobs. Workers are further limited by low income, as they have less disposable income to mitigate the effects of precarious employment.

Service workers are least likely to have employment benefits

Toronto workers rely on employment benefits for extended medical and dental coverage, pension plans, and life insurance, among other essentials. These are important supports that are not provided by governments in most instances and instead are distributed as a perk for working at a particular organization. Benefits are highly valued, as they provide workers with the peace of mind of not having to privately fund expensive medical and dental bills for themselves and their families. Employer-provided pensions have also been shown to lead to significantly higher savings rates for retirement.22

Data on employee benefits in Toronto are limited, as the Labour Force Survey does not collect information on employment benefits. But Lewchuk et al. in their recent PEPSO survey found that over 80 percent of precarious employed workers in Toronto do not have any employment benefits.23 In addition, that report found that just half of Toronto workers between the ages of 25 and 65 hold permanent, full-time positions that provide any benefits.24

Precarious forms of employment are far less likely to have employment benefits attached than standard forms of employment. As workers are made permanent, full-time members of companies, employers have more incentive to provide pensions and extended medical benefits to ensure their workers secure a high standard of living for themselves and their families, and to increase employee productivity and satisfaction.

Permanent employees are roughly three times as likely as non-permanent employees to have an employer-provided pension in urban regions of Ontario (Exhibit 18).25 The results are especially intriguing when broken down into routine-service, routine-physical, and creativity-oriented occupations, and above and at or below LICO. Temporary and part-time service workers were less likely to have a pension with their job than permanent and full-time workers. Only 9.7 percent of temporary service workers had a pension with their job, versus 42.3 percent of permanent routine-service workers. Similarly, only 11.0 percent of part-time routine-service workers had a pension with their job, compared with 46.8 percent of full-time service workers.

Exhibit 18 Precariously employed routine-service workers are less likely to have a pension than others

<table>
<thead>
<tr>
<th>Ontario regions with population over 500,000, 1999-2008 average</th>
<th>Percent of workers with pension at their job by type of occupation and dimensions of precarity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period has to be 20 years</td>
<td></td>
</tr>
<tr>
<td>Type of occupation</td>
<td>Permanent</td>
</tr>
<tr>
<td>Creativity-oriented</td>
<td>Below LICO</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Routine-service</td>
<td>Below LICO</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Routine-physical</td>
<td>Below LICO</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
</tbody>
</table>

Note: Highlighted cells are precariously employed, with orange representing most precarious and grey representing moderately precarious. Part-time workers are defined as those who usually work less than 30 hours at their main job. Temporary includes temporary/term/contract, casual, and seasonal forms of employment. Due to data limitations, Ontario regions with populations over 500,000 were used as a proxy for Toronto.


23 Precariously employed workers in this report are defined based on an index that accounts for temporary employment, expected changes in hours, earnings variability, whether the work is on-call or paid in cash and other variables.
25 The Survey of Labour and Income Dynamics does not provide data for Toronto specifically, however, for select years the data can be refined to regions of various sizes. Using data from regions with populations over 500,000, the Institutes obtained an approximation for Toronto.
Given that non-standard employment is more prevalent in routine-service jobs, and rising, it is concerning that so few of these workers are receiving any kind of retirement security from their employers. This not only poses a potential risk to their future quality of life, it also poses a broader risk that there will be a significant drop in the public demand for goods and services as older, precarious service workers begin to retire and their disposable income shrinks. This could increase the level of elderly poverty in Toronto and Ontario.

It is important to note that pension coverage is not the only employment benefit offered to workers, and that many individuals have benefits such as extended medical and dental care but not a pension. Pension coverage applies to little more than half of the non-routine-service workforce that is either permanent, full-time or has a single job. However, pension coverage is the only available employment benefits data from Statistics Canada.

A useful comparison of employment benefits across occupational groups is offered by the Martin Prosperity Institute. While this analysis is based on 2005 survey data and examines Ontario rather than Toronto, they are the most relevant data available.

The data show that part-time service workers are much less likely to receive employment benefits than full-time service workers, with the exception of supplemental employment insurance (Exhibit 19). While less than half of part-time service workers have extended medical or dental insurance, 69.6 percent of full-time service workers have extended medical and 76.0 percent have dental insurance. In addition, medical, dental, and life insurance coverage is higher than pension plan coverage for both full-time and part-time service workers.

Overall, in Ontario, three-quarters of full-time routine-service workers were found to have some form of employment benefits in 2005. But fewer than half of part-time routine-service workers had any kind of benefits coverage. This presents a tremendous hardship for many workers with routine-service jobs. Employers increasingly are relegating workers to part-time status to avoid paying costly employment benefits. The sharp disparity in work entitlements between precarious and non-precarious forms of employment within routine-service positions highlights the importance of obtaining permanent, full-time status to secure a sound quality of life.

**Routine-service workers often hold multiple jobs**

The second effect of precarious employment in routine-service positions is the propensity to hold multiple jobs. The shares of routine-service and creativity-oriented multiple job holders are similar at 5.2 percent and 4.9 percent, respectively. For those in routine-physical work, this proportion is lower at 2.6 percent.

Individuals often work more than one job to make ends meet if their main positions do not provide them with sufficient income or working hours. Since routine-service jobs are more likely to be part time than non-routine-service workers, this often drives more people to work multiple jobs so they can earn wages above LICO. Of the routine-service multiple job holders, 73.2 percent of them work full time at their main position, which is lower than their counterparts in routine-physical and creativity-oriented professions, at 93.3 percent and 78.5 percent, respectively. For service workers who hold more than one job, their main

---

**Exhibit 19  Part-time workers are less likely to have benefits than full-time workers**

<table>
<thead>
<tr>
<th>Benefits (overall) or total benefits</th>
<th>Full time</th>
<th>Part time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension plan</td>
<td>49.7</td>
<td>39.2</td>
</tr>
<tr>
<td>Stock-ownership plan</td>
<td>7.3</td>
<td>2.8</td>
</tr>
<tr>
<td>RRSP</td>
<td>23.3</td>
<td>15.5</td>
</tr>
<tr>
<td>Supplemental (un)employment insurance</td>
<td>46.7</td>
<td>49.5</td>
</tr>
<tr>
<td>Life insurance</td>
<td>79.3</td>
<td>51.4</td>
</tr>
<tr>
<td>Extended medical insurance</td>
<td>69.6</td>
<td>41.6</td>
</tr>
<tr>
<td>Dental insurance</td>
<td>76.0</td>
<td>47.6</td>
</tr>
</tbody>
</table>


positions offer them a median income of $903 a week, which is 62 percent of creativity-oriented workers’ median weekly wages of $1,447 and 91 percent of the $990 median weekly wages of routine-physical individuals. Therefore, when part-time work and the low wages are taken into account, taking on more than one job is a natural — but perhaps undesirable — option.

Low unionization rates contribute to precarious employment

Limited union coverage can increase the likelihood of being precarious employed. Non-unionized workers have limited bargaining power to negotiate for more pay or better working conditions and may not have the time to look for better jobs if they have more than one. These constraints keep them in their precarious positions.

Union membership has been a major way for workers throughout the postwar era to secure higher wages and benefits. In 2012 in Toronto, 22.9 percent of workers were in a union or covered under a collective agreement and their median annual earnings were 33.4 percent higher than for those not in a union. Union members are also afforded more employment benefits; in Ontario, 82.1 percent of union members and 62.3 percent of workers covered by a collective agreement in 2010 had a pension plan with their job, versus just 29.9 percent for non-unionized workers according to data from the Survey on Labour and Income Dynamics.

Routine-service occupations have a lower unionization rate overall compared to those in routine-physical or creativity-oriented jobs. Nearly 30 percent of workers in routine-physical jobs were union members, between the years 2001 and 2012, compared to 23.4 percent of workers who held creativity-oriented jobs. Only 19.3 percent of service workers were in a union. This may partially explain service workers’ lower wages and fewer benefits. Consequently, service workers who earn above LICO are more likely to be members of a union (Exhibit 20). Comparing part-time with full-time work reveals that part-time workers across all occupational groups are less likely to be in a union, with the exception of those in creativity-oriented jobs. Over 33 percent of part-time creativity-oriented jobs are unionized versus only 23.0 percent of full-time creativity-oriented jobs. This pattern remains the same for permanent versus temporary workers: temporary workers in routine-oriented jobs are less likely to be unionized than permanent workers, with the margin wider for routine-physical jobs.

Union membership is not necessarily the answer to resolving precarious employment. As a group, those in creativity-oriented positions have the highest wages and rate of benefits coverage, but lower unionization rates than routine-physical workers. Unions are one way employees can bid up their wages and ensure more employment entitlements. However, better compensation for routine-service workers should not rely on union membership as it can potentially stifle labour competition and, in turn, performance in these occupations. But employers should recognize that unionization will become an increasingly attractive prospect for service workers if their work situations continue to be precarious.

<table>
<thead>
<tr>
<th>Exhibit 20</th>
<th>Routine-service occupations have lower rates of unionization than others</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Toronto CMA, 2001–2012 average</strong></td>
<td>Percent of workers that is unionized at main job by type of occupation and dimensions of precarity (%)</td>
</tr>
<tr>
<td></td>
<td>Permanent</td>
</tr>
<tr>
<td>Creativity-oriented</td>
<td>Below LICO</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Routine-service</td>
<td>Below LICO</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Routine-physical</td>
<td>Below LICO</td>
</tr>
<tr>
<td></td>
<td>Above LICO</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
</tbody>
</table>

Women, youth, and immigrants are over-represented in routine-service jobs, causing these demographic groups to experience higher levels of precarious employment. They are less likely to be unionized and to receive employer-provided benefits, and more likely to hold multiple jobs. These economic strains have lasting effects on individual prosperity. They also limit the ability of these workers to be upwardly mobile and to allay the negative effects of their precarious employment situation.
WHAT ARE THE COSTS OF PRECARIOUS EMPLOYMENT?

PRECARIOUS EMPLOYMENT AFFECTS MANY ASPECTS of a person’s quality of life. The physical, mental, and emotional strain it causes can hamper productivity and prosperity. Occupational mismatch, detrimental health effects, stunted career and skills development, and involuntary part-time work are costs that are most pertinent. Acknowledging these costs is a critical step toward addressing precarious employment and creating better working conditions for those in routine-service jobs across Toronto and Ontario.
Precarious employment contributes to the intensity gap in Ontario

The Institute for Competitiveness & Prosperity publishes annually the state of Ontario’s prosperity compared to that of its North American peers. A major contributor to the $7,500 prosperity gap, measured in Gross Domestic Product (GDP) per capita, is the $4,000 per capita difference in intensity – the number of hours worked per employee. In 2011, the average Ontarian worked 1,682 hours, which is 158 hours less than the North American peer median of 1,840 hours. More Ontarians working part time account for 43 of these hours.\(^{27}\)

A major cost to the economy is involuntary part time, or those who want to work full time, regardless of whether they have looked for work or not, but only work part time. Routine-service work has a higher incidence of part-time employment than routine-physical and creativity-oriented jobs, but the situation is more adverse when workers’ reason for part time is considered. The Labour Force Survey asks workers why they are employed part time. “Going to school” is the most common reason, because of the high proportion of youth in routine-service work.\(^{28}\) Excluding this, involuntary part time becomes the primary reason for part-time work when workers earn at or below LICO (Exhibit 21). The only exception is for creativity-oriented professions that provide above LICO wages. These individuals choose to work part time because they earn sufficient income to compensate for the limited number of hours worked.

Assuming that there is capacity to increase the number of hours worked from part time to full time, the $4,000 intensity gap can be closed. Many part-time workers want to move into full-time routine-service employment, yet the lack of opportunities or businesses’ unwillingness to change employment contracts into full-time ones all stand as barriers. While part-time work is cost-effective for businesses, it puts immense financial strain on workers. A labour force that works fewer hours cannot contribute as much to a firm’s output and, in turn, overall prosperity lags.

Businesses must address this by opting to move willing and talented individuals into full-time work, and governments should close the legal loopholes that allow these conditions to continue.

Occupational mismatch drives many workers to precarious routine-service jobs

Labour markets are most efficient when workers have the correct skills and qualifications to perform jobs that the economy requires. When workers are over or under qualified for their jobs or when certain jobs have high numbers of vacancies while others have surplus workers, there is an occupational mismatch.

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Exhibit 21 At or below LICO earners more likely than others to be involuntarily employed part time

<table>
<thead>
<tr>
<th>Toronto CMA, 2001-2012 average</th>
<th>Percent of part-time workers by reason for part time, by type of occupation, and LICO status</th>
</tr>
</thead>
</table>
| Creativity-oriented, below LICO | Involuntary part time: 22.9%  
Personal choice: 14.7%  
Other reasons: 20.0% |
| Creativity-oriented, above LICO | Involuntary part time: 36.9%  
Personal choice: 30.0%  
Other reasons: 27.8% |
| Routine-service, below LICO     | Involuntary part time: 36.5%  
Personal choice: 23.4%  
Other reasons: 12.4% |
| Routine-service, above LICO     | Involuntary part time: 42.7%  
Personal choice: 16.3%  
Other reasons: 14.3% |
| Routine-physical, below LICO    | Involuntary part time: 53.3%  
Personal choice: 30.5%  
Other reasons: 10.0% |

Note: Other reasons include caring for own children, personal illness/disability, other personal/family reasons, and other reasons beyond scope of answer choices. Involuntary part time refers to those workers who want and did/did not look for full-time work. Source: Institute for Competitiveness & Prosperity analysis based on data from the Labour Force Survey, Statistics Canada.

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\(^{28}\) The Labour Force Survey offers “going to school” as a reason for part time. Since the questionnaire asks individuals whether they went to school last week (if they did not, they are classified as non-students), the timing could erroneously classify students as non-students. Therefore those who identified “going to school” as a reason for part time are assumed to be students.
The economy will not reach its full productivity potential because jobs are either not being filled or are being filled by mismatched workers.

Labour markets are never perfectly efficient. There will always be a residual level of unemployment as workers transition between jobs or start their careers. In a perfect labour market, wages and salaries will be bid up to attract workers to jobs with high demand from employers, and conversely wages will be bid down when there is an oversupply of workers. Over the long term, this tendency exists in all labour markets; however, there may be periods where there is a temporary shortage or surplus of workers. This becomes an issue when wages and salaries are not working to attract workers to the right jobs or when there is a persistent level of unemployment among certain workers.

Occupational mismatch often has the negative effect of hampering wage gains. Over educated individuals in mismatched jobs earn less than similarly educated individuals whose qualifications and level of experience are matched to their jobs. In addition, the experience of over educated workers is rewarded at lower rates than the experience of under educated workers. These findings make intuitive sense, since wages are based, in part, on how productive workers are in their jobs. Workers cannot achieve as much of a return on their expertise in a job for which they are over qualified as they would in a job where they can add significant value with their specialized skills. Therefore, the optimal level of earnings will be reached in positions in which workers maximize their productivity based on their skills and qualifications.

Comparing real wage growth and unemployment for Toronto occupations yields a complex picture. Processing, manufacturing, and utilities occupations have experienced the strongest declines in real earnings since 2001 among all occupations as well as the highest average unemployment rate (Exhibit 22). Meanwhile, natural and applied sciences, health, and managerial occupations exhibit signs of labour shortages, with high levels of real wage growth and very low unemployment. It is clear that creativity-oriented occupations have taken the lion’s share of employment growth in the Toronto region. Between 2001 and 2012, the Toronto CMA workforce grew by 20 percent, while creativity-oriented jobs as a group increased by 35 percent. In contrast, the outlook for wage growth and unemployment is bleak for sales and service occupations. Real annual earnings have not grown since 2001, and the average unemployment rate is 5.8 percent over the period.

Many employers in Toronto have a high demand for workers in certain jobs and are simply not attracting

---


30 The unemployment rate for most occupational groups in the Labour Force Survey data is lower than the overall unemployment rate between 2001 and 2012, except for primary industry and processing, manufacturing and utilities. This is because many unemployed individuals are not given an occupational classification in the Labour Force Survey. This is a major flaw in the occupational data available in Canada, as it limits the ability to assess labour shortages and surpluses and to predict movements in the labour market. While many unemployed individuals, particularly those new to the job market, may not be searching within a specific occupation, most would likely be targeting a field in which they are qualified to work. This is a regrettable, yet for the time being, unavoidable limitation of this data.

---

Exhibit 22  Unemployment and wage growth differ widely across occupations

<table>
<thead>
<tr>
<th>Toronto CMA, 2001-2012</th>
<th>Annual earnings growth</th>
<th>Average unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social science, education, government service, and religion</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Managers</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Art, culture, recreation, and sport</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Natural and applied sciences</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Business, finance, and administration</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Median</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Primary industry</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Sales and service</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Health occupations</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Trades, transport, and equipment operators</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Processing, manufacturing, and utilities</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>
individuals in routine-service occupations. Each occupation in the Statistics Canada surveys specifies the education required to gain the necessary skills for the position. Most routine-service positions call for elementary level education, and only managerial jobs need bachelor’s degrees. In 13 of the 17 routine-service occupations, the majority of workers have more education than is necessary for their positions (Exhibit 23). This

Highly educated routine-service workers signal labour market problems

A troubling finding that exacerbates the effects of precarious employment is the proportion of highly educated

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Toronto CMA, 2001–2012 average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protective services</td>
<td>92.4%</td>
</tr>
<tr>
<td>Travel and accommodation, including attendants in recreation and sport</td>
<td>87.9</td>
</tr>
<tr>
<td>Childcare and home support workers</td>
<td>85.3</td>
</tr>
<tr>
<td>Food/beverage service</td>
<td>83.8</td>
</tr>
<tr>
<td>Retail and sales clerks</td>
<td>82.0</td>
</tr>
<tr>
<td>Wholesale, technical, insurance, real estate sales specialists, and retail, wholesale, and grain buyers</td>
<td>77.8</td>
</tr>
<tr>
<td>Administrative and regulatory occupations</td>
<td>76.5</td>
</tr>
<tr>
<td>Chefs and cooks</td>
<td>72.7</td>
</tr>
<tr>
<td>Sales and service supervisors</td>
<td>71.1</td>
</tr>
<tr>
<td>Cashiers</td>
<td>69.6</td>
</tr>
<tr>
<td>Clerical supervisors</td>
<td>68.0</td>
</tr>
<tr>
<td>Clerical occupations</td>
<td>67.1</td>
</tr>
<tr>
<td>Secretaries</td>
<td>67.0</td>
</tr>
<tr>
<td>Paralegals, social services workers, and occupations in education and religion</td>
<td>31.6</td>
</tr>
<tr>
<td>Assisting occupations in support of health services</td>
<td>23.6</td>
</tr>
<tr>
<td>Sales and service supervisors</td>
<td>20.8</td>
</tr>
<tr>
<td>Managers in retail trade, food, and accommodation services</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Note: Overeducated refers to a worker who has a higher educational attainment than required of the occupation. Data were controlled for age to ensure that workers are old enough to achieve educational attainment for their occupation. Source: Institute for Competitiveness & Prosperity analysis based on data from the Labour Force Survey, Statistics Canada and National Occupational Classification Matrix 2001, Human Resources Development Canada.
presents a serious problem of individuals being over educated for positions because of job mismatches and the general lack of creativity-oriented jobs, forcing educated workers into routine-service work. For example, among workers with a university graduate degree, the highest proportion, or 20.5 percent, holds clerical positions. Yet no routine-service job requires a graduate degree. **Toronto’s workforce has high numbers of over educated immigrant routine-service worker** Almost half of the new immigrants surveyed in 2005 (the latest available) for the Longitudinal Survey of Immigrants reported having difficulty finding an adequate job, with 50 percent of this group citing not enough Canadian job experience, 37 percent citing foreign experience not being accepted, and 35 percent citing foreign qualifications not being accepted. Moreover, while 10 percent of Canadian-born men and 12 percent of Canadian-born women with university degrees worked in jobs with lower educational requirements, that figure was 28 percent for immigrant men and 40 percent for immigrant women in Ontario regions with population over 500,000, 1999–2008 average Percent of immigrant and non-immigrant workers by type of occupation and educational attainment

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Routine-service</th>
<th>Creativity-oriented</th>
<th>Routine-physical</th>
<th>Non-immigrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td>42.2</td>
<td>11.5%</td>
<td>44.3</td>
<td>59.4</td>
</tr>
<tr>
<td>High school graduate</td>
<td>20.8</td>
<td>11.2</td>
<td>33.5</td>
<td>51.7</td>
</tr>
<tr>
<td>Some post-secondary</td>
<td>22.6</td>
<td>15.3</td>
<td>25.3</td>
<td>54.6</td>
</tr>
<tr>
<td>Post-secondary diploma or certificate</td>
<td>30.9</td>
<td>18.1</td>
<td>42.1</td>
<td>41.9</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>34.1</td>
<td>10.3</td>
<td>34.1</td>
<td>68.4</td>
</tr>
<tr>
<td>Graduate degree</td>
<td>18.1</td>
<td>9.0</td>
<td>18.1</td>
<td>72.6</td>
</tr>
</tbody>
</table>

worked in routine-service occupations and 9.0 percent worked in routine-physical jobs. Considering that neither routine-service nor routine-physical jobs require graduate degrees, then more than 25 percent of immigrants compared to 15.8 percent of non-immigrants in Ontario’s urban regions are working in jobs for which they are over qualified.

There is bound to be at least somewhat of a gap between immigrants and those born in Canada in the match of their experience and qualifications with their jobs. Immigrants on average have lower English and French language abilities than those born in Canada, which may bar them from creativity-oriented jobs given the importance of language fluency and a high level of social intelligence for these positions. Moreover, many immigrants’ qualifications from other countries may not be equivalent to Canadian standards and thus will either not be recognized within their industry or will need to be upgraded at a Canadian institution. To reduce the discrepancy between the occupational placement of immigrants and non-immigrants, efforts must be made to enhance immigrants’ language and communication skills and streamline regulations on education and qualification equivalency.

**Young workers are increasingly being pushed into precarious routine-service jobs**

Young workers and recent graduates have also faced a challenging labour market in recent years and have seen a sharp uptick in involuntary part-time employment as a result. The number of involuntary part-time youth workers has risen by more than 10 percentage points since the recession (Exhibit 25). The most cited reason for working part time among youth employed in routine-service jobs, going to school, has in fact declined slightly, as involuntary part-time has increased from 13.1 percent in 2007 to 24.5 percent in 2012. Since most young workers are in routine-

---

**Exhibit 25** Part-time employment has risen among youth in routine-service work

<table>
<thead>
<tr>
<th>Year</th>
<th>Full Time</th>
<th>Part Time</th>
<th>Involuntary Part Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>60%</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>2002</td>
<td>58%</td>
<td>32%</td>
<td>10%</td>
</tr>
<tr>
<td>2003</td>
<td>56%</td>
<td>34%</td>
<td>10%</td>
</tr>
<tr>
<td>2004</td>
<td>54%</td>
<td>36%</td>
<td>10%</td>
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<tr>
<td>2005</td>
<td>52%</td>
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<tr>
<td>2012</td>
<td>38%</td>
<td>52%</td>
<td>10%</td>
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</table>

Note: Part-time workers defined as those who usually work less than 30 hours at their main job. Reason for part time based on Labour Force Survey data. Youth are classified as workers between the ages of 15 to 24. Involuntary part time refers to those workers who want and did/did not look for full-time work.


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Toronto’s immigrant taxi drivers are over educated and poorly paid

A common stereotype of immigrants employed in routine-service jobs is the over educated immigrant taxi driver.

This is, in fact, true across Toronto because of the barriers many immigrants face, such as a lack of Canadian accreditation for out-of-country education, language abilities, Canadian networks, and Canadian-based work experience.

The demographic makeup of Toronto’s taxi drivers is over 80 percent immigrant, 98 percent male, and 75 percent visible minority. As immigrants account for 50 percent of the routine-service population in the Toronto CMA, they are significantly over represented in the taxi driver population (Exhibit A).

Taxi drivers work long hours for exceptionally low wages. Toronto taxi and limo drivers earned an annual median income of approximately $11,949 ($C2006), which implies an hourly wage of $4.78 compared to Ontario’s 2006 minimum wage rate of $7.75. By 2008, the average taxi driver’s income per hour – based on a 70 hour work week – was $6.49 following the increase in the minimum wage. This hourly wage not only falls under the minimum wage of $8.75 set in 2008, but the annual income also places these taxi drivers below the LICO of $22,171.

Exhibit A  Toronto taxi drivers are mostly immigrants

<table>
<thead>
<tr>
<th>Canada &amp; select CMAs, 2006</th>
<th>Percent of taxi drivers by CMA and immigrant status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total in Canada</td>
<td>Immigrant taxi drivers: 75% (55.4%)</td>
</tr>
<tr>
<td></td>
<td>Canadian-born taxi drivers: 25% (44.6%)</td>
</tr>
<tr>
<td>Toronto CMA</td>
<td>Immigrant taxi drivers: 80% (55.4%)</td>
</tr>
<tr>
<td></td>
<td>Canadian-born taxi drivers: 20% (44.6%)</td>
</tr>
<tr>
<td>Calgary CMA</td>
<td>Immigrant taxi drivers: 73% (55.4%)</td>
</tr>
<tr>
<td></td>
<td>Canadian-born taxi drivers: 27% (44.6%)</td>
</tr>
<tr>
<td>Winnipeg CMA</td>
<td>Immigrant taxi drivers: 79% (55.4%)</td>
</tr>
<tr>
<td></td>
<td>Canadian-born taxi drivers: 21% (44.6%)</td>
</tr>
<tr>
<td>Montréal CMA</td>
<td>Immigrant taxi drivers: 80% (55.4%)</td>
</tr>
<tr>
<td></td>
<td>Canadian-born taxi drivers: 20% (44.6%)</td>
</tr>
<tr>
<td>Edmonton CMA</td>
<td>Immigrant taxi drivers: 78% (55.4%)</td>
</tr>
<tr>
<td></td>
<td>Canadian-born taxi drivers: 22% (44.6%)</td>
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</tbody>
</table>

Source: Martin Prosperity Institute analysis based on data from Statistics Canada.

Many employers do not recognize out-of-country credentials and experience, and immigrants face higher than average difficulty finding work in Toronto’s current labour market. As a result, many highly skilled immigrants are pushed out of their original field of training and toward precarious, low-paid, low-skill positions in routine-service jobs as a survival job or a possible point of entry into the Canadian market.

Furthermore, although taxi driving is at the National Occupational Classification (NOC) skill level C, which usually requires secondary school and/or industry-specific training, 53 percent of immigrant taxi drivers surveyed were over educated for their positions. In fact, 20.2 percent of immigrant taxi drivers held bachelor’s or master’s degrees, from foreign as well as Canadian education institutes, compared with 4.8 percent for Canadian-born taxi drivers (Exhibit B).e

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e: Li Xu, *Who drives a taxi in Canada?* 2012

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**Exhibit B**  Many highly educated immigrants are driving taxis
service employment – approximately 68 percent of workers aged 15 to 24 are employed in routine-service jobs, remaining stable since 2001 – it is evident that many young people are working part time in low-wage service jobs because they cannot find something more stable or career-related.

There has also been a steady rise in part-time over full-time work among youth in routine-service occupations. In 2001, 37.8 percent of employed youth worked part time and 31.0 percent worked full time in routine-service jobs. By 2012, these shares had diverged so that the proportion of part-time workers was 42.1 percent and the share of full-time workers was 27.2 percent.

The shift toward part-time employment among youth is a concerning trend. Not only have youth seen a rise in unemployment in recent years, those who are employed are increasingly relegated to part-time routine-service jobs, which are unlikely to provide benefits and offer much lower wages than full-time jobs in non-routine-service occupations. This could lead to significant long-term repercussions on their earnings and career success.

Expanding the analysis to workers between the ages of 15 and 29 illustrates even more poignantly the plight of highly educated young workers today. It is hoped that by the age of 30 most young people would have finished their education and begun their career in the field for which they are trained. Typically, it is expected that most university-educated young people would be employed in creativity-oriented occupations, especially if they have more than a bachelor’s degree.

In the early part of the 2000s, this was certainly the case. Over 55 percent of workers aged 15 to 29

Exhibit 26 Fewer educated workers below age 30 are now employed in creativity-oriented jobs

Toronto CMA, 2001-2012 3-year averages
Percent of population aged 15-29 with bachelor’s and graduate degrees employed in creativity-oriented and routine-service jobs

with a bachelor's degree, and 71.8 percent of workers aged 15 to 29 with graduate degrees were employed in creativity-oriented jobs between 2001 and 2003 (Exhibit 26). However, in the years leading up to and following the 2009 recession, the proportions of occupational employment changed significantly. Between 2010 and 2012, only 52.2 percent of bachelor’s degree holders between ages 15 and 29 held creativity-oriented jobs, while 42.5 percent held routine-service jobs. The situation worsened even more for graduate degree holders. Only 63.2 percent of graduate degree holders under the age of 30 had creativity-oriented jobs and 29.3 percent were employed in routine-service positions – a rise of 6 percentage points from a decade earlier.

It is clear that the increase in the number of highly-educated young people has not been matched by job growth in skilled occupations. The number of bachelor’s and graduate degree holders under age 30 in Toronto has increased dramatically over the course of the past decade. Between 2001 and 2012, the number of bachelor’s degree holders under 30 increased 62.5 percent to over 218,000 in 2012, while the number of graduate degree holders rose 52.7 percent during the same period to 60,000 in 2012.

The growth in the number of university-educated workers in Toronto who are unable to apply their skills is a disturbing trend in the labour market. The misused public dollars, the challenge for many of these graduates to repay their student loans while working in routine-service jobs, and the lost opportunity for these workers to reach their full productivity are a tremendous social loss. Policymakers and business leaders must examine why there is such a mismatch between education and job availability and find a way to move young graduates into better paying creativity-oriented jobs.

Precarious employment is detrimental to worker health

There are numerous emotional health problems related to service work. They are particularly severe for routine-service workers, because of the monotony of work and unpredictable work schedules and hours. The nature of routine-service jobs can exacerbate unhealthy lifestyles by creating and sustaining adverse lifestyle habits such as lack of exercise and poor diet, and mental and physical drains from long hours of work.

The irregular work schedules in routine-service work often have particularly negative effects on workers’ quality of life. Shift work, particularly evening work, has been shown to have numerous health risks, including disrupted sleep patterns, mental health disorders, and cardiovascular diseases, both as a result of changes to the natural circadian rhythm and the loss of time for exercise and social activities. Irregular work schedules also hamper life planning as a result of the reduced ability to predict future income and allocate time for different activities.

Negative lifestyle habits, such as lack of exercise combined with the mental and physical drain from long hours of work have debilitating effects on the health of employees. Lewchuk et al. recently confirmed that precarious employment builds stress for households, and that moving into a more secure form of employment decreased workers’ anxiety more than an increase in wages. Workers in families with less than $50,000 total household income who moved to a more secure job decreased their anxiety levels by almost 50 percent. Anxiety among workers in families that increased their annual income to more than $50,000 but stayed in precarious jobs only fell by 25 percent. Clearly, alleviating precarious forms of employment has a strong positive influence on curtailing the mental and physical stress that places a strain on the overall health of individual workers and their families.

There are many costs as a result of widespread precarious employment in the Toronto CMA. Left unchecked, the continued growth of precarious employment will hamper workers’ career growth, skill attainment, and health. It will also limit the productivity and prosperity prospects of routine-service workers, which will undoubtedly affect the economic potential of the Toronto region unless policymakers and businesses step in.

35 Lewchuk et al., It’s More Than Poverty, 2013, pp. 59-60.
HOW CAN PUBLIC POLICY ADDRESS THE ISSUES FACING THE PRECARIOUSLY EMPLOYED?

THE INSTITUTES’ PUBLIC POLICY RECOMMENDATIONS address various aspects of the problem of precarious employment and are feasible to implement. The Institutes call on government and businesses alike to tackle this problem. Implementation of these recommendations by the appropriate government body will lower the incidence of precarious employment and increase the prosperity of employees and their households in the Toronto CMA and beyond.
IN TORONTO, AND ACROSS ONTARIO, routine-service workers account for the largest proportion of the workforce, yet economic policy largely overlooks the challenges that they face. If large numbers of workers occupy jobs that are precarious and low skill, there should be a substantial policy thrust to address some of the hardships facing them to improve their quality of life.

Governments can play a pivotal role in boosting routine-service workers’ prosperity and productivity, but that entails more than enforcing workers’ rights. Federal and provincial laws provide strong protection for employee wages and working conditions, but these are only intended to set a basic standard of workers’ rights and act as blunt policy instruments for improving working conditions. Reinforcing these laws by increasing the minimum wage or enforcing stricter labour standards is not a good way to improve the lot of the precariously employed, because these changes might increase unemployment and decrease productivity. Moreover, increasing wages without first seeing productivity gains can trigger a rise in inflation, something that both the federal and provincial governments should be keen to avoid.

However, some major gaps in labour law exist, particularly in how current regulations mandate benefits or account for employees who work irregular or few hours. These gaps in the law should be addressed by policymakers by creating regulations specific to work that is nonstandard. But this is only part of what is needed to resolve the issue of precarious employment in routine-service jobs. In addition to changes to employment law, public policies need to change how youth are educated and trained, how workers are matched to their jobs, and how employment benefits are acquired.

The Institutes’ public policy recommendations are designed to alleviate precarious employment within routine-service jobs, but they will undoubtedly have broader effects that will extend beyond these types of occupation. Implementing these policies would help increase social mobility to ensure that routine-service workers have every opportunity to move into creativity-oriented or better paid routine-service jobs. The Institutes believe this can be done through a number of avenues, including: investing in vocational education and certification, decreasing occupational mismatch through better recognition of immigrants’ skills, and better integrating young workers into the labour market. Expanding the provision of benefits from employers to the Ontario government is an additional initiative policymakers should consider.

**Capture the benefits of vocational education and certification**

In the past, the Institute for Competitiveness & Prosperity has shown that education is the principal driving factor behind higher earnings in any occupation (Exhibit 27). Education, particularly at the post-secondary level, is a key indicator of skills development, as it signals to employers the ability to learn as well as the core

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**Exhibit 27** University graduates attain the highest earnings

<table>
<thead>
<tr>
<th>Year</th>
<th>Graduate degree</th>
<th>Bachelor’s degree</th>
<th>Post-secondary diploma or certificate</th>
<th>High school graduate</th>
<th>Some post-secondary</th>
<th>Less than high school</th>
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<tbody>
<tr>
<td>2001</td>
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<td>2012</td>
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Note: Values have been deflated using GDP deflators. Source: Institute for Competitiveness & Prosperity analysis based on data from the Labour Force Survey, Statistics Canada.

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skills necessary for the job. These skills include academic abilities (such as communication, critical thinking, and learning), personal management (such as positive attitudes and behaviours, responsibility, and adaptability), and teamwork skills.\textsuperscript{37} Post-secondary education comes in many forms and is provided by a variety of institutions in a wide range of disciplines. Within this realm, vocational programs intended to prepare students specifically for an occupation are offered mainly by public and private colleges and are the most prevalent form of education for routine-service jobs.

**Vocational education improves earnings potential.** According to Labour Force Survey data, university-educated Torontonians have, on average, the highest earnings. Those with postgraduate degrees, including law and medicine, have the highest earnings of any group of workers in Toronto. These findings support the widespread view in Canada that the key to a successful career is a university education. However, an often overlooked aspect of the education system is the importance of college and vocational post-secondary education.

College diploma and vocational certificate holders attain significantly higher earnings than high school graduates and, somewhat unexpectedly, account for the largest proportion of Torontonians. In 2012, 24.8 percent of people in the Toronto CMA had a college or vocational diploma or certificate, compared to 21.4 percent who had a bachelor’s degree and 10.5 percent who had a graduate degree. The prevalence of diplomas and certificates is a unique feature of the Canadian education system and is the main reason why the proportion of adults holding post-secondary education in Canada is so high; 50 percent, which is significantly higher than the OECD average of 30 percent.\textsuperscript{38}

**Vocational education attainment decreases unemployment.** College or vocational education provides many advantages for individual workers and helps increase the stock of human capital in the economy. Post-secondary diploma and certificate holders experience much lower unemployment than high school graduates and roughly the same level of unemployment as holders of an undergraduate degree (Exhibit 28). The institutions that provide vocational education, notably colleges, use their curriculum to develop occupation-specific skills, which explains the high level of employability of graduates of vocational programs. These programs are designed to teach the practical skills necessary for a particular job, and are often a prerequisite for a variety of occupations, including the building trades, technical occupations, and several routine-service occupations. Whereas university programs in computer sciences, for example, will cover the basic theories of computing, vocational programs in colleges will cater to specialized fields related to computer sciences, such as information technology service personnel or hardware technicians. Vocational education also has a

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higher potential to “retool” human capital more readily than other types of post-secondary education, as vocational programs are frequently of a shorter duration than a university degree and are often available without having to leave the workforce. As a result, vocational education appeals to mature students, workers who need practical skills to enter or re-enter the workforce as quickly as possible, and those who want specific skills in addition to their academic qualifications to become more competitive in the labour market.39

It is important to recognize that some routine-service occupations will always be inherently low skill and thus will never realize the benefits of more education. Occupations such as cashiers or cleaners will not benefit from having a trade certificate, even if such a certificate existed, because there is very little skill workers can incorporate into their jobs. However, to move into a managerial or more productive position, it is crucial that workers have some form of education. Higher levels of education, particularly with a vocational dimension, result in lower unemployment, higher wages, and a better chance of moving out of low-skill service jobs. While increasing vocational education may not improve the nature of some precarious jobs, it will help improve the prospects of these workers.

**Vocational education increases employability.** Skills training has become a central – and controversial – component of economic policy at the federal and provincial level in recent years. Critics argue that governments’ focus on skills development, rather than on wider-ranging liberal education, creates a narrow definition of skills and orients the labour force toward specific and immediate market needs, rather than adaptability toward the modern complexities of the workplace and the changing labour market.40 In spite of this criticism, there is significant evidence showing the benefits of skills- and job-based education.

In addition to enjoying higher earnings and lower unemployment than those without any post-secondary education, vocational education enables individuals with more practical than academic strengths to attain better jobs than if they pursued a university education or no post-secondary education at all.41 Vocational education is optimal preparation for occupations that require hands-on training and hard skills.

Indeed, even liberal arts programs at many Canadian universities now realize the benefits of adding supplementary vocational dimensions to their curriculum. Graduates of vocational programs in universities such as engineering, business, law, and computer science attain significantly higher earnings, higher job satisfaction, and lower precarious employment than liberal arts and science graduates. Vocational graduates also tend to use the skills they acquired through their education in their job more than liberal arts graduates from disciplines such as non-professional social sciences and the humanities. Moreover, the gap between the employability of liberal arts and vocational students is greatly reduced for liberal arts students who complete co-op work placements as part of their programs.42 This supports the theory that employers treat education as a “signal” of the worker’s skill that becomes increasingly more valuable as it becomes more directly related to the demands of the job. Having a work experience component in a liberal arts program highlights the demonstrability of the skills acquired by the student.

**Improve attitudes toward vocational education**

Expanding the regulation and recognition of vocational diplomas and certificates would have tremendous benefits for routine-service workers. Encouraging more people to attain post-secondary diplomas or certificates would help raise earnings and reduce precarious employment by creating a specialized, productive labour force for routine-service occupations. Service work would become more competitive by forcing workers to match the skills of qualified and educated workers.

For this to take place, however, employers must be able to trust the reliability of the workers’ qualifications. Mandatory, regulated certifications, including Ontario’s Smart Serve certification for liquor servers, have the benefit of standardizing the industry and enforcing a minimum qualification for workers, but most other routine-service jobs do not require such a certification. Governments have placed little emphasis on regulating these industries and funding training in a cohesive way. Given the benefits of these certifications, the Institutes recommend that a renewed public and corporate policy focus be placed on publicly- and privately-funded programs (many of them already in existence) to provide education and training in these sectors (see Food handler certification raises worker opportunities).

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Food handler certification raises worker opportunities

The food industry is known for large numbers of low-skilled workers, high employee turnover, low wages, lack of benefits, and unstable working hours. But certification can help mitigate these disadvantages.

One of the effects of these characteristics in the food and beverage industry is the risk of contamination because of the lack of employer-provided training and general food handling skills.

In 2006, Toronto City Council aimed to address this by creating the Food Handler Certification Program, a Toronto Public Health (TPH) training and examination scheme. Owners/operators of food establishments are required to ensure that at least one certified food handler is working at all times. The program is intended to provide food handlers with food safety knowledge to prevent food-borne illnesses and is operated on a cost-recovery basis.

The Food Handler Certification is offered at Toronto civic centres, online, or at accredited companies and training programs. The total cost for accreditation is about $1,100, which includes a six-hour course, exam, and certification. Similar certification is also mandated by the Ontario Health Protection and Promotion Act to be available in the Durham, Halton, Niagara, Waterloo, and York municipalities as well as in Oxford County.

The Food Handler Certification helps both food companies and their employees. The DineSafe program, run by Toronto Public Health, inspects all establishments serving and preparing food, and issues them with a Pass, Condition, or Closed notice. Since the ultimate goal of these inspections is a Pass to ensure the continued operation of a business, decreasing the potential for food-borne illnesses by raising employee levels of knowledge and skill are in food establishments’ best interests. Furthermore, infractions cost $45 to $370 each depending on their severity, and additional fines and possible legal action may be taken against a business for Condition and Closed notices. Lost business, a damaged reputation, and hefty fines can inflict irreparable harm on the continued operation and success of a food establishment.

In theory, the Food Handler Certification Program provides food and refreshment service businesses with skilled workers who are able to perform their duties in a safe, expedient, and responsible manner. From a public safety perspective, increasing the number of certified workers should also result in safer food – and fewer food-borne illnesses. Moreover, Food Handler certification can be used in a host of jobs and employment opportunities. This portability increases certified routine-service workers’ upward mobility, which should lead to higher wages as employers start to compete for the most skilled food handler workforce available to them.

However, while the the Food Handler Certification Program has been successful in certifying workers and requiring at least one person on the premise to hold the certification, City of Toronto data show that the majority of individuals with Food Handler Certification are managers, rather than food handling employees. This is a problem as managers may not share their food handling knowledge with employees who are in direct contact with the food. A Food Handler Certified manager or owner enables a business to meet the minimum bylaw requirements; however, management are often required to focus on front-of-house customer service and staffing matters, rather than food preparation. In addition, the lack of knowledge transfer between managers and frontline food handlers presents a major public safety and legal obstacle that must be overcome for the intent of the law – food safety – to be upheld. This will require the certification of employees who are in direct contact with food, not just managers or owners.

But there are obstacles towards this goal. For example, employers who experience a high rate of worker turnover may choose to certify employees who are more likely to be available on a regular and ongoing basis, such as managers. Scheduling concerns may also have a negative effect, as employees who often reschedule shifts may leave the employer with shifts that do not have the required level of certified employees on the premises. Finally, the high cost of the certification may be an impediment to workers who do not have the financial backing of an employer.

References:

a City of Toronto. To amend City of Toronto Municipal Code Chapter 545, Licensing and Chapter 441, Fees, respecting food handler certification, By-Law No. 678-2006, 2006.
b Etobicoke Civic Centre, Scarborough Civic Centre, North York Civic Centre, Metro Hall, and Crossways Office. Session times and locations available at: https://secure.toronto.ca/FHCP/welcome.do.
c Health Protection and Promotion Act, R.S.O. 1990, Ch. H.7, 2011.
To ensure that more lower-level food handling employees, such as prep-cooks and dishwashers, become certified, a number of policy options exist:

- **Increase the number of mandatory Certified Food Handlers on site.** Chapter 545 Article 1 of the Toronto Municipal Code should be amended to stipulate that all employees working directly with food should be certified. Businesses should be given an implementation period to increase the percentage of those certified, perhaps beginning with 10 percent and then moving to 100 percent at the end of a two-year period. Higher enrollment would increase economies of scale and help lower the overall cost of providing the course. This should help the City of Toronto offer accreditation at a lower price point.

- **Offer tax incentives for courses and accreditation.** Since routine-service workers already earn the lowest wages across all occupations, paying over $1,100 for the Food Handler Certification may not be affordable. The Ontario government should offer tax credits for low-income individuals who are not currently employed and are seeking employment in the food industry.

- **Offer more on-site Certification opportunities.** Larger establishments such as chain restaurants should hire an instructor to teach the Food Handler Certification in-house. This would ensure that employees do not have to travel to another location and instruction can take place during off-hours or in small time periods, spread over a few days or weeks. In-house training also offers economies of scale for businesses and ensures that food handlers understand how to meet health standards in a specific restaurant. This could also qualify for a tax deduction.

Highly-skilled – and highly-valued – routine-service workers are integral to the companies that employ them. Certification in the services provides a better-skilled workforce for employers, as workers have externally verified skills and abilities. The Toronto Food Handler Certification Program provides food and refreshment service businesses with skilled workers who can safely deliver food and enjoy better job opportunities.
Attitudes toward the community college sector in Toronto are shifting, but there continues to be a negative perception of vocational education. Most secondary schools tend to encourage their students to pursue a university education rather than a college education. To redefine routine-service occupations and change how workers are educated and trained, it is essential that secondary schools promote vocational post-secondary education. The least precarious service workers have some form of post-secondary education, and most of them, a college diploma. Therefore, obtaining some form of education is a first step to moving out of precarious forms of employment.

The goal of vocational education and certification is to reinforce the notion of the “professionalization of service,” defined as work that “contribute[s] to the creative economy by reinterpreting traditionally low-status occupations as respectable professions.” This approach reimagines routine-service jobs as specialized positions filled by workers with unique skills and training, which in turn makes routine-service positions more attractive and viable careers. To create a specialized routine-service workforce, it is necessary to have a system of qualifications that can provide the necessary skills for service work, as well as indicate trustworthy signals of merit to employers. All of these attributes will help increase the productivity of routine-service workers and improve their wages and dedication to their job.

Strengthen private college education in the Toronto CMA

There is great potential for the development of private career colleges to increase the educational attainment of routine-service workers, thereby improving their job prospects. Private career colleges offer many similar programs to public colleges; however, they tend to be a less preferable option for students because of the higher tuition fees, lack of recognition of their programs, and the risk that the career college will eliminate programs or declare bankruptcy. With changes to how they are regulated and supported, though, they can be incorporated into the broader system of public colleges to expand the vocational education sector. To strengthen the role of career colleges in Ontario’s post-secondary education system, a number of changes should be made:

- Expand program standardization through the National Association of Career Colleges (NACC). The main regulatory body for career colleges in Canada is the NACC, which itself only accounts for less than half the total number of private career colleges in Canada. The NACC works to support the interests of the private training sector, but has very limited jurisdiction in regulating certifications or curricula. The NACC has developed curriculum packages for early childcare assistants, aestheticians, personal support workers, and pharmacy assistants. The standardization of these programs adds a significant amount of academic integrity and has improved job placement rates. This curriculum and examination service of the NACC could be expanded to many different routine-service occupations to improve the quality of the education and, ideally, expand their use within industries. Such a change would boost the academic integrity of many other career college programs in service industries and would help standardize the industry and improve the skill set of the workforce.

- Provide a path to community college status for private career colleges. Recognizing that private career colleges differ significantly in quality from publicly-funded colleges – mainly because they are largely unregulated, an optimal way to upgrade these programs is to provide a pathway for private colleges to become publicly-funded colleges so that they would rely on a mixture of tuition and government funding, rather than private funding alone. Ontario can establish a process for review of career colleges to establish whether they qualify for public funding, whereby NACC endorsement could be a precondition for the Ministry of Training, Colleges and Universities to conduct such an evaluation. This would be an efficient way to expand vocational education in Toronto and spur competitiveness within the sector as career colleges vie for the opportunity to receive provincial funding. By bringing the plethora of specialized, short-term vocational programs into the public system of post-secondary education, there will be increased potential that they will gain recognition within service industries because of their more widespread interest among the public.

46 Ibid.
Increase the number of required certificates for routine-service occupations

Enhancing and introducing certification schemes across routine-service jobs can boost productivity and working conditions within service industries. Certification works to codify knowledge and enforce a base level of skill and qualification that can be built on over time. Just as university degrees act as a signal of basic knowledge and critical thinking ability that can be enriched over time, vocational certificates signal to employers that workers have the core skills necessary for the job and that they are willing to devote their time toward improving their performance. This is crucial in order to increase the creativity content of routine-service jobs.

Data on vocational certificates are very limited for Toronto. However, examining the number of vocational trade certificates granted in Ontario sheds some light on the prevalence of vocational training in routine-service jobs in Toronto. Overall, the number of these certificates granted remains very low in Ontario (Exhibit 29). The number of workers who hold certificates has risen in early childhood education since 2001, but virtually stagnated for food service. Hairstylists and aestheticians are the most likely group of sales and service workers to have a certificate, as nearly 2,000 certificates were granted in this industry in 2011. This is because hairstylists are classified as a compulsory trade by the Ontario College of Trades, meaning a trade certificate is required to work in this industry. This is the only routine-service occupation for which a trade certificate is required.

Given the importance of training and the safety issues involved in both food handling and childcare, it is surprising that these occupations would not require a trade certificate, while hairstylists do. The Ontario College of Trades would do well to re-examine its policy on trade certificates in routine-service occupations and extend compulsory status to food service, early childhood education, and other intensive routine-service jobs such as pharmacy technicians and health support workers. This would help reduce precarious employment by siphoning off workers who are willing to devote their time to gaining qualifications to work in the industry. It would also ensure basic standards of work among this group, thereby increasing their performance (see License tour guides to reduce precarious employment).

Jointly fund jobs-related vocational training

There are a number of different models for paying for vocational training arrangements. Some countries opt for public-private partnerships, while others place the cost burden entirely on the student or the state.47 Whereas in Canada, the United States, the United Kingdom, Netherlands, and Sweden, employers have no legal obligation for conducting training, employers in Denmark, France, Ireland, and South Korea are required by law to finance the training of their workers. In Germany and Switzerland, many employers voluntarily bear significant costs for retraining their workers through apprenticeship schemes.

Exhibit 29  Unlike hair stylists, few food service workers hold vocational certificates

Ontario, 1998-2011

Number of vocational certificates granted for select service occupations

<table>
<thead>
<tr>
<th>Year</th>
<th>Hairstylists and aestheticians</th>
<th>Food service</th>
<th>Early childhood educators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1,000</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>1999</td>
<td>1,200</td>
<td>200</td>
<td>100</td>
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<tr>
<td>2000</td>
<td>1,400</td>
<td>200</td>
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<tr>
<td>2001</td>
<td>1,600</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>2002</td>
<td>1,800</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>2003</td>
<td>2,000</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>2004</td>
<td>2,000</td>
<td>200</td>
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<td>100</td>
</tr>
<tr>
<td>2011</td>
<td>2,000</td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Institute for Competitiveness & Prosperity analysis based on data from Statistics Canada.

License tour guides to reduce precarious employment

Toronto tour guides often experience low wages and little job security as a result of intense labour competition within their industry. Licensing can help improve their working conditions.

Toronto is one of Canada’s largest tourist hubs. In 2011, Toronto attracted 9.8 million overnight visitors from over 200 countries worldwide, who spent a combined $4.6 billion in the city. As of 2010, there are 188 tour operators across the Greater Toronto Area, with the number of employees ranging from a single freelance tour guide to over 200 staff. Tourism is a thriving industry in the city, with the number of visitors increasing since 2009 and the sale of hotel room nights in Toronto reaching 9.2 million in 2011 – the most ever for the region.

Despite being at the heart of this robust industry, however, tour guides in Toronto face a challenging labour market. For one, the tourism industry is largely seasonal, peaking in the warm summer months when visitors flock from Europe and the United States and, increasingly, from emerging economies like China, India, and Brazil. This means tour guides’ working hours and income vary drastically, depending on the time of year and number of visitors to the city. While this is an unavoidable feature of the tourism industry, Toronto tour guides face additional challenges because of the competition and lack of standardization across the industry.

Wages for tour guides in Toronto can vary from the minimum wage to $25 per hour, depending on the tour operator, despite the fact that tour operators charge a relatively similar price for the service. The ubiquitous hop-on-hop-off tours of the city that often hire students as guides during the summer months rarely pay much more than minimum wage, while some tour guides volunteer their services, creating intense downward pressure on wages for guides who rely on the job as their primary source of income. Like other routine-service positions, tour guides also rely on gratuities for a significant proportion of their income, which varies depending on the type of tour and the customer’s discretion. Many tourists in Toronto come from countries where tipping is not customary and if the tour is organized for a large group by a third party or is hop-on-hop-off, customers may be less likely to tip. It is also common practice in bus tours for guides to split their tip income with their drivers, as the guide relies on the driver for their partnership to deliver tours. This again reduces tour guides’ incomes.

In addition, there remains little industry consistency in training and skill requirements. Unlike most cities in Europe, as well as Montréal and Québec City in Canada and Washington, DC, New York City and Philadelphia in the United States, tour guides in Toronto are not licensed. This means anyone can work as a tour guide in the city, and there is no formalized process in becoming a tour guide. Where tour guides are licensed, applicants must complete a rigorous training process and pass an exam adjudicated by a regulatory body. Licensing helps guides gain a substantial amount of credibility by ensuring a certain standard of quality in their service. Tour guides are obligated to acquire a certain level of knowledge and some training in required skills, such as handling emergency situations or assisting special client needs.

Licensing improves industry performance

Licensing enforces a minimum standard of quality. The qualification earned through licensing also helps to boost wages and redefine tour guiding as a career rather than a low-skill job. In Europe, where licensing is standard practice, tour guiding is considered a recognized career, and guides typically earn higher wages as they are likely to gain repeat customers and attract a profitable clientele. Licensed, multilingual, and reputable guides are successful in attracting congress tourism, which is a subset of the industry generated by conferences, business activity, and ideas exchanges within academe. Congress tourists generally spend significantly more than pleasure visitors. While the average trip party spending in Toronto by pleasure visitors was $606, this figure was $741 for business visitors.

In Montréal, tourist guides – those who deliver tours of a specific locale as opposed to manage tours of several place – have a relatively stable market as tour operators are ensured a minimum standard of guide and are given a basic recommended fee for their services. With the standardized

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c. Vera Hall and Linda Humphreys, personal communication, May 17, 2013.
training, basic techniques in method of speech, presentation, body skill, and content given in a structured manner are at a high level and most companies pay the recommended fees.\(^e\)

Licensing in the tour guide occupation assists workers by helping them achieve more reputable status as professionals in their field and in turn better wages collectively. It improves tour guides’ exposure as many travel websites, such as Viator, will only advertise guides that have a formal license or certification. It also helps the tourism industry by improving tour guide productivity through their training and education. It is an important feature in the tourism industry in many of the world’s best-known destinations and helps to maintain a high standard of service to ensure tourists leave with a sound impression of the city.

**Tour operators can improve their services by hiring certified guides**

Hiring certified guides improves the reputation of the company’s service, which will become ever more competitive as the number of tourists to a city increases. Companies can garner a competitive edge within the industry by promoting the certifications of their guides, similar to the Blue Badge guides on the famous London Original Sightseeing Tour. Certifications ensure tour guides possess a high standard of skill for the job and have the required level of knowledge for a thorough and accurate tour.

**Toronto rejected a plan for licensing**

In 2008, the City of Toronto approached the Certified Tour Guide Association (CTGA) of Toronto, a representative body for tour guides in the city, to develop a certification manual for the city as a template for licensing. The City broached the subject of licensing after Tourism Toronto became concerned about the quality and accuracy of tours in the city. Stories of egregiously misinformed tour guides and formulaic tours were touted in the media, describing cases where Queen’s Park was said to be the Queen’s home in Toronto or the subway was built at the same time as Fort York.\(^f\)

The CTGA partnered with OTEC, a training and HR services provider that administers the federally-funded “emerit” certification program in various service industries. The emerit tour guide program is currently the most recognized certification scheme in the industry and offers a tour guiding skills exam. This exam is intended to complement a local knowledge exam administered by the CTGA. The certification manual, comprising these two parts, was presented to the City by OTEC and the CTGA.

The City’s legal department rejected the proposal for tour guide licensing on the grounds that it would infringe on individuals’ right to freedom of speech in the Charter of Rights and Freedoms. As a result, Toronto tour guides are currently unlicensed. The CTGA has aimed to overcome this by promoting its own certification program and has also worked with George Brown College to develop its Tour Management Certificate program.\(^g\)

These certification programs are a good step toward improving the quality of service in tour guiding, but they are simply not widespread enough to have any real effect on the industry. Just seven guides have completed the CTGA’s local knowledge certification and only three have completed both the emerit program and the local knowledge test. Certification has yet to be a common or encouraged practice in the tour guide industry, both as a result of a lack of initiative on the part of tour operators to enforce training standards on their guides, as well as a lack of political will by City Council to create mandatory licenses.

This is an unfortunate outcome that hampers the quality of service in an important Toronto industry. The City of Toronto should strongly reconsider its stance on certification, as this would have many benefits both for reducing precarious employment and improving its reputation in the tourism industry.

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\(^e\) Ruby Roy, personal communication, June 14, 2013.
\(^g\) Linda Humphreys, personal communication, May 17, 2013.
There are issues with all systems. Relying on a firm to support the cost will likely discourage many of them from mandating the training, especially if the training is designed to impart transferable skills, rather than company-specific training. Apprenticeship-style training, in which the firm absorbs most of the cost, has the downside of often reinforcing company-specific and traditional methods, rather than developing the skills necessary for innovation.48 However, placing the cost burden solely on the student would discourage many workers from seeking certification or more education. In the case of routine-service job training, most delivery falls onto the college sector, with a large variety of programs in the career college system and many core vocational programs, such as food service, retail management or clerical jobs, offered by public colleges.

To encourage routine-service job training, governments and businesses should support vocational education and training. Since workers will use this education to acquire lifelong, job-applicable skills, the Ontario government should support them. Adjusted for the length of the program, career college graduates are given on average only 18 percent of the subsidy that students of public colleges receive.49 The level of government support given to college students can be tied to tuition and program costs and can be shared with employers. Businesses can also receive tax credits similar to other apprentice-ship credits to encourage more vocational training. This can add significant value to their workforce and productivity. Basic certification courses, such as Smart Serve, which costs $65, can be covered by workers. For more costly programs, the government could issue education, textbook, and tuition tax credits as it already does for universities and colleges, or issue tax credits to employers. This funding can also be conditional on accreditation by the NACC or another regulatory body.

Minimize occupational mismatch to reduce precarious employment

The forces of supply and demand are effective labour market moderators that attract workers to growing industries through higher wages and bid down wages where labour is in oversupply. However, the state may intervene in labour markets when workers are not efficiently matched to labour market demands. The government may provide programs to upgrade workers’ qualifications and skills or deliver incentives to encourage hiring in times of persistently high unemployment.

Toronto’s job market shows signs of occupational mismatch in a number of key industries. Creativity-oriented jobs all exhibit strong labour demand through their high wage growth and low unemployment. Meanwhile, routine-service wages have declined or remained stagnant in recent years. Workers are not being efficiently directed toward in-demand jobs, creating an over supply of service workers and an under supply of many creativity-oriented and routine-physical workers.

Governments can help resolve this occupational mismatch so that service workers are more specialized and can bring unique skills to their jobs. Employers have little incentive to treat their employees as permanent workers and provide them with benefits or higher wages if their employees are simply using the job as a filler while they search for a more career-oriented profession. The Ontario government can work toward this goal in several ways:

- Boost permanent, full-time job opportunities for youth. Youth unemployment across the Toronto CMA has climbed to 16.5 percent in 2013 for 15 to 24-year-olds. Many young people are using service work to tide them over while they complete unpaid internships or look for more permanent employment in their field. To address this, the Ontario government introduced its Youth Jobs Strategy in the 2013 Budget, aiming to create new job opportunities for youth, support young entrepreneurs, help youth-led industrial research and development, and bring together businesses, educators, and youth to identify and develop skills young people need to succeed. The strategy aims to create 30,000 new jobs for youth over two years.50 This is an ambitious plan, but the emphasis must be on permanent, full-time career paths for youth. Creating more precarious jobs for youth will do little to improve their quality of life and will continue to push many young people into service work to compensate for their unstable primary job. It is critical that the Youth Jobs Strategy focus on ways to integrate young workers fully into the job market. Thousands of talented young people across the Toronto region are languishing in internships, contracts, and part-time positions and are not using the full range of their skills. Enhancing job growth is essential for the long-term success of the Ontario government’s Youth Job Strategy.

Help immigrants obtain jobs for which they are qualified. Ontario regulatory bodies need to provide immigrants with expedient and fair routes toward recognition of their international professional credentials to alleviate some of Toronto’s present occupational mismatch and frictional unemployment. To this end, the Institutes recommend revised skills and education assessment models for newcomers. As this may prove a long, and expensive, process, a stepped approach should be taken:

- **Identify outdated and/or unnecessary accreditation barriers and provide updated accreditation procedures.** This should include a comprehensive review of skill, knowledge, and competency levels of non-Canadian accreditation and education necessary for each profession. Since this is a lengthy process, the government should first take into consideration the areas with the highest need for revision, based on immigration numbers from particular countries and career areas where Ontario needs employees to fill gaps.

- **Identify real gaps between local and international accreditation requirements and provide incoming and settled immigrant professionals with clear, timely, and affordable pathways toward local professional recognition.** Policymakers and stakeholders should identify existing barriers, who the gatekeepers are, and what is required to eliminate these barriers. Many new immigrants are eager to follow correct procedures to re-qualify in Canada, but lack the opportunity or information on how to transfer their skills and accreditations. Pathways should be clear, efficient, and widely communicated to newcomers.

- **Support the recognition of foreign experience and qualifications.** In July 2013, The Ontario Human Rights Commission (OHRC) unveiled a policy that stipulates a strict employer requirement for “Canadian experience” from their employees is discriminatory and only to be used in exceptional circumstances. The OHRC stated that employers as well as regulatory bodies need to consider all of an employment applicant’s previous employment, regardless of where the experience was acquired. This is a bold new policy but a necessary step to ensure immigrants have the opportunity to use their skills.

- **Provide language training assistance to newcomers.** In 2012, the federal government introduced changes to citizenship requirements so that proof of official language ability became a required submission for citizenship applications. These changes are aimed at addressing barriers for new immigrants’ employment. This is a good step, yet for this to be effective, successful follow-through is needed in upgrading immigrants’ language abilities. The federal government provides free basic French and English language courses to adult permanent residents in Canada through the Language Instruction for Newcomers to Canada Program. This program needs to be fully utilized to ensure immigrants upgrade their communication skills. This will help increase their access to creativity-oriented as opposed to routine jobs.

The overall goal of these recommendations is to shift the supply of mismatched labour out of routine-service occupations. Public policy must work to reframe service jobs as professions and stable, permanent career paths rather than unskilled, unproductive positions. To accomplish this, workers entering routine-service occupations must be adequately prepared to fill these positions and not simply use them as a stopgap. In addition, the thousands of highly educated youth and immigrants currently working in routine-service jobs should be assisted in moving toward positions for which they are trained. Addressing both of these challenges will reduce occupational mismatch in Toronto’s economy and bid up routine-service wages by creating a more specialized, dedicated workforce.

**Adopt a new social contract to guarantee worker benefits**

For many routine-service jobs the problem of precarious employment cannot be solved through vocational education or policies designed to match workers to appropriate jobs. In these cases, policies targeted toward raising their effective income or improving their access to benefits are needed, as there is little potential for workers to achieve better working conditions by lending more skill to their position or leaving their job for a more secure, better paying one. Finding a pathway out of low-skill precarious jobs for many workers will lead to many economic benefits, but for those left behind, more state support is needed.

Precariously employed routine-service workers often enjoy few benefits. Many of them miss out on dental, pharmaceutical, and vision insurance as well as employer-sponsored pension plans. Although the Ontario government provides
some pharmaceutical insurance for low-income Ontarians through the Ontario Drug Benefit program, a large and growing share of the workforce does not have access to these benefits through their employers, in great part because the precarious employed fall through the gaps of the standard employment relationship, yet are also exempt from state assistance because they are working.\(^{51}\)

The lack of access to these benefits can put significant financial strain on many of these workers to pay out of pocket for visits to the dentist or prescriptions, which in turn lowers their level of care as they cannot pay for the level of coverage that they might enjoy if they had employer-sponsored benefits. The situation is particularly dire when it comes to retirement savings. Canadians without an employer-sponsored pension are far less likely to see the majority of their income replaced than workers with an employer-sponsored pension, especially if their income falls within the second or third income quintiles. For example, for those born in the 1980s with earnings in the second income quintile, 8 percent of those with a company pension will see a retirement income replacement of less than 70 percent, compared with 17 percent of those without a company pension. Even Canadians with retirement savings plans tend to be accumulating savings at an insufficient rate to support themselves in retirement because of their low savings rates, poor returns on common types of investments and the challenges that low financial literacy entail for making investment decisions.\(^{52}\)

Routine-service workers experience a diminished standard of living during their working lives, as they are forced to pay dental, pharmaceutical, and vision care for themselves and their families out of pocket, and are frequently unable to retire as they have insufficient savings.

Ontarians enjoy publicly financed health insurance. However, the provision of many other medical and health benefits, notably dental and pharmaceutical insurance, has remained up to employers. The result is that there is a wide gap between those employees who have access to these benefits and those who do not. Governments should consider filling this void.

A new social contract is needed that would expand the current public health insurance regime to give workers access to these benefits and provide them with a retirement savings option beyond the Canada Pension Plan (CPP). Providing these benefits through public insurance programs would undoubtedly be costly. However, given the number of workers who do not enjoy employment benefits in the GTA and beyond, governments should step in to deliver these services to ensure that Torontonians and Ontarians can sustain both a high standard of living and flexible contracts.

Providing publicly funded benefits would have a number of positive outcomes in addition to the improvement in living standards for hundreds of thousands of workers. Integrating pharmaceutical insurance with the existing public health insurance system would improve access to medicine, reduce the likelihood of medical bankruptcy, and significantly lower total drug costs.\(^{53}\) Similarly, the prevention of oral health diseases is more effective when integrated with public health care, as individuals are more likely to visit the dentist if they do not have to pay out of pocket.\(^{54}\) The importance of oral health is increasingly being recognized by health professionals, as individuals in good oral health are more likely to have higher self-esteem and a lower risk of many serious conditions ranging from diabetes to Alzheimer’s disease.\(^{55}\)

Healthy workers are inherently more productive, as they can spend more time and energy on their jobs. This enhances prosperity. Keeping workers healthy and in their jobs is an express public interest, which is a primary justification for provincial medicare in Ontario. Yet healthcare involves not only medical care. If Ontario policymakers are committed to keeping Ontarians healthy and productive, this should extend to ensuring all Ontarians have access to pharmaceutical and dental care.

Federal and provincial governments should also establish additional retirement savings options for workers without employer-sponsored plans to ensure they are able to maintain a relatively constant income level throughout retirement. This could be provided by establishing a supplementary public pension plan with default enrollment for all workers without employer-sponsored pension plans.\(^{56}\) This follows the example of the Saskatchewan Pension Plan, which is a voluntary, defined contribution pension plan operated by the Saskatchewan government to supplement the CPP. While an “Ontario Pension Plan” would achieve similar economies of scale and secure benefits as the CPP, it would not be funded through a payroll tax, which would act as a tax on employers. This would be favourable both to employers and workers.

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51. The Ontario Drug Benefit (ODB) is a pharmaceutical insurance program that covers most of the cost of 3,800 prescription drugs. The ODB is available to Ontarians over the age of 65, who live in long-term care homes or receive home care, have high drug costs relative to their incomes, or receive social assistance through the Ontario Disability Support Program or Ontario Works.


Given the current fiscal challenges faced by the federal and provincial governments alike, it is a tall order to expect an expansion of public programs of such a large scale. However, it is crucial that governments recognize and respond to the dearth of work entitlements in routine-service jobs. Ignoring this increasing shift toward precarious forms of employment in the largest segment of the workforce is sure to have negative implications for Ontario’s prosperity. If employers increasingly fail to provide benefits to employees, the pressure on the state to fill the void is bound to intensify. It may require a reconstitution of existing benefits to tackle this emerging problem. Toronto and Ontario can become a model for this new kind of social contract – one that accommodates the shift in labour markets and provides a sound quality of life for all workers.

The Institutes’ public policy recommendations range from changes to education policy to creating a new social contract that provides benefits to all workers who are precariously employed. These recommendations each address parts of the precarity problem, with some opting to accommodate the needs of workers that are in precarious routine-service jobs and others aiming to reallocate workers to more desirable employment. Implementing these recommendations will decrease the incidence of precarious employment and increase the prosperity of employees, their households, and the Toronto CMA.
HOW CAN BUSINESSES ALLEVIATE PRECARIOUS EMPLOYMENT?

WITHOUT THE COOPERATION OF BUSINESSES, few options are available to routine-service employees facing precarious employment conditions. Governments can influence firm behaviour through regulation, but that is an expensive public policy tool and is unlikely to gain businesses buy-in without resistance. The Institutes hope that businesses’ in the Toronto region will take the lead in implementing recommended actions so that their bottom lines, employees, and customers can reap the benefits of these proposed actions.
THIS WORKING PAPER INTRODUCES some industry-specific examples of how to alleviate precarity along with recommendations for business initiatives that apply to the entire group of routine-service workers. Ideally, all of them will be implemented but there are direct and indirect costs associated with each. The Institutes strongly encourage businesses to consider providing career development opportunities for workers and improving labour productivity to enhance profitability and contribute to a more prosperous service economy.

Initiate a shift in the theory of the firm

Labour is typically the biggest cost to any firm and in an age of hyper-competition and globalization, employers have an incentive to minimize their human resource costs. The typical view advanced by academics and the public when debating precarious employment is that businesses are to blame for shaping and perpetuating the conditions of precarious employment within service occupations. In their bid to cut costs and maintain flexibility, businesses have contributed to and sustained the precarious conditions that are prevalent within routine-service occupations: temporary contracts instead of permanent positions, part-time over full-time working hours, and all at very low wages.

Yet this focuses on employers’ limitations and suggests that only through external pressure will businesses change. It also assumes a zero-sum game, suggesting that firms can only choose between creating a better, less precarious working environment for workers or generating profit and growth, and these goals are mutually exclusive. This negative view of the firm offers few tangible solutions to stop and reverse self-serving business decisions and working conditions. Unionization and a higher minimum wage are often the only options, but these solutions are bound to place significant negative effects on the economy.

To be sure, businesses have and must take responsibility for their contribution to precarious employment. This Working Paper has demonstrated that the level of precarity that workers in the Toronto CMA experience is rising, and firms have taken an active role in this by increasing the number of temporary contracts with no benefit packages and offering part-time work instead of full-time positions. However, to the extent that businesses have a role to play in alleviating this situation, the Institutes do not believe that the optimal solution lies in unionization, blindly paying higher wages, or advancing a negative view of the firm. Instead, the Institutes’ view is that businesses should not exist simply to generate short-term returns for their owners, but rather should apply their role in sustaining long-term growth and profit maximization toward meeting the needs of society.

Richard Florida argues that the jobs that can be outsourced or automated already have been. The remaining ones are predominantly in routine-service and creativity-oriented occupations as they must be performed by an individual hired locally rather than by a machine or someone residing outside the Toronto area. Therefore, instead of viewing routine-service employees as simply a group of cheap, changing labour, businesses must see them as essential, and recognize that their skills and performance have a direct impact on the bottom line.

From this perspective, routine-service workers are no longer seen as liabilities or expenses on an income statement. Rather, they are among the most valuable employees in a company because they are the front line, working directly with customers. Investing in these individuals is crucial for long-term business success. Businesses must look beyond generating short-term returns for shareholders and focus on meeting the needs of their customers by tapping into the unused potential of their workers. In this way, employers would focus more on the capabilities and potential of employees rather than their cost.

Businesses must recognize that in the long term, relying on precarious employment is expensive. Poor health and disengagement at work are but two of the leading drags on employee productivity in many service job environments, mainly because companies refuse to pay for health insurance, sick days, or higher wages for better performance. Absenteeism and human resource costs to hire and train new employees are also avoidable expenses that could be otherwise redirected toward funding initiatives that increase employee loyalty and productivity.

Some companies, however, have increased their profits by investing in their employees. A classic example is Costco. By understanding that service employees are the main customer gatekeepers and therefore instrumental for increasing sales, Costco pays its workers higher than industry average hourly wages and trains new employees extensively to ensure a high level of service and performance. Costco retains employees by offering competitive salaries and developing career paths for different service jobs in its company. Thus, the turnover rate among Costco employees with more than one year of experience was 6 percent, the lowest in the industry. Compared to Walmart’s Sam’s Club, annual profits per employee and square foot in 2009 were 23.6 percent and 54 percent higher, respectively.57

It is easy to point to a large, successful business as a role model for reducing precarity. A frequent argument is that businesses, especially small ones, cannot pay higher than industry

average hourly wages because they do not have the business volume to do so. Neither Institute is recommending that businesses simply pay workers more. Instead, companies should create the conditions under which employees can increase their productivity, which benefits firms. In turn, businesses should invest in their workers and reward them through higher compensation.

**Fix precarious service employment through effective management practices**
Effective management practices implemented correctly have the ability to leverage the untapped creativity potential of each routine-service worker, hence increasing employee productivity and a company’s profitability. The company can then make further investments in different areas of the business and reward employees for their efforts. Florida’s work and the Institutes advance the view that increasing the skills of service workers and their productivity is the optimal way for businesses and workers to justify higher wages.

Firms must take advantage of the untouched opportunities that their workers offer. Employees have the capability to drive higher productivity by proposing innovative efficiency improvements. Routine-service workers can contribute most to innovation, because they perform business operations regularly. However, this requires the support and leadership of senior management and the implementation of effective management practices.

**Measure current productivity levels to establish targets.** Senior management should invest the resources required to measure the current productivity of employees, such as the number of items processed by a data entry clerk each day. Input measures such as the number of customers who enter each store by hour and day or the number of customer service issues that arise should also be tracked. Without a thorough understanding of all business functions, it would be impossible to set achievable and effective targets.

Most important, senior management must actively seek employee feedback. Routine-service workers in the Toronto CMA are more highly educated than their counterparts in any other region in Canada. Managers should tap into their employees’ knowledge and critical thinking skills to brainstorm solutions to problems. A company that recognizes the importance of employee-to-employer conversations to improve a business is Lululemon Athletic. Bilateral communication is part of the corporate structure so that managerial performance is based on how well subordinates are developed, and an educator advisory board has a rotating group of employees who provide feedback to the company on various topics.

Productivity levels are often hindered by bottlenecks in business processes, but they can also be reduced by deleterious working conditions, especially when precarity is pervasive. Employees who are not engaged or face significant personal issues as they juggle precarious working conditions will not be as productive as others. By engaging in dialogue with front-line workers to determine why productivity levels are low or what the sources of problems are, senior management will begin to understand the challenges workers face. More important, they can start to identify ways to solve these problems.

**Increase creativity content of routine-service jobs.** Each job, no matter how routine, requires a certain level of creativity. Since creativity is the driver of economic growth in the Creative Economy, firms can take advantage of the human capital potential of their routine-service employees by re-engineering jobs to allow for a greater level of creativity. By increasing the complexity of analytical and social intelligence skills required for the job and/or giving routine-service workers more autonomy to exercise their own analytical and social intelligence skills as needed, businesses are not only rewarded by higher revenue, these more creativity-oriented jobs will help workers ask for higher wages in return. For example, secretaries can be given more tasks that require greater levels of analytical and social intelligence skills. By adding event planning and office management to their role, they are not only able to demand higher wages as their responsibilities increase, but they can also help firms save money that would otherwise be used for event planning firms or hiring an additional office manager.

**Create a working environment that focuses on employee development**

Many service jobs have fixed compensation, which means that their wages do not change regardless of worker performance. Workers have little incentive to take on more responsibilities or increase productivity, which hurts a company’s bottom line. Managers in turn have little desire to provide higher wages or growth opportunities, because employees are seen as easily replaceable.

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To overcome this, businesses must design a working environment that provides opportunities for career development and hence room for wage negotiations. This forms the support that employees need to thrive in their jobs and become more productive. The Institutes believe that businesses should create jobs that have clear career paths associated with them to enable employees to progress within their respective organizations if desired. In this way, employee turnover is reduced and workers have a means of moving upward through a company.

Employee turnover will always exist, of course, but fostering a work environment that is conducive to career development significantly decreases the cost of employee turnover and new worker training. Such a working environment includes:

- **A comprehensive compensation structure**: Design comprehensive compensation structures that are performance based (increased skill, productivity, or responsibilities) or opt for a flexible structure that allows workers to negotiate for higher pay. Often, higher pay translates into a nominal increase in hourly wage, but it reinforces good performance and boosts employee productivity and satisfaction.

- **Regular working schedules**: Using the data gathered on customer demand and productivity levels, senior management should create working schedules that are generated and disseminated at least one month ahead and retooled according to seasonality and changes in business demand. Historical data loaded into scheduling software help with predicting future demand and hence scheduling needs. This eliminates the need for ad hoc judgment calls by management about scheduling and reduces scheduling errors or the need to schedule an employee to work last minute.

- **Internal job opportunities**: Career advancement is often limited in service work. There is no room for growth or movement into other parts of the company. At the very least, firms should encourage their employees to apply for job openings in other parts of the company and grant each applicant an interview. This would provide them with an understanding of the qualifications required to move into other areas of the company. The optimal solution lies in developing career paths for each routine-service job so that highly skilled workers in Toronto can move from routine-service jobs into ones that require more complex skills or into creativity-oriented positions that offer higher pay and seniority.

- **Employee retention**: Firms should design jobs with the goal of retaining employees. These jobs should increase the scope of responsibilities and expand the set of skills as employees gain them. The success of Costco is partly attributable to helping workers develop a career path from their current position to higher ones. As many corporate jobs require front-line experience, starting in such a position actually benefits employees and employers alike. Guidance on the qualifications and skills required to climb higher up the corporate ladder should be available to all employees. Employees should also be encouraged to work full time, and firms should limit the number of part-time positions to ensure that employees commit to the company.

Together, these elements of a working environment help raise productivity as workers are able to achieve a better work-life balance and be more involved in corporate operations and decision-making.

**Take advantage of government incentives in vocational training**

Improving the skills and qualifications of workers benefits businesses, because learned knowledge will be applied at work, increasing productivity and profitability. One of the public policy recommendations in this Working Paper is a public-private partnership, in which the Ontario government issues tax credits for corporate investment in employee vocational training similar to apprenticeship tax credits given for skilled trades. In return, businesses can ask for a commitment from employees to stay on with the company, thereby decreasing employee turnover and ensuring a return on its investment.

Investing in workers decreases the precarity they experience because it encourages them to develop their skills through training and education. This helps service workers be more upwardly mobile.

**To the extent that routine-service employees must participate in the development of their own careers and skills to help their companies grow and alleviate precarity, businesses must also create the conditions that foster these boosts in productivity. To achieve this, firms need to re-align their focus toward the long-term and invest in their employees. These recommendations may involve tradeoffs and high upfront costs, but the investment will pay dividends well into the future, simultaneously working to close the prosperity gap in Toronto and Ontario.**
HOW CAN TORONTO – AND ONTARIO – BECOME A LEADER IN ROUTINE-SERVICE EMPLOYMENT?

ROUTINE-SERVICE WORKERS IN TORONTO FACE MANY CHALLENGES in securing a stable, supportive working life. Across the Toronto workforce, precarious forms of employment are replacing traditional permanent, full-time, 9-to-5 jobs with benefits. However, this trend is especially noticeable in the routine-service workforce because of its size and inherently greater reliance on part-time and temporary forms of employment. This poses a critical social question to citizens, business leaders, and policymakers alike: what should be done to combat or accommodate these trends?
IN SOME CASES of precarious employment, public policy must examine ways of supplementing workers' income and benefits to ensure they can afford a decent quality of life for themselves and their families. In other cases, education and training programs should be introduced to upgrade workers' skills. Solutions to the routine-service precarity problem require a re-imagining of service work and a re-evaluation of the dependence on the standard employment relationship to provide employment and income security.

**Policymakers must address the precarious employment problem**

Routine-service workers constitute nearly half of the Toronto workforce, remaining relatively consistent proportionately over time, but growing in absolute numbers as the economy and labour force have increased. What is particularly disconcerting is the growing proportion of those in routine-service work who are in precarious forms of employment. More than 39 percent earned at or below LICO and over a quarter were part time in 2012. Both of these figures are an increase of roughly 3 percentage points from their 2001 levels. Overall, the number of service workers earning at or below LICO and working part-time in a temporary contract constitutes nearly 7 percent of the Toronto routine-service workforce, an increase of 33 percent between 2001 and 2012.

The problem is particularly striking for youth, immigrants, and women. Youth are increasingly being pushed into part-time service positions after being unable to find full-time employment. Many highly educated young people are also working in routine-service positions for which they are over educated. Immigrants are more likely than Canadian-born workers to end up in service positions despite their qualifications and skillsets.

Women form the majority of service workers because of the traditional female-oriented public perception of many positions, such as secretaries, childcare workers, cleaners, health care support workers, as well as women's limited access to other routine-oriented jobs. Routine-service workers earn less than employees in other occupations, and women in routine-service jobs earn less than men on average.

There is a widespread view of service jobs as being starter jobs or a means of topping up income while working a daytime job or searching for other work. While this describes many workers in routine-service jobs, this does not negate the increase in workers earning below LICO, the rise in involuntary part-time employment, or the number of workers with no access to dental and drug benefits or a company pension. These jobs are the primary source of income for many workers across the Toronto region. Moreover, continuing to overlook routine-service workers will have significant social repercussions as more workers continue to be pushed into low-income part-time positions with few benefits. It is especially alarming given that many of these workers are over qualified for these low-skill, low-paying jobs.

Addressing the problem of routine-service precarious employment has the potential to increase Toronto’s – and Ontario’s – prosperity, along with reducing poverty and boosting productivity. Public policy can work to ensure routine-service workers have access to medication, dental care, and a pension regardless of their work status. It can also identify barriers for youth and immigrants to attain jobs for which they are qualified, thus shifting the mismatched labour force out of routine-service occupations. These are bold measures, yet necessary policy adjustments of government at all levels given the evolution of employment conditions.

**Public policy should adopt a new social contract**

The standard employment relationship that has dominated the economy since the postwar era has been an effective means of ensuring workers have a sound quality of life with a stable income and health and wellness benefits. However, it is clear that the workplace is increasingly failing to provide these to many workers. The number of service workers earning below LICO grew nearly 30 percent in Toronto between 2001 and 2012; while the number of part-time service workers, who are far less likely to have benefits than full-time workers, grew by 25.9 percent.

Given these trends, the Institutes recommend that governments consider greater public provision of many key benefits:

- **Incorporate drug plans and dental care into the Ontario Health Insurance Plan for the precariously employed.** Research has shown this would result in lower overall drug spending in the province and better health outcomes for workers. This would constitute a tremendous increase in public expenditure, yet it would greatly increase overall prosperity by supporting a healthy workforce and freeing up workers’ income for other expenditures.

- **Establish a supplementary public pension plan.** This would be modeled after the Saskatchewan Pension Plan – a voluntary, defined contribution plan – and would supplement the Canada Pension Plan. This is crucial to ensure service workers secure a sufficient income replacement rate for retirement.

These policy recommendations are based on a Toronto case study, yet have implications for all of Ontario. Indeed, to effectively tackle precarious employment, actions are required from all levels of government. The Institutes see these programs as
valuable components of Toronto and Ontario’s prosperity that should no longer be universally delegated to the private sector. They are a bold undertaking, but hold tremendous potential for boosting millions of Ontarians’ quality of life.

**Governments must work to ensure workers are better matched to their jobs**

A high number of service workers are well-educated young people and immigrants struggling to gain a foothold in the job market. The number of bachelor’s and graduate degree holders under age 30 has increased by 62.5 and 52.7 percent respectively since 2001, yet the proportion of these degree holders employed in routine-service jobs has increased by roughly 4 percentage points for bachelor’s degree holders and 6 percentage points for graduate degree holders. For immigrant workers, 18.1 percent of graduate degree holders and 34.1 percent of bachelor’s degree holders in Ontario’s urban regions work in routine-service occupations, versus 13.4 percent and 27.5 percent respectively for Canadian-born graduate and bachelor’s degree holders.

This is worrisome, as these workers are not fulfilling their earnings and productivity potential. Education is a key driver of prosperity, though it must be applied in jobs that require high levels of skill. Identifying clear job mismatches, as indicated through involuntary part time and over qualification, and resolving them would benefit these workers’ prosperity as well as overall economic prosperity by maximizing worker productivity.

The Ontario Youth Jobs Strategy should focus on ways to boost hiring for educated young workers. This must emphasize jobs that are less precarious. In addition, more educated young people should be working in creativity-oriented positions rather than in routine-service ones. The Youth Jobs Strategy should examine ways of integrating more university graduates into creativity-oriented positions to make better use of their skills and increase their earnings potential.

The federal government should also take the lead on reducing occupational mismatch for highly skilled immigrants. Canadian-born workers with university degrees are less likely to work in routine-service jobs than immigrant workers, despite having the same qualifications. This gap should be reduced. The government should review accreditation processes to minimize barriers and provide immigrant workers with clear information on pathways to getting their skills recognized. Language programs should also be re-examined to ensure they are equipping skilled immigrants with the level of English fluency they need to succeed in creativity-oriented jobs. This will help many workers gain better jobs and become more productive by being able to use their skills.

Occupational mismatch is a pervasive issue facing many service workers. Substantial work must be done to identify why many highly qualified workers are ending up in low-wage, low-skill service jobs and how these inefficiencies can be overcome. This is a crucial step to boosting Toronto’s prosperity and improving the livelihoods of these workers.

**Service work should be “professionalized”**

To develop a more productive routine-service workforce, the industry must have designated skills and qualifications that are recognized and compensated through higher wages. Just as other professional workers are rewarded for their skills and qualifications, service industries should have a designated pool of workers with skills that are specialized for their jobs. This would reduce service workers’ precarity by enabling them to command better wages and full-time status.

This professionalization of routine-service positions would see greater emphasis on vocational education and more mandatory qualification within industries. Education and qualifications act as prime signals to employers of a workers’ abilities and dedication to their jobs. This should extend to routine-service jobs.

Workers with post-secondary certificates and diplomas – which are predominantly vocational forms of education – experience the lowest levels of precarity among those in routine-service jobs. They also perform better at their jobs and can more easily move up in their organizations or to more highly skilled jobs.

College education should be encouraged and expanded. Canada already has one of the largest college sectors in the OECD, but specific improvements could be made for service industry programs. Standardizing more programs through the National Association of Career Colleges (NACC) and providing a pathway to public status for private career colleges will increase access to vocational education. This would help more workers gain the qualifications necessary to develop recognizable skills in service work. In addition, students of private career colleges should be entitled to some level of public support on the condition that the program meets provincial or NACC standards. This would encourage more workers to seek vocational training and would help increase the presence of qualifications within service industries.

More service occupations should also require a trade certificate for workers. As of now, only hairstylists are designated a compulsory trade by the OCT. This makes little sense. Occupations, such as food handling, health support, pharmacy support, and childcare, have genuine need to enforce a minimum standard of
training for the purposes of safety and reliability. Making these trades compulsory would ensure workers are adequately trained and would in turn create a more productive workforce. This is essential to reduce precarity and would benefit all service industries. The OCT should examine all service occupations and increase the number of occupations with compulsory certificate status.

The onus for improving the skill level among service workers should not fall solely on the workers themselves. Employers must encourage and compensate their employees for seeking this training. Given the value that better trained workers will add to their organization, it is in firms’ express interest to invest in their workers and look to vocational institutes and training programs to help their workers become more productive. A new view of routine-service jobs should place greater value on training and education in service work, yet this must be supported by employers.

**Firms should invest in workers and boost the creativity content of jobs**

Labour is one of the largest costs to any firm, but it is also one of the key drivers of success. Firms with routine-service occupations that have recognized this have performed better than many of their competitors. By giving workers more opportunity to enhance their skills by increasing the creativity content of their jobs and paying workers a social wage, firms like Costco and Lululemon have become industry leaders in productivity and customer satisfaction. These firms place a high priority on investing in their workers and retaining them over the long term.

This is a crucial next phase for routine-service employment prosperity. Businesses need to make full use of their workers’ potential to boost their performance. Governments should support career and skills development in the workplace by sharing some of the cost of education and training with employers, and businesses need to take advantage of this. Maintaining a workforce that is predominantly temporary and low skill forgoes the productivity potential of these employees. Moreover, talented workers are unlikely to stay in jobs that offer poor compensation, little job security and skill development, and low levels of autonomy.

Short of minimum wage increases or unionization, increasing skills and developing careers are the most promising ways for precarious employed service workers to achieve a better quality of life. By helping them become more productive in their job through better training and education, service workers can reduce their precarious status by adding value to the firm. This is the economically optimal way to improve these workers’ outcomes, as it benefits businesses and workers.

For many firms, the notion of increasing the cost allocated to labour will be seen as an unnecessary burden. However, as more workers are relegated to positions that are temporary, part time, and low paying, the incentive to improve job security and compensation by forming a union or pushing for minimum wage increases will escalate. To avoid this, businesses need to recognize the value their employees bring and invest in them over the long-term. Failing to do so will result in a lost opportunity for building a more productive and dedicated labour force.

**Service work plays an essential role in the modern economy and as such, routine-service employees merit significant attention. The trend of rising part-time status and low income among this group must be curbed by changing the way routine-service jobs are valued and by overhauling Toronto’s labour force to become more productive and specialized. It also requires a new social contract – one that accommodates the shift toward contractual and part-time arrangements by guaranteeing that workers have some basic social benefits regardless of their job. Tackling precarious employment in routine-service work will be an arduous undertaking for policymakers and business leaders, yet it is much-needed in the face of these employment trends. Toronto and Ontario can become a leader in routine-service prosperity by recognizing the potential of this group for economic growth and setting the new standard for employment relationships.**

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The Institute for Competitiveness & Prosperity is an independent not-for-profit organization established in 2001 to serve as the research arm of Ontario’s Task Force on Competitiveness, Productivity and Economic Progress.

The mandate of the Task Force, announced in the April 2001 Speech from the Throne, is to measure and monitor Ontario’s competitiveness, productivity, and economic progress compared to other provinces and US states and to report to the public on a regular basis. In the 2004 Budget, the Government asked the Task Force to incorporate innovation and commercialization issues in its mandate.

Research by the Institute is intended to inform the work of the Task Force and to raise public awareness and stimulate debate on a range of issues related to competitiveness and prosperity. It is the aspiration of the Task Force and the Institute to have a significant influence in increasing Ontario’s and Canada’s competitiveness, productivity, and capacity for innovation. We believe this will help ensure continued success in creating good jobs, increasing prosperity, and building a higher quality of life. We seek breakthrough findings from our research and propose significant innovations in public policy to stimulate businesses, governments, and educational institutions to take action.

Comments on this report are welcome and should be directed to the Institute for Competitiveness & Prosperity. The Institute is funded by the Government of Ontario through the Ministry of Economic Development, Trade and Employment.

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The Institute for Competitiveness & Prosperity
ISBN: 978-1-927065-06-8
UNTAPPED POTENTIAL: Creating a better future for service workers