

# PRECARIOUS EMPLOYMENT: AN OUT OF CONTROL CANCER

By

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It is widely accepted that the scourge of precarious employment is spreading across the western world and even as far away as Australia and the consequences are very worrisome.

As might be expected, many fine minds are focused on the problem; its definition, its causes, its impact, and, above all, how to eradicate the problem.

In this paper, I do not plan to tread over old ground to any extent but, rather, to provide some broader context to the problem as an economic issue and later on to assess its impact beyond its economic implications. I hope I can provide a somewhat broader framework to assist future debate on this very important issue.

In the economic context, the first problem is a problem of definition.

There are many definitions proposed by many organizations, scholars and other assorted pundits. They range from a very simple sentence to several paragraphs.

The following are three of the simplistic examples:

- Workers who lack or who have inadequacy of rights and protection at work: International Labour Organization
- Workers who are subject to unstable employment, lower wages and more dangerous working conditions: International Labour Forum.
- Work that is poorly paid, insecure, unprotected, and cannot support a household: Wikipedia

Whatever the definition, part time employment, temporary employment, contract work, on-call employment, and self-employment are typically classified as precarious employment.

These types of employment have a number of common deficiencies. They are of indefinite duration. They provide irregular working hours or work weeks. They provide insufficient or no social or health benefits. They provide no old age security. Much of this type of employment is fashioned in a way that is designed to allow employers to escape certain legal obligations.

However, it is virtually impossible to define these types of employment in a way that would provide a legally precise definition suitable for use in any legislative framework to solve the problems. The parameters of these jobs vary widely and it would be very difficult to find language that would capture all the variances. And, it must be remembered that in some cases, perhaps not too many, the employment arrangement does in fact meet the requirement of secure and fair employment.

Therefore, bottom line, it is unlikely that anyone can write a definition that would be very effective in solving the problem.

Next, in order to fix the problem, it is important to try to determine the factors that created the problem in the first place.

In my view, business leaders and governments must both share the blame.

## **Why so?**

Going back to the 1930's, society during the depression did try to define corporate responsibility and whether it included any social responsibility. In the early 1930's, Henry Ford added his voice to the debate and declared that "a business that makes nothing but money is a poor business".

The discussion continued throughout the depression but when the war came along, social responsibility gave way to civic responsibility. Following the war, everyone was preoccupied with rebuilding a peacetime economy. However, in 1970, the economist, Milton Friedman famously declared that the "business of business is business" and the

debate about corporate social responsibility started once more. Again, nothing was really resolved.

However, as the 1970's wore on, there was a major shift in the corporate paradigm.

All of a sudden, the mantra for business was to increase "shareholder value" and the CEO's bible became his quarterly financial statements. As a consequence, the rush to reduce costs as a major business objective was on.

As might be expected, since labour costs usually represented the lion's share of total costs, they became a prime target. As a result, the whole model of work underwent a dramatic change.

Under pressure to significantly reduce labour costs, CEO's set about to achieve this in two ways.

First, they took measures to reduce the costs of having permanent staff. Second, they sought out alternative models of work so that work could be done more cheaply.

There were substantial layoffs throughout the business world in order to reduce the cost of maintaining permanent staff. Some companies used severance packages to incent employees to resign. Ironically, many of these companies soon realized they were short of staff and before long replaced these displaced workers with part time or temporary workers. Even more ironically, often these were the same people who they had earlier let go.

Another technique involved farming out whole corporate functions to an outside firm. Usually these firms were not unionized and, therefore, were able to provide a cost saving for the company doing the outsourcing. If a company needed new workers, more often than not, it would hire new workers as temporary or part time workers or, in the case of more skilled workers, as contract personnel. Again, this usually represented a major cost savings because the company avoided responsibility for the cost of benefits.

As a result of these measures, the pool of temporary, part time and contract workers became larger and larger. Today, in some industries such as the retail and food distribution industries, employers now rely almost entirely on temporary or part time workers.

As part of the drive to reduce costs, employee benefits for regular staff also took a very big hit. Frequently, these benefits were eliminated or substantially reduced. In some cases, rather than enjoying a full range of benefits the employees were given a menu of benefits and were allowed to choose two or three of these benefits. In this way employers were able to avoid the cost of a full range of benefits for all employees but could still claim they provided benefits.

Defined benefit pension plans became a thing of the past. The only organizations now offering these pensions are governments and educational institutions because they have access to tax dollars to cover their risks.

Today's pension plans, if they exist at all, are defined payment plans which shift the risk of funding from the employer to the employee. This is true even when the employer makes some contribution to the plan.

In summary, two things have happened. Full time work has become less secure and less rewarding. Worse, much more work has become precarious work which is even less secure and less rewarding.

The spread of globalization has also been a major factor in the reshaping of the work force. Faced with increasing competition from low wage countries, companies were able to rationalize their drive to reduce labour costs domestically. Their rationale does not hold water in many cases but it has provided a convenient excuse to justify the attack on labour costs.

Therefore, it is clear that the business community has, itself, done many things to bring about the new model of work and to perpetuate the problems this has created.

Perhaps, it is time for business leaders to step back and consider the long term damage these problems are doing to their broader business interests. More about this later.

As I said earlier, governments are also to blame for this state of affairs and it is important to look at the role government has played as an incubator in allowing this situation to blossom.

For many, many years there has been a proliferation of laws on the statute books designed to govern behaviour in the workplace. Sadly, in most cases, these laws are obsolete and do not reflect current circumstances. Many more are honoured in the breach than in the

observance. Moreover, governments themselves have been extremely lax in enforcing these laws. There are many examples to prove this point e.g. minimum wages, overtime payments, unpaid wages, vacation pay, hours of work, and safety laws, to name a few.

Sometimes, when governments do pass laws to protect workers, these laws end up having the opposite effect. The laws governing the funding of pension plans are a good example. Usually, these laws provide that companies must live up to their funding obligations in good times and bad and, in principle, these seem like good laws to protect workers. But, when there is an economic downturn, companies cannot adjust their contributions during the downturn and this law can create a financial hardship to companies trying to weather the storm. The impact of these restrictions has been one significant factor in driving companies away from defined benefit plans to defined payment plans and, in the process, shifting the risk from the companies to the workers.

So, all in all, the existing laws have been largely ineffective in protecting workers or workers' rights and, increasingly, have become a greater issue when they are being applied or not applied to precarious workers.

As we have seen, politicians are very reluctant to tackle this problem head on and update or revise these laws. Worse, when they choose to do so, they are frequently doing so to take away workers' rights or workers' protections.

In response to lobbying by business, governments in many jurisdictions have passed many new laws which on balance tend to favour business rather than workers.

Many jurisdictions have enacted laws aimed at weakening the rights of unions or their members. The rash of these Workers' Rights laws give workers additional individual powers but at the expense of union power. Therefore, the workers in these jurisdictions have less collective bargaining power and before they know it, their wages are dropping and they have fewer individual rights.

It is well documented that a significant reason for the loss of manufacturing jobs in the rust belt is because companies are moving these jobs to the 'Right To Work' states where wages are lower and where unions have very little power. As well, many of these jobs now qualify as precarious jobs.

So, in my view, there is no doubt that governments are also to blame and must accept their share of responsibility.

There is no doubt either that governments should take strong action to help solve the problem.

Unfortunately, this is unlikely to happen, at least in the short term. As long as there is economic uncertainty in the air, politicians will avoid doing anything which might further rock the boat. After all, their own jobs are more important than the state of the nation. They do not understand, or do not want to understand, that sometimes you need to take a strong dose of medicine you do not like in order to cure your sickness.

In summary, I believe that, from an economic point of view, this potentially unstoppable trend to various forms of precarious work will have very damaging consequences not only for our workforces but for the world economies at large.

However, my major concern goes well beyond the strictly economic ramifications. I believe the explosion in precarious employment is a major factor, if not the main factor, feeding the fires of populism.

By now, it is well recognized that there has been a huge outburst of populism throughout western society and, mostly, it has been populism of the right. There is a growing concern that, if this movement continues to gain momentum, it will have a very serious damaging impact on the world order that has evolved since the end of the Second World War.

Obviously, there are many factors responsible for this rise in populism both on the right and on the left.

However, in my view, the major factor has been the way society has been treating the working class.

Consequently, most workers are afraid. Most workers are also mad. Finally, they are crying out for change and crying out for fairness.

As I said in my paper on Globalization, it is no wonder that, more and more, they are making their voices heard in the political arena and through the ballot box, warning politicians of every persuasion that they mean business. Their unrest is very real and

growing faster than we probably realize. It is increasingly possible that if politicians do not respond to their real concerns very soon, they could very well take to the streets.

If workers should more fully embrace populism and give populists, especially populists of the right, the reins of power, we will be living in a much different world . . . a world we will not like.

Unfortunately, there are many chess pieces on the board and the winning strategy is far from clear. But, one thing is clear. If business leaders and politicians continue to put their selfish self-interests ahead of the legitimate concerns of the citizens, we should prepare for the worst.

Let us all pray that saner minds will prevail.