

The Social Impact of Lower Wage Jobs

Date:	December 23, 2011
To:	Community Development and Recreation Committee
From:	Executive Director, Social Development, Finance and Administration
Wards:	All
Reference Number:	AFS# 14860

SUMMARY

The report responds to the Community Development and Recreation Committee's request for a study of the social impacts of lower-wage jobs on the city and on priority neighbourhood areas.

FINANCIAL IMPACT

There is no financial impact associated with this report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its November 4, 2011 meeting, the Community Development and Recreation Committee considered a letter from Councillor Ana Bailão, Ward 18 Davenport titled "Request for a Study of the Social Impacts of Lower Wage Jobs."

<http://www.toronto.ca/legdocs/mmis/2011/cd/bgrd/backgroundfile-42146.pdf>

ISSUE BACKGROUND

Since the 1980s, Canada's labour market has shifted dramatically, with jobs increasingly divided into two categories: highly-paid, highly skilled jobs that are part of the "creative class" and lower-waged, lower skilled jobs that comprise the "service class". At the same time, the percentage of people employed in "working class" occupations has greatly decreased.

"Working class" occupations once employed more workers than any other occupational class, but according to the 2006 Census, they now employ only 22% of all workers in Canada and 19% of the workers in Toronto. In their place, "service class" occupations now employ more workers than any other occupational class. Service class workers represent approximately 46% of the workforce in both Canada and Toronto.

The growth in service class occupations has been paralleled by the growth of "creative class" occupations that generally require advanced education and a high level of competence in the use of technology. Creative class occupations now employ approximately 29% of the workforce in Canada, and 33% of all workers in Toronto.

Workers in service class occupations often find themselves with few opportunities to advance into better paying creative class jobs. Before the 1980s, most workers typically worked for a small number of organizations over the course of their careers, and could expect to advance from an entry level position in either a service or working class occupation to a more professional, senior position over time if they were loyal to their employer and worked hard.

However, over the last 30 years, employers have increasingly eliminated positions that are not part of their core business. Typical service class occupations such as cleaner, secretarial assistant and customer service representative are now often contracted out or sent offshore, while others have been entirely replaced by technology. As a result, there are few opportunities for workers with lower skill levels to build a career that takes them from an "entry-level" job (where they still exist) to a more senior "creative class" job.

The majority of service class work is precarious, offering little job security, few employment benefits, routine-oriented tasks, little autonomy, very low wages, few opportunities for full time employment, and low rates of unionization. As a consequence of these factors, service class workers earn only 35% of all employment income in Canada, even though they represent 46% of all workers. In contrast, creative class occupations earn 42% of all employment income but represent only 28% of all workers.

These labour market changes are one of the driving forces behind income polarization in Canada. According to a recent comprehensive report from the Organization for Economic Cooperation and Development (OECD), the income gap between the rich and poor in Canada recently reached its highest level in 30 years. The average income of the richest 10% of Canadians is now ten times the average income of the poorest 10% of the population, up from a ratio of 8 to 1 in the 1990s. Canada's income disparity gap exceeds the average across OECD countries.

In Toronto, this growing income polarization also has a geographic dimension, with neighbourhoods increasingly polarized into higher and lower income ones, and middle income neighbourhoods disappearing. This trend was one of the drivers for the City's decision to establish priority neighbourhood areas for investment, all of which are home to a significant number of low income residents.

COMMENTS

It is not possible to provide an analysis of the specific impact that the loss of a number of unionized, well-paid service class jobs will have either on the affected individuals, or on the city's neighbourhoods. Given the nature of service class occupations, the likelihood that displaced workers will be able to secure a similar unionized position with similar wages, similar benefits and similar hours is small. However, whether these displaced workers become low income will also depend on other factors such as the number of income earners in their household and their total household income. Even if all displaced workers suffered a significant drop in income, the impact of this change on individual neighbourhoods will depend on the distribution of these workers across the city.

The general impact of low incomes and precarious employment on both individuals and neighbourhoods has been widely documented. Income and employment are both key determinants of health, and individuals with higher incomes, better education and good quality employment enjoy higher levels of health than do other workers.

An adequate income promotes health by enabling workers to access a greater range of resources such as quality housing, nutritious foods, appropriate transportation, and higher education. It also allows individuals to access leisure time and provides them with opportunities to engage in cultural and other health promoting activities. Economic hardship, on the other hand, can negatively impact health by reducing self esteem and placing significant strain on family and social relationships.

Employment affects workers' health not simply because of the income it provides, but also through the working conditions and benefits it offers. For example, low wage work with no health benefits can result in inability to buy medically necessary prescription drugs, as well as challenges in obtaining dental and other health services that are not publicly funded.

Low wage, precarious employment impacts neighbourhoods as well as individuals. In its 2008 report *The Unequal City*, Toronto Public Health demonstrated that areas of Toronto with a greater proportion of people living with low income also have higher rates risk factors for illness (such as physical inactivity), higher rates of disease (for example, lung cancer among men) and higher rates of death at earlier ages compared with higher income areas.

The growing polarization in occupations, wages, neighbourhoods, and health outcomes is not inevitable, and governments have a number of options available to reverse these trends and mitigate their impacts.

In the long term, the OECD has identified that the creation of more and better jobs that offer good career prospects is the most promising option available for improving incomes and reducing inequality. These job creation strategies must be matched with investments in human capital that begin with early childhood education and continue with incentives that encourage both workers and employers to invest in ongoing skill development and education.

In the short term, the OECD believes that taxation policy and income redistribution programs must be reformed to quickly and directly address the large and persistent losses that low income groups have suffered through recent recessions, and to ensure that top income earners contribute their fair share to the tax burden.

Finally, the OECD notes that the provision of freely accessible and high-quality public services such as education and health care are extremely important, and can reduce inequality as effectively as income supports. Canada places a greater emphasis on these kinds of services to reduce inequalities than do other OECD countries.

The City is active in a number of areas identified by the OECD as being central to addressing inequality and its effects. Toronto Employment and Social Services (TESS) has been undergoing a transformation in its service provision, increasingly shifting its focus from strictly delivering financial assistance to a more holistic model that emphasizes seamless integration and access to employment services, income benefits and a range of social supports required by low income residents to escape poverty and transition to employment. The City is also working to ensure that services provided to jobseekers and employers are better aligned, more accessible, more effective and more efficient. The aim is to provide the foundation for an integrated and coordinated approach to workforce development in Toronto.

The City also provides a wide range of services that improve the quality of life, improve outcomes, and mitigate the impact of inequalities for low income residents. Services such as libraries, public health, parks, recreation, transit, and housing are all part of the net of services identified by the OECD as an important tool in addressing inequality. The City has also worked to enhance these services in ways that particularly benefit low wage earners with initiatives such as priority neighbourhood investment areas and Tower Renewal. In early 2012, Committee and Council will set its direction for the next phase of targeted investment in under-served neighbourhoods when it considers a renewed Toronto Strong Neighbourhoods Strategy.

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SIGNATURE

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ATTACHMENTS

Appendix A – References

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