
Options for Responding to Changes in Working time and Alternative Work Arrangements

Background Document for Lessons Learned
on the Innovative Workplace

Prepared by the
Canadian Labour Market and Productivity Centre
For Evaluation and Data Development Branch
Strategic Policy
Human Resources Development Canada
May, 1997

TABLE OF CONTENTS

1.0	INTRODUCTION	1
2.0	CHANGES IN THE LABOUR MARKET	3
3.0	VIEWS OF LABOUR AND BUSINESS	5
3.1	LABOUR'S VIEW	5
3.2	BUSINESS INTERESTS	5
4.0	SUMMARY OF FINDINGS FROM CASE STUDY EVIDENCE	7
5.0	OPTIONS	9
5.1	OPTIONS FOR EFFECTING CHANGES IN THE DISTRIBUTION OF WORK	11
5.2	SUPPORT FOR WORKSHARING INITIATIVES	12
5.3	PROTECTION FOR NON-STANDARD WORKERS	13
5.4	ACCOMMODATING THE LIFE CYCLE	14
5.5	PROMOTING FLEXIBILITY IN THE WORKPLACE	16
5.6	FORGING PARTNERSHIPS	18
5.7	SUPPORTING NEW RESEARCH	18
6.0	CONCLUSION	19

1.0 INTRODUCTION

Rapid technological advances, demographic changes, and increased global competitiveness, present significant challenges for business, labour, and government. The goal may be to better equip a company to deal with new business climates through increased flexibility or productivity. It might be to improve the quality of work life for people or it might be a way to create or protect jobs. As a result, there are a growing number of workplaces that are implementing new work arrangements, including changes in working time.

Redistributing work and supporting new work arrangements will not increase the overall amount of work to be done. However it is consistent with the government's broad social and economic goals to the extent that they could help reduce unemployment and underemployment, enhance productivity and operational flexibility, support the development of a healthy and productive workforce, improve the quality of family and community life, and increase economic and social equity. To that end, there is a growing recognition that macro goals regarding productivity, employment, and income distribution may be served by micro policies that play out at the enterprise or workplaces.¹ But often institutional frameworks and public policies act as an impediment to the introduction and maintenance of organizational innovation. This paper presents a range of options for the Federal government to consider in determining how it can address the issue of new work arrangements.

1 Betcherman, Gordon, *Changing Workplace Strategies, Achieving Better Outcomes For Enterprises, Workers and Society*. Report on the International Conference organized by the Government of Canada and the Organization for Economic Cooperation and Development, Canada,/OECD, forthcoming 1997.

2.0 CHANGES IN THE LABOUR MARKET

In the 1980s and 1990s the labour market has undergone significant evolution, including in the number and types of jobs available, and the nature of work itself. Persistent high levels of unemployment and shrinking real incomes have contributed to a widely shared sense of personal economic insecurity amongst many Canadians.

As a proportion of total employment, part time work has risen from 13 percent in 1977 to 18.9 percent in 1996. Women (28.2 percent) and younger workers aged 15 to 24 years (45 percent) are especially engaged in part time jobs. Although many workers choose to work part time for a variety of reasons, more and more people are accepting part time work because they cannot find full time jobs. Temporary work, which often involves few benefits and lower pay as well as lessened job security; multiple jobs; and self-employment have also increased in recent years.

The distribution of working hours has become more polarized. The proportion of people working a traditional 35-40 hour work week declined from 65 percent in 1976 to 54 percent in 1995. More people are working longer (over 40 hours a week), and more people are working less (fewer than 35 hours a week). Some observers see a redistribution of working hours as a way to address unemployment and job creation concerns.

3.0 VIEWS OF LABOUR AND BUSINESS

There are wide differences of view among various constituencies, however, about how government should best respond to these issues.

3.1 Labour's View

The paramount issue for labour is easing the economic insecurity many individuals feel as a result of changes in their workplace or the economy at large.

Labour's concerns centre around:

- a redistribution of hours of work to create or preserve employment opportunities and jobs;
- greater flexibility in arrangements that allow individuals a greater control over both their working arrangements and life outside;
- the link between training and development measures and the new work arrangements. Training in generic skills needs to be emphasized;
- improved conditions for part time workers including pay and benefits, training and advancement opportunities; and
- easing the adjustment of workers who have been dislocated as a result of new work arrangements.

3.2 Business Interests

The business interest is to find ways to meet the new challenges in the business environment. There is a need to:

- provide greater operational flexibility both in scheduling and employee performance to provide better utilization of operations;
- increase cost control and productivity;
- retain skills within an organization given the increasing importance of service and quality;
- find ways to accommodate time pressures faced by individual employees which often results in reduced absenteeism; and

- improve morale.

The challenge is to find approaches that will provide the economic security individuals want and still meet the competitive challenge employers face. Whatever the approach, business and labour concur that it must be jointly agreed to and worked out in a way which recognizes the needs of both parties in the workplace.

4.0 SUMMARY OF FINDINGS FROM CASE STUDY EVIDENCE

The CLMPC has been involved in a number of projects which have documented the varied approaches Canadian workplaces have adopted to respond to the new challenges.

All of the CLMPC experience reinforces the view that the key stakeholders – business and labour – need to be the primary actors in the process of workplace change. Business and labour may enter into the process with different priorities, but must be able to find the common ground which allows them to meet their objectives.

A recent CLMPC Task Force examined several Canadian workplaces where labour and management have tailored their own working arrangements to reflect their own needs, environments, challenges and goals.² In each case, the study considered the impacts of these new arrangements on employment, stress, cost and productivity. A number of common principles and elements emerged when the individual cases were examined comparatively.

Five workplaces from different industrial settings and in different contexts of change provided a base for examining the range of changes happening in the workplace. While the context of change varied, in all cases there was a recognition on the business side that operational activities had to be changed and new practices introduced. Labour was more concerned about the preservation or possible creation of jobs as well as addressing the stress many employees were experiencing.

Two of the cases addressed the issue of job loss, one through changing job shifts, and the other through an innovative work sharing program which established a voluntary hours bank that allowed laid off workers to be re-hired. In both cases, there was some government support which allowed the companies to experiment with different arrangements.

In three of the cases, new work arrangements were designed to address the work-family issues and time pressures that employees were experiencing. In each case, the approach used reflected the specific culture and nature of the industry. An important feature of all three cases is that the precise arrangements

2 Canadian Labour Market and Productivity Centre, Changing Times, New Ways of Working: Alternative Working Arrangements and Changes in Working Time, Ottawa, April 1997.

were worked out between the individual managers and employees, within the framework of the collective agreement, or in the case of the non-unionized site, company policy.

In all cases, participants saw the development of new work arrangements as a vital part of a new relationship between labour and management. The cases reinforced the principle, learned from earlier work, that there are important linkages between security and productivity, in that security can increase productivity and increased productivity can lead to better security. The cases illustrated that the arrangements should be seen as a whole package with a series of different trade-offs. The balance that is struck is often the result of intense negotiation.

It was also apparent that where new arrangements were developed jointly, they tended to be successful because individual needs could be accounted for. In all cases, the development of new work arrangements marked an important change in labour-management relations.

This study reinforces earlier work that demonstrates there is no single preferred solution. Rather, the circumstances and culture of each workplace must be taken into account.

5.0 OPTIONS

Although circumstances may vary from workplace to workplace, government can play a role in helping to create and support an environment which can sustain workplace innovation.

The recent OECD/HRDC conference on Changing Workplace Strategies identified a number of reasons as to why governments would be interested in supporting changes in the workplace.³ Governments need to think about how public policy can support organizational change.

Government has a number of options available, ranging from direct intervention to more indirect and supportive approaches. There has been a great deal of debate about appropriate approaches, both within constituencies and across constituencies, with no agreement as to the preferred strategy. Labour has tended to adopt a legislated and mandated approach, focusing on decreasing the length of the work week, stricter overtime limits, increasing minimum wage, and pro-rated benefits for part time workers. There have also been calls for maintaining, if not increasing, government support to the programs that are considered part of the Canadian social safety net.

Business, on the other hand, has for the most part, preferred a more voluntary approach allowing individuals and firms to determine what works best for them. There has been strong opposition to the imposition of any new forms of legislation which are seen to constrain a firm's freedom to act to maintain competitiveness, to raise operating costs, or to impose new reporting requirements.

Nevertheless, there is a general consensus that wherever possible, new work arrangements or changes in working time should be based on collective bargaining or agreement between employers and employees at the workplace level. In some cases, legislation has been discussed which would provide some basic protection for workers and a level playing field for all employers as to employment standards.

Federal legislation plays an important symbolic role as a lever for change so it is important that consultation processes leading up to such legislation allow a full range of viewpoints to be heard. However, its direct impact on the total workforce is limited, because less than 10% of workers are under federal jurisdiction and because many of the workers in the federal jurisdiction are covered by collective agreements which exceed employment standards.

3 See Betcherman, op. cit. forthcoming 1997.

Federal-provincial cooperation in this area is an essential ingredient in achieving widespread change.

The following is a partial listing of the options and/or tools available to the Federal government. It is provided in the knowledge that business and labour have many different perspectives and preferences on many of the options themselves.

Tax expenditures are powerful policy tools, but they can be costly since they apply across the board. Tax incentives may be effective in achieving their objectives, although this must be balanced against their costs and impacts.

Discretionary funding programs tend to be less expensive than income support or tax expenditures and entail less risk because they can be targeted more narrowly to maximize their impact. In certain circumstances, they can be very cost effective in providing seed money, supporting the activities of consensus building institutions, and providing financial support for innovative research and pilot projects.

The government can play an important role by participating in and supporting the establishment and maintenance of partnerships between business and labour and encouraging ongoing dialogue on issues of common concern. Any significant changes in the labour market and the workplace, will require broadly-based consensus and cooperation among all the major players in the economy.

The government can perform an important function by supporting the collection and analysis of relevant data which can have a major impact on decision-making in the workplace as well as in the area of public policy. There are many areas where not enough is known. Funding research in these areas provides better understanding.

Government can also facilitate change by raising public awareness of emerging issues and by formulating proposals to form the basis of broadly-based public discussion.

The observations and options presented below are preliminary in nature. A more rigorous cost-benefit analysis of their impacts would obviously be required before any action is taken. The options are organized in terms of the issues they are meant to address, and in some cases, several different approaches are suggested. Assessing the relative impact and cost effectiveness of these approaches is an integral part of developing an appropriate strategy for responding to emerging labour market and workplace issues.

5.1 Options for Effecting Changes in the Distribution of Work

It is important to note that there are many different ways in which working time could be reduced and reorganized to create a more equitable distribution of work. Working time can be reduced by limiting overtime, instituting a shorter work day or work week, providing more vacation time or offering various other leave options.

Working time can be reorganized over the life cycle, with leave for the care of dependents, leave for education, training or sabbaticals, and early or phased-in retirement. All have the effect of changing the amount of work a person does, and sharing it among more than one person.

Working time can also be modified to provide more flexibility for employers and workers through the use of flexible starting and finishing times (flextime), shift work, part time or temporary work, compressed work weeks, and work-at-home or telework options. This has the effect of rearranging a set amount of work.

Long hours and overtime

The fixed costs of employment have been identified as a factor in explaining why employers ask their employees to work long hours and overtime. Although payroll taxes make up a relatively small portion of fixed costs, changes in programs such as the Employment Insurance (E.I.) and Canada Pension Plan (CPP) programs could help reduce the incentive for employers to have their employees work overtime rather than hire additional workers.

At present, the ceiling on contributions means that employers' fixed costs do not increase when workers put in longer hours. Removing the ceiling on contributions would increase costs for employers and employees and would be unpopular among both. The ceiling on benefits would have to be adjusted accordingly.

The Advisory Group on Working Time and the Distribution of Work suggested placing a cap on paid overtime at 100 hours, after which employees would have to take time off in lieu, but this idea met with resistance from business and, to a lesser extent, from labour. The data indicates that capping paid overtime would have a disproportionate impact on workers in the industrial sector, most of whom are covered by collective agreements, and who have grown to rely on the income derived from overtime work. Employers are also concerned it would add to their costs and reduce their operational flexibility. At the same time, it would have little effect on reducing the hours of those employees who are currently working long hours but are not entitled to overtime pay.

Rather than making time off in lieu of overtime pay mandatory, some consideration could be given to providing employees with the option of choosing time off after a certain number of overtime hours have been worked. To be effective, the actual number of hours required to trigger this option would have to be determined in consultation with the affected parties and the employer's needs for predictability in meeting operational requirements would have to be taken into account.

Standard hours

Hours of work provisions in employment standards legislation could be modified to facilitate greater use of flexible work arrangements; however, introduction of these measures would require extensive solicitation of the views of labour and management. The needs of workers and employers would have to be carefully balanced. Health and safety concerns and operational needs would have to be met and the issue of workers' right to refuse overtime addressed. With these provisions, it may be possible to relax rigid requirements with respect to daily and weekly hours (perhaps by stretching the maximum hours over a longer period of time, e.g. biweekly, monthly or annually).

5.2 Support for Worksharing Initiatives

Work time reductions may involve a loss of income for workers and increased fixed costs for employers in the short run; however, reductions in working time can often alleviate stress and improve morale and productivity. They also make work available to other workers with similar skills who may be facing unemployment or need more hours of work to obtain a decent income. Work-sharing schemes can also have the additional effect of promoting a greater sense of team work and loyalty to the employer.

Funding from the Employment Insurance Human Resources Investment Fund was used on a pilot project basis to support work-sharing in the Alcan plant in Jonquière, Quebec. This occurred in a community where alternative jobs were few. There was a strong impetus to seek innovative ways to share the work. This was achieved through banking of unpaid work, the payment of overtime by time off, the integration of statutory holidays into workers' schedules, and greater training efforts.

This was presented as a package and it was voluntary. Both parties, employer and union, were able to accomplish their objectives. The union gained additional employment for its members, the employer gained operational flexibility.

Consideration could be given to extending this approach to other situations where workers and employers have reached agreement on working time reductions to create or preserve jobs. These expenditures may pay off in the long run in terms of savings in E.I. benefits., although this impact would have to be tested

The Unemployment Insurance Work Sharing program has been utilized successfully to support work-sharing in situations of temporary economic downturns. It has been suggested that this program could be used to support the retraining of employees during the hours freed up by working time reductions. The program could also be expanded to provide support for working time reductions in situations of longer term restructuring. As with all such interventions, the costs of such changes would be a factor governing their adoption

Another idea that has been put forward to facilitate work sharing is providing some kind of reduction (or holiday) from payroll taxes for employers who introduce voluntary working time reduction schemes.

5.3 Protection for Non-Standard Workers

Employment Insurance coverage

The recent reform of the Unemployment Insurance program provided employees who work under 15 hours a week with access to E.I. benefits, removing one potential source of disadvantage to part time workers, who make up a large portion of the non-standard workforce.

However, individuals who are self-employed, ranging from consultants and small business owners to those who provide in-home daycare, cannot benefit from the Employment Insurance program. In many cases, their income is not high enough to accumulate adequate savings to support themselves through periods of unemployment. Provision of optional coverage for self-employed workers through the E.I. program is under discussion.

Pro-rated benefits for part time workers

The idea of providing part time workers with benefits equivalent to those of full time permanent employees has been around for a long time. The Wallace Commission made this recommendation in 1979, and a similar recommendation was made by the Advisory Group on Working Time and the Distribution of Work in 1994. It would remove one of the main disadvantages of part time work; however, implementing this proposal poses a number of difficulties. Many part time workers object to having to pay premiums because they cannot afford them or they are already covered by spousal benefits and do not need the extra coverage. Employers resist paying extra costs and can respond by reducing

benefits to full time employees, or by severing the employer-employee relationship altogether and hiring people on contract.

The Government of Saskatchewan introduced legislative provisions requiring equivalent benefits for part time workers in 1996. An examination of this initiative might provide additional insight into the costs and benefits of making pro-rated benefits for part time workers mandatory.

It would also be instructive to look at those sectors in which part time workers do receive comparable benefits to determine the factors that encourage employers to offer them to their part time workers.

Coverage under Employment Standards

Amending employment standards legislation could provide dependent contractors with the same basic protections afforded to workers who are employees. Again, the views of workplace parties would differ greatly but, would be critical in this discussion. The criteria used by Revenue Canada to determine whether a *de facto* employment relationship exists, regardless of how the parties describe the relationship, could be a useful input into this discussion.

5.4 Accommodating the Life Cycle

Making time for family responsibilities

In the interest of work and family balance, legislation could be amended to provide time off for family responsibilities. Many employees use their sick leave entitlements to care for family members when they are ill; minor changes to employment standards could legitimize this common practice and would not necessarily require employers to provide more days off than employees are currently entitled to.

The current provision of 26 weeks of unpaid leave after the birth of a child could be extended. Consideration could also be given to allowing parents to choose part time work during this period to ease their transition back into the workforce. Extended leave for the care of infants and young children could provide parents who wish to be more involved in their children's upbringing with the opportunity to do so without putting their jobs in jeopardy. Many progressive employers (including the Federal government) have offered their employees extended leave for the care of young children without any serious impact on their operations.

Looking ahead, some consideration could be given to providing a legislative entitlement to unpaid leave for elder care, similar to what is now available for maternity and paternity leave. Leave for the care of the elderly and other

dependent relatives is also a good investment, not just because it reduces work and family stress for employees, but because the public or private substitute for family care is expensive and often regarded as less than optimal by all concerned.

Personal income tax deductions could be made available to individuals who choose to take time off to care for preschool-aged children or elderly dependents.

In many of the above measures, employers would face additional costs of hiring staff to replace those on extended leave as well as reduced operational flexibility. Efforts to introduce these changes through legislation would therefore be met with strong opposition from the business community. While many employers have already started to implement some of these measures, this has occurred on an individual basis taking local needs into account, or as a result of collective bargaining.

Supporting life long learning

Skills requirements are increasing and changing rapidly in the knowledge-based economy and people need both resources and time to keep up with demands of the labour market. Leave for education, training, skills upgrading, or sabbaticals could support life-long learning, which is key to maintaining a competitive labour force, although the cost implications for employers would clearly be a central issue.

The Advisory Group on Working Time and the Distribution of Work recommended a legislated provision for training or education leave after a specified period of service, but it is difficult to envision how such a proposal could be implemented since employees are changing jobs frequently. Leave for training is part of a larger issue related to how the costs of training should be shared as between workers, employers and the government, and is probably more appropriately dealt with outside the legislative framework.

One approach could be the introduction of personal income tax measures to help subsidize leave for retraining. There is a precedent in the Registered Retirement Savings Plan (RRSP) which encourages people to contribute to their own retirement; similar schemes could be contemplated for encouraging people to accumulate savings to support themselves during periods of education and training. Some employers currently contribute to group RRSPs for their employees, and this model could be applied to savings for training leaves.

The federal Income Tax Act allows for income averaging in cases of self-funded training leave. The availability of this provision could be more widely publicized as part of an effort to encourage life long learning.

Retirement

Phased-in retirement has a number of advantages over early retirement programs. The worker's transition out of the workforce is less traumatic; the

organization retains experienced workers longer, while reducing salary costs, and some working time is freed up for younger employees (although increased hiring costs may be involved). At the same time, the government continues to benefit from income tax revenues and can defer the payment of full retirement benefits.

Although the current provisions of the Canada Pension Plan (CPP) do not present any major barriers to phased-in retirement, the terms and conditions of some superannuation schemes contain disincentives to reducing work time as employees approach retirement. Employers and workers could be encouraged to revisit these pension programs with a view to removing obstacles to phased-in retirement. A report prepared for Human Resources Development Canada has identified a number of existing barriers in traditional pension plans and in the regulatory environment which need to be addressed for successful phased-in retirement programs.⁴

It should be noted that smaller businesses often have less flexibility to offer innovative work pattern programs. A more difficult issue is the perception that by implementing phased-in retirement programs, employers are encouraging part time employment. Employers looking to downsize would prefer employees to fully retire rather than have employees enter into part time work.

With respect to CPP (and QPP), the drop-out provisions for child care and the income-based trigger for contributions already support flexible work arrangements and leave options. A parallel approach could be to provide drop out provisions for elder care. The CPP could be amended to accommodate a phased-in retirement program.

5.5 Promoting Flexibility in the Workplace

Leading by example

The Federal government has already taken steps as a major employer to promote flexible work arrangements and leave options, most recently by introducing leave with income averaging and phased-in retirement on a temporary basis in the context of downsizing and renewal in the public service. The results of a planned comprehensive study of human resource practices in the public service, which will assess the costs and benefits of these arrangements could offer useful guidance for other employers contemplating these kinds of initiatives and should be made widely available.

4 William M. Mercer Limited, Report on Phased-in Retirement Pension Plan Issues.

Collecting and disseminating information on best practices

To use the term “best practices” may be somewhat misleading as there is no single solution to addressing the changing realities of the workplace. Instead, there are a variety of approaches that can be tailored to meet the needs of the individual workplace. What is lacking is information on where these have been used and what the results have been to employers and workers.

It is anticipated that information obtained from the Workplace and Employee Survey (WES) which is being developed in Statistics Canada under contract with HRDC, will help provide a better understanding of the dynamics of workplace change.

The collection and dissemination of information from workplaces across the country about what works and what doesn't could contribute greatly to wider adoption of flexible work arrangements which meet workplace-specific needs and, as well, identify ways to facilitate adjustment to the new realities in the workplace. Government could encourage best practices in the workplace by conducting or sponsoring more case studies and disseminating the results. There is currently little information available on small and medium-sized enterprises, especially in the growth sectors, such as information technology and communication.

Incentives for employers

The corporate income tax system could be used to provide incentives to employers who institute flexible work arrangements and leave options or work-sharing initiatives. The costs associated with these measures need to be weighed against the longer term benefits to society of having more people employed through work-sharing, giving people more time to attend to family responsibilities or to upgrade their work skills, and increasing productivity in the workplace.

Tax credits similar to those currently available for investment in research and development and purchasing new capital equipment could be made available to firms that want to increase their productivity through investing in innovative human resource practices.

By providing financial incentives in the form of seed money or pilot projects, governments can encourage a variety of creative approaches that workplaces can adapt to the changing environment.

5.6 Forging Partnerships

Since business and labour also have something to gain by facilitating more flexible work arrangements which governments can support, partnerships at all levels to achieve common goals are essential.

Sectoral approaches have been used in recent years to provide support for adjustment responses as well as providing training support for industry specific skills. The sectoral approach allows for business and labour to jointly determine what approaches are best suited to the sector /industry and develop a strategy for implementation. What is critical to the success of these councils is both the initial support, as well as the terms and conditions for ongoing help.

5.7 Supporting New Research

It is evident that there is much to learn about the impact of changes in working time and the distribution of work on the labour market and the workplace. Continued support for research is essential to provide a firm, empirical and theoretical foundation for policy development. There is strong interest from business and labour in having a mechanism for assessing the outcomes of existing workplace innovations. Preliminary work has shown this would be a fruitful avenue to continue.

There are many unanswered questions about the social and economic impacts of the trend to part time work, temporary work, multiple job holding, working at home, and self-employment. Further work on time use and on the development of statistical measures which are more reflective of the emerging labour market would add to the understanding of all parties.

Accurate and timely information on trends in collective bargaining arrangements and in human resource practices in the public and private sector, together with examples of innovative workplace practices, is essential to support effective decision-making at the level of the organization.

Investing in these kinds of research does not imply significant cost increases, but may entail a shift in government research priorities.

6.0 CONCLUSION

Basic assumptions about the labour market and the workplace are continually being challenged by the changes that are occurring. As a consequence, it is difficult to determine how to proceed, and it is risky under the circumstances to invest all efforts in a single approach. The evidence would indicate that no one approach will provide the solution.

Public policies and programs can aid or impede the workplace and social adjustment to economic restructuring. It is a challenge to policy makers to ensure public policy evolves in a way which anticipates emerging trends, and supports economic change while recognizing the need for complementary social structures.

A judicious policy response to changing conditions in the labour market and the workplace requires careful consideration of a wide range of options and an assessment of the potential impact of consequences, intended and unintended. In this regard, full consultation with business and labour regarding potential approaches will be essential. Efforts to affect the distribution of work or alternative working arrangements do not provide a complete response to the employment and labour market-related issues confronting government at this time, but could be a component of a larger policy response.

Given the current fiscal constraints, and the mixed support for mandated solutions to labour market and workplace change, the most prudent course of action would be for the Federal government to develop a strategy combining a number of policy approaches. This strategy would place greater emphasis on the use of those policies which provide incentives for the adoption of innovative work time practices that promote and publicize innovative workplace practices and that support consensus building and cooperation among the major stakeholders in the economy. In the meantime, further research and policy analysis would lay the groundwork for any additional approaches that are deemed necessary as the future of work unfolds.