



## **Protecting Canada's Vulnerable Workforce in a Digital Age**

Submission to The Government of  
Canada for consideration in the  
reform of the Canada Labour Code.

April 2021

**Canadian Poverty Institute**

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# Protecting Canada's Vulnerable Workforce in a Digital Age: Submission to The Government of Canada, Ministry of Labour

## EXECUTIVE SUMMARY

This brief has been prepared in response to the invitation by the Government of Canada for submissions “to better understand how current federal labour protections could be updated to reflect today’s workplace realities. This includes all workers who enter into short-term contracts to complete specific and often one-off tasks, not just those who work through digital platforms like delivery or freelance applications.” The Canadian Poverty Institute has a particular interest in this matter due to the high risk of poverty associated with such work. This brief provides an overview of our understanding of the issue and a series of policy recommendations.

### Benefits of Virtual / Gig Work

- Increased access to employment opportunities for workers in remote locations.
- Increased access to employment opportunities among workers who may be excluded from the labour market due to personal factors (such as disability) or systemic discrimination.
- Increased employment flexibility that enables labour force participation among those with other responsibilities, such as caregiving.
- Increased employment flexibility that enables workers to better balance their work and life responsibilities.

### Challenges of Virtual / Gig Work

- Lack of labour protections (employment standards, occupational health and safety, minimum wage) due to transnational nature of the virtual labour market.
- The virtual labour market and gig economy increase worker competition as workers or regions compete against each other and drive wages down.
- Reduced bargaining power of labour due to the challenges with labour organizing in the virtual labour force and associated reduced potential for collective bargaining.
- Reduced worker health and well-being due to the isolating nature of work with few opportunities for social interaction, training or professional development, as well as difficulty maintaining a healthy work-life balance.
- Reduced job satisfaction as workers are disconnected from projects due to micro-tasking.
- While gig work can provide increased opportunities for labour market participation for those who have been marginalized, for example for women, it can also lead to increased exploitation of those populations as per above.
- Reduced financial security due to low wages, job instability and lack of benefits or retirement provisions.
- Lack of social protections due to non-standard employment relationship that disqualifies workers from Employment Insurance, Workers Compensation or other coverage.

## **Recommendations**

1. **Human Rights.** Ensure that Canada adheres to its obligations under the International Covenant on Economic, Social and Cultural Rights that guarantee the right to work, fair wages, rest and leisure, limitations on working hours, promotion, social protection, and the right to form and join trade unions. Accordingly, the Government of Canada should pursue changes to the Canada Labour Code and its social protection systems as a matter of human rights.
2. **Income Redistribution.** Policies to redistribute income are required that incent job quality and financial security. Recognizing that low-wage and precarious employment results in increased public costs, establish differential corporate tax rates that account for such costs. Employers relying on non-standard low-wage labour should be taxed at a higher rate than those providing stable, living wage employment.
3. **Social Safety Net.** The social safety nets need to be redesigned to account for new forms of employment. The introduction of a Universal Basic Income may be a more effective approach to social welfare in the new economy.
4. **Regulatory Framework.** Work trans-nationally for the adoption of global worker protections and employment standards. Ensure that government procurement prioritizes contracts with contractors that meet internationally accepted labour standards.
5. **Platform Coop Development.** Foster the development of worker owned platform cooperatives by creating a stronger enabling environment for cooperatives to establish.
6. **Employment Support.** Support employers to provide workforce training through wage subsidies and other incentives, particularly among equity seeking communities.
7. **Research.** Support research that identifies and evaluates emerging and best practices in advancing job quality in the virtual workforce.



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## INTRODUCTION

This brief has been prepared in response to the invitation by the Government of Canada for submissions “to better understand how current federal labour protections could be updated to reflect today’s workplace realities. This includes all workers who enter into short-term contracts to complete specific and often one-off tasks, not just those who work through digital platforms like delivery or freelance applications.” This brief provides an overview of our understanding of the issue and a series of policy recommendations.

Under international human rights conventions, including the International Covenant on Economic, Social and Cultural Rights, Canada has an obligation to the progressive realization of workers’ rights. This includes the right to work and fair wages that guarantee a decent living, as well as the right to safe and healthy working conditions; equal opportunity for everyone to be promoted in their employment to an appropriate higher level; to rest, leisure and reasonable limitation of working hours; the right to form or join trade unions; and the right to social protection.<sup>1</sup> The recent growth of precarious work, particularly non-standard virtual work characteristic of the “gig” economy, infringes on these rights. Accordingly, Canada has an obligation to address the challenges posed by such employment as a matter of human rights.

### **Labour Market Trends, Precarious Employment and the Growth of Virtual Work**

Demographic, social, political and technological shifts are driving changes in the global, national and regional economy. These changes are having important impacts on sectors and firms, on the labour force, on workers and on our society and communities. The economic impact of these changes includes shifting patterns of production and consumption along with growing inequality arising from a global rebalancing of wages. Associated with these changes is a rise in precarious employment with significant implications for the health and well-being of workers.

Advances in communications technology have allowed for greater integration of the global economy as well as increased consumer knowledge and participation leading to the rise of the digitally networked economy. This rapid technological change is an important disruptive force that is redefining traditional production and consumption relationships that benefit some and negatively impact others. New technologies are offering new ways for people to produce, sell, buy and consume products. One of the effects of this shift is the unbundling of work into smaller specialized tasks, both allowing for new types of work to emerge, while at the same time challenging the livelihoods of those whose work is being broken down.<sup>2</sup>

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<sup>1</sup> United Nations. (1966). International Covenant on Economic, Social and Cultural Rights. New York: United Nations.

<sup>2</sup> Policy Horizons Canada (2012). The Next Economy: Transformation and Resilience in Times of Rapid Change. Ottawa: Government of Canada.

While the impact of new production technologies is often associated with changes in the manufacturing sector, these trends are also affecting the service sector where the transition to a knowledge economy has led to more flexible work arrangements such as on-line or self-employment. This shift from blue collar to knowledge work may reflect the preferences of the creative class and drive new norms in employment relationships. Further, services are increasingly trans-national as firms no longer require physical proximity to their workforce. This trend may increase as new virtual technologies replace the need for human inter-face.<sup>3</sup>

These social, economic and technological changes are having important impacts on the workforce as more flexible labour market conditions have led to a shift toward more flexible terms of employment. Flexible terms of employment include non-standard work, or “precarious” employment, characterized by part-time or temporary work, low wages, uncertain scheduling and lack of benefits. This form of work in Canada is increasing. Recent estimates suggest that only 60% of workers in the GTA have stable and secure jobs. Non-standard employment is particularly prevalent among women, as well as members of racial and ethnic minorities, immigrants and youth.<sup>4</sup>

It is expected that the future of work will increasingly be non-standard in form. Long term techno-economic trends such as the evolution of the project economy and hyper-specialization which allows work to be done anywhere will dramatically shift the way work is organized. Policy Horizons Canada predicted “*We may see a rise in part-time, self-employed, entrepreneurial, temporary, contract and freelance work, with frequent job changes and people working for more than one employer at a time ... These shifts have the potential to erode traditional employer-employee relationships.*”<sup>5</sup>

The rise in non-standard employment is also related to the rise of virtual work where middle-skilled jobs are increasingly in demand. This is resulting in the transformation of standard middle-class occupations into non-standard work arrangements such as self-employment or contingent work.<sup>6</sup> Increasingly, online work platforms are leading to a global marketplace for buying and selling labour. With increasing global connectivity arising from advanced communications technology, work is becoming increasingly unbound from place. This is being driven by Business Process Outsourcing (BPO) mediated by Digital Labour Platforms dissociated from the organization outsourcing the work.

This has emerged at the confluence of two trends: un / under-employment in many parts of the world and rapidly changing connectivity.<sup>7</sup> Virtual work is driven by the possibility for unbundling work in which complex projects are broken down into sub-process and contracted out to online contingent workers who are geographically dispersed and work essentially entrepreneurs. While

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<sup>3</sup> *Ibid.*

<sup>4</sup> Lewchuk, W. et al (2013). *It's More than Poverty: Employment Precarity and Household Well-being*. Poverty and Employment Precarity in Southern Ontario, McMaster University and United Way Toronto.

<sup>5</sup> Policy Horizons Canada, *Ibid.*, p. 18.

<sup>6</sup> Balliester, T. and A. Esheikhi (2018). *The Future of Work: A Literature Review*. Geneva: International Labour Organization.

<sup>7</sup> Graham, M. I. Hjorth, and V. Lehdonvirta (2017). *Digital Labour and Development: Impacts of the Global Digital Labour Platforms and the Gig Economy on Worker Livelihoods*. Oxford, UK: University of Oxford.

freelance microwork currently accounts for a small percentage of the Canadian workforce, it is expected that there will be massive growth in this type of work in the future.<sup>8</sup>

### **Benefits of Virtual Work**

For some workers, opportunities for non-standard virtual work bring important benefits. In remote areas, such work has the potential to open job opportunities that may otherwise not exist in the local labour market. In a global market, labour opportunities may also open up for those who have traditionally been excluded in local labour markets. This can occur by allowing workers to access distant labour markets, or to access their own through a veil of anonymity that may overcome overt forms of discrimination. Further, the nature of non-standard virtual work can open up opportunities for those who have social / physical constraints to standard work, such as a disability or caregiving responsibilities. The flexibility inherent in virtual work platforms may also enable workers to better manage their work and life responsibilities.<sup>9</sup>

### **Impacts on Workers**

Although certain benefits accrue from non-standard virtual work, there are important impacts to workers and their communities that also arise.

#### *Worker Rights and Protections*

In the new emerging workforce, there is concern about the ongoing protection of workers' rights. With respect to virtual work, there is a real risk of a lack of privacy, increased capacity for discrimination, and unpaid wages. New technology can also increase the ability of employers to conduct surveillance of their employees which could have important psychological impacts.<sup>10</sup> Further, in this world there is a lack of rules for conflict resolution leaving workers in a highly vulnerable position.<sup>11</sup>

This trend may be further exacerbated by the rise of virtual work where current labour law does not necessarily apply, leading to the risk of greater exploitation. Labour law that sets standards for minimum wages, hours of work and working conditions only applies to standard employer / employee arrangements, not to freelance / contingent situations. Further "*the dispersed geography of digital work reveals examples of employment being dis-embedded from local norms and local moral economies that would traditionally regulate an employment relationship, and towards what might be seen as a more internationally operating entrepreneurial moral economy based singularly upon competition.*"<sup>12</sup>

As the virtual work universe expands, the bargaining position of labour is weakened as workers lose their capacity to organize. An important characteristic of emerging service sector and virtual

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<sup>8</sup> Policy Horizons Canada (2016). Canada and the Changing Nature of Work. Ottawa: Government of Canada.

<sup>9</sup> Graham, M. I. Hjorth, and V. Lehdonvirta, Ibid.

<sup>10</sup> Unifor (2018). The Future of Work is Ours: Confronting Risks and Seizing Opportunities of Technological Change. Available [Online]: [www.unifor.org/sites/default/files/documents/document/1173-future\\_of\\_work\\_eng\\_no\\_bleed.pdf](http://www.unifor.org/sites/default/files/documents/document/1173-future_of_work_eng_no_bleed.pdf)

<sup>11</sup> Balliester and Esheikhi, Ibid.

<sup>12</sup> Graham, Hjorth, and Lehdonvirta, Ibid., p. 146.

work is that it tends to be non-union. Unionization rates across Canada have been declining over the past several decades, a trend that the rise in virtual work may contribute to. Moreover, due to the transnational nature of virtual work, employers can easily seek labour from where it is cheapest, leading to a “race to the bottom” as workers undercut each other for work.<sup>13</sup> At the same time, it is possible that this may lead to a new wave of labour organizing as movements for online organizing are starting to emerge.<sup>14</sup>

### *Financial Security*

Online work poses an important risk to job security as it alters the traditional employer / employee relationship with important financial implications. As noted by Policy Horizons Canada “*Unless other innovative sources of income security arise, as more and more jobs become virtual, workers may lack a predictable supply of work, regular and good wages, benefits like a pension plan, a path for advancement and access to today’s income security programs...*”<sup>15</sup>

In a review of precarious workers in Ontario it was reported that precarious workers tend to earn less and face more uncertainty. Precarious workers earn 46% less than secure workers and report household incomes that are 34% lower. Such workers face income variability and rarely receive benefits beyond a basic wage.<sup>16</sup> They are also more likely to have difficulty making ends meet with about 1 in 5 racialized women having concerns about paying for rent or food.<sup>17</sup>

Due to the structure of Canada’s income security programs which are based on standard employment, many also do not qualify for income security and related public benefits. Further, due to the income instability of non-standard employment, the ability of workers to make investments in housing or pensions is reduced, compromising their future income security.<sup>18</sup> As a result, low retirement savings and high levels of debt may force many to delay retirement and continue with part-time or contract work past the normal age of retirement.<sup>19</sup>

The financial security impacts of virtual work may potentially extend beyond just the virtual workforce. A recent report found that the impact of the growth of part-time employment in Ontario has been constrained overall wage growth as compensation for part-time work is lower.<sup>20</sup> Further, the de-skilling associated with some aspects of technological change can also lead to lower wage rates over time as work is devalued by both employers and workers.<sup>21</sup>

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<sup>13</sup> *Ibid.*

<sup>14</sup> Policy Horizons Canada (2016). *Ibid.*

<sup>15</sup> Policy Horizons Canada, 2016, *Ibid.*, p. 5.

<sup>16</sup> Lewchuk et al (2013). *Ibid.*

<sup>17</sup> Lewchuk, W. et al (2018). Getting Left Behind: Who Gained and Who Didn’t in an Improving Labour Market. Poverty and Employment Precarity in Southern Ontario, McMaster University and United Way Toronto, p. 46.

<sup>18</sup> Balliester and Esheikhi, *Ibid.*

<sup>19</sup> Policy Horizons Canada, (2012). *Ibid.*

<sup>20</sup> Busby, C. and R. Muthuluman (2016). Precarious Positions: Policy Options to Mitigate Risks in Non-Standard Employment. Toronto: C.D. Howe Institute.

<sup>21</sup> Unifor, (2018). *Ibid.*



### *Job Satisfaction*

Changes in skill requirements, reduced financial and job security, along with the erosion of labour protections can contribute to greatly reduced job satisfaction. A report by Unifor notes “*Technological change is driving work to become increasingly unbundled and worker expectations about what workers can expect from a job have declined from a life-long career to contract work and even micro-tasks.*”<sup>22</sup> This can lead to job estrangement where workers feel alienated from their work with associated negative psychological and emotional impacts.

Not only does this have negative impacts on the individual worker, it can also affect the labour force overall. For those for whom non-standard work is not preferred such work could result in worker discouragement leading them to exit the labour market.<sup>23</sup> Given the expected contraction of the labour force due to population aging, factors that could lead to worker discouragement and labour market exit should be taken seriously.

### *Health and Well-being*

The impact of the techno-economic changes described above risk having important effects on workers’ health and well-being. Precarious employment is associated with poorer general health and poorer mental health. In a survey of the precarious workforce in Ontario, an increase in poorer levels of mental health was noted over the past 5 years, particularly among racialized workers and lower educated workers.<sup>24</sup> Poor physical, mental and emotional health may be due to difficulties maintaining an appropriate work-life balance as workers have little control over their working hours.<sup>25</sup> Many precarious workers do not know their work schedules in advance, often work on call and hold multiple jobs. Consequently, employment related anxiety interferes with personal and family life as well as with fulfilling household activities.<sup>26</sup>

As noted by Policy Horizons Canada, the difficulty maintaining an appropriate work-life balance may arise from a more networked economy characterized by flexible forms of employment and a 24/7 work environment.<sup>27</sup> As noted above, there is the potential for virtual work to allow people to better balance work and caregiving responsibilities in the home by opening up opportunities for those who may otherwise been excluded from the labour market due to their caregiving roles. The negative aspect of this is that it may perpetuate the gendered division of labour as women may be expected to continue traditional caregiving roles while also participating in the formal labour market.<sup>28</sup>

In addition to the challenges associated with balancing work-life responsibilities, the nature of work itself may compromise mental and physical health. Increased productivity associated with automation may lead to longer work hours or increased mental strain. As jobs shift to less physical work, there may be increased psycho-social stress due to an increased pace of work

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<sup>22</sup> *Ibid.* p. 15.

<sup>23</sup> Busby and Muthulumanan, *Ibid.*

<sup>24</sup> Lewchuk et al. (2018), *Ibid.*

<sup>25</sup> Balliester and Esheikhi, *Ibid.*

<sup>26</sup> Lewchuk, et al. (2012) *Ibid.*

<sup>27</sup> Policy Horizons Canada (2012). *Ibid.*

<sup>28</sup> Graham, Hjorth, and Lehdonvirta. *Ibid.*

and higher levels of risk.<sup>29</sup> Further, in the virtual world, occupational health and safety rules do not apply.<sup>30</sup>

Finally, these changes are having significant effects on the ability of workers to maintain healthy family and social connections. In a review of the precarious workforce in Ontario, it was reported that precarious workers are less likely to report having a close friend to talk to or to provide help, are less likely to be living with a partner / spouse and are less likely to have children. Where precarious workers did have a partner / spouse, the partner was less likely to be working. Many also report delaying having children as a result of employment uncertainty.<sup>31</sup>

Precarious employment also makes it more difficult to raise children. Such workers report difficulties buying school supplies, paying for school trips and financing extra-curricular activities. This also affects participating in / volunteering for children's extracurricular activities. Finding childcare is also more difficult for those in precarious employment.<sup>32</sup>

### **Impact on Community and Society**

Beyond the impacts on individual workers and their families, the techno-economic trends discussed above also potentially have significant impacts on the fabric of our communities and society. First, there is growing concern about increasing social inequality arising from the restructuring of the economy and the impact this is having on social cohesion. Growing inequality is feared to be leading to increased social and political polarization.<sup>33</sup>

Secondly, as the workforce becomes more mobile and employment more contract-based, migration may be less permanent with people moving frequently between countries for work. This may lead to multiple allegiances, while also potentially compromising workers' rights. As a result, new immigration complexities may arise with the emergence of highly mobile "global citizens".<sup>34</sup>

Thirdly, the changing nature of employment and growing wage polarization may also impact the financing of Canadian public services and social protection schemes. This is exacerbated by population ageing and the increasing dependency ratio. Mass migration is a further factor that may affect the sustainability of social protection.<sup>35</sup>

Finally, there is concern about the control of new technologies for which there is less regulation and which could be exploited. *"Large tech companies are able to exploit a regulatory framework that was established before these new forms of service delivery were envisioned and, as a result, are able to operate without fully following the rules, including respecting human rights, following the labour code or ensuring that employment standards are adhered to."*<sup>36</sup>

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<sup>29</sup> Unifor. Ibid.

<sup>30</sup> Balliester and Esheikhi. Ibid.

<sup>31</sup> Lewchuk et al (2012). Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Policy Horizons Canada (2012). Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> Balliester and Esheikhi. Ibid.

<sup>36</sup> Unifor. Ibid., p. 6

## Summary

In summary, the new economy emerging from significant social, economic and technological transformation presents both new opportunities as well as risks. As noted by the International Labour Organization: “Overall, flexible work together with temporary contracts are likely to make further inroads in the future. These forms of employment are often linked to lower wages, less training and reduced career development. Also, outsourcing of previously secure jobs to self-employed individuals who perform small and precarious tasks is expected to lower labour standards on a broad base. Moreover, work is also likely to be project-based with high turn-over rates, providing those workers with less access to social protection and work security.”<sup>37</sup> This emerging environment may present several key policy challenges including the following.

- **Transforming the legal / regulatory framework** – There is a need to rethink the existing legal regulatory framework with respect to work and develop innovative approaches. In the European Union, for example, a new class of worker is being discussed – the “economically dependent worker” who is self-employed but depends on a single employer for their work and income.<sup>38</sup>
- **Ensuring a fair and living wage** – While ensuring minimum payments for online freelance work is difficult, the move to a minimum income could offset the downward income pressure brought about by contingent work.
- **Labour Market Integration** – Online work is increasing access to work for those who have previously been disadvantaged in the labour market (e.g. persons with disabilities or living in remote areas). However, there is a need to develop pathways that allow people to progress from virtual work to more rewarding standard employment. There will be a related need to adapt worker skills to new opportunities requiring opportunities for workplace training.
- **Rethinking Social Protection** – In an economy where permanent jobs may be more scarce and project-based, while linked to employers and markets around the world, there may be a need to adjust social policies to account for this new reality. While enforcing social protection will be difficult in a virtual space, opportunities for transnational cooperation around issues like fair wages and social security are emerging. This includes voluntary initiatives like Wage-mark where companies identify themselves as meeting certain labour standards. Such types of initiatives could be made mandatory. There could also be negotiated global social insurance schemes to be regulated through domestic institutions.<sup>39</sup>
- **Updating Social Security Programs** – Current social security arrangements are based on traditional employment relationships. With the rise of virtual work, where income security becomes de-linked from employment there will need to be a reconceptualization of how social security is delivered. Some emerging approaches include developing a system of portable benefits that follows a worker through their life course, or attaching social benefits to citizenship rather than employment.

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<sup>37</sup> Balliester and Esheikhi. *Ibid.*, p. 22.

<sup>38</sup> Policy Horizons Canada. (2016). *Ibid.*

<sup>39</sup> *Ibid.*

- **Distributing Risk and Responsibility** – As the new economy develops, a critical challenge will be to better distribute the risk and responsibility between the worker, business, and the state. As noted by Policy Horizons “*In the emerging work configurations of the digital economy, businesses will realize significant cost savings from virtual work and robotics but offload their financial responsibilities for workers to the state and to workers themselves. Individuals will bear the brunt of ill health and workplace injuries ... with costs to society in the form of healthcare burden and productivity losses.*”<sup>40</sup>

## **Recommendations**

1. **Human Rights.** Ensure that Canada adheres to its obligations under the International Covenant on Economic, Social and Cultural Rights that guarantee the right to work, fair wages, rest and leisure, limitations on working hours, promotion, social protection, and the right to form and join trade unions. Accordingly, the Government of Canada should pursue changes to the Canada Labour Code and its social protection systems as a matter of human rights.
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3. **Social Safety Net.** The social safety nets need to be redesigned to account for new forms of employment. The introduction of a Universal Basic Income may be a more effective approach to social welfare in the new economy.
4. **Regulatory Framework.** Work trans-nationally for the adoption of global worker protections and employment standards. Ensure that government procurement prioritizes contracts with contractors that meet internationally accepted labour standards.
5. **Platform Coop Development.** Foster the development of worker owned platform cooperatives by creating a stronger enabling environment for cooperatives to establish.
6. **Employment Support.** Support employers to provide workforce training through wage subsidies and other incentives, particularly among equity seeking communities.
7. **Research.** Support research that identifies and evaluates emerging and best practices in advancing job quality in the virtual workforce.

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<sup>40</sup> Policy Horizons Canada. (2012). *Ibid.*

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## ABOUT THIS REPORT

This report submission was produced by the Canadian Poverty Institute in response to The Government of Canada's call for submissions to inform changes to the Canada Labour Code pertaining to non-standard and virtual workers. Information for this submission was drawn from previous research commissioned by the Ontario Trillium Foundation contained in the report [Poverty and the New Economy: Promises and Challenges for Ontario](#). The Canadian Poverty Institute is an inter-disciplinary institute of Ambrose University with a mission to contribute to the healing of poverty in Canada through teaching, research and practice.

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