

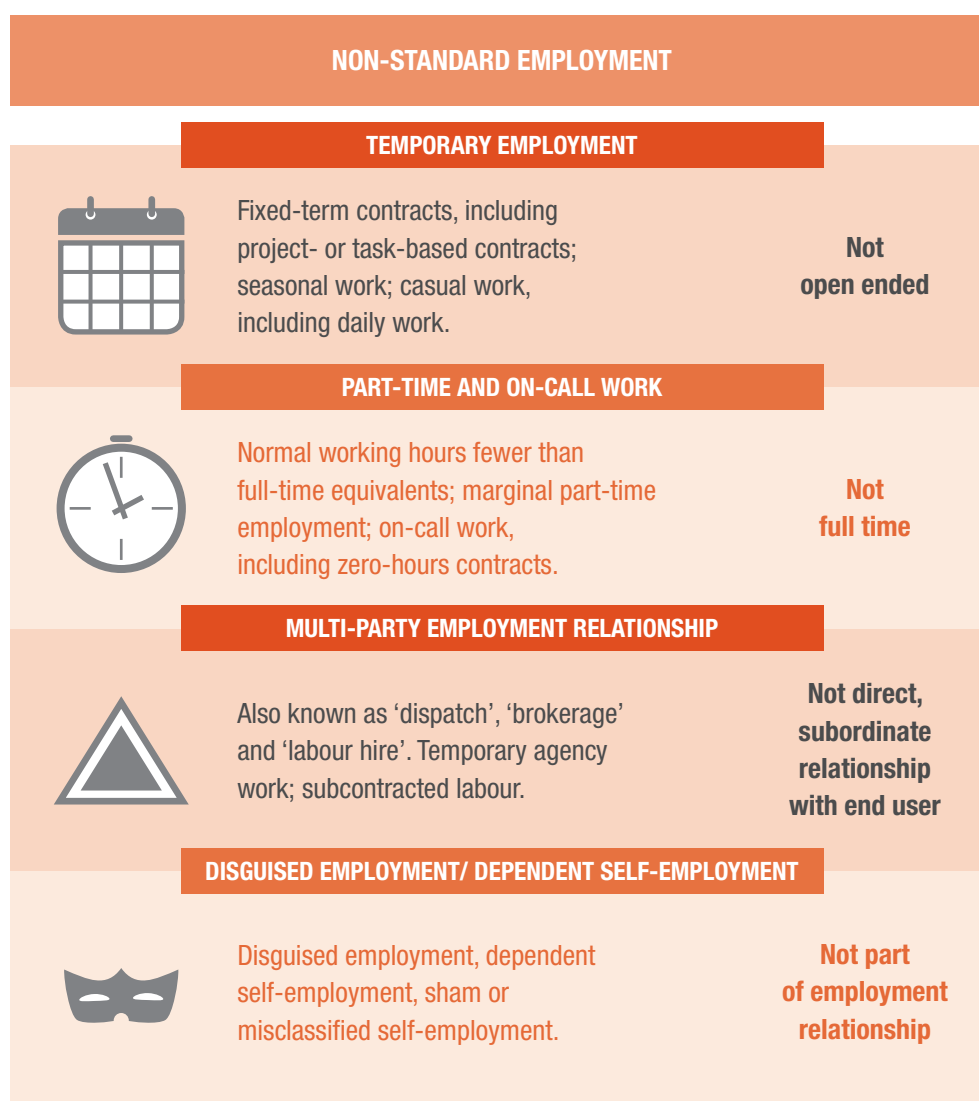


Understanding challenges, shaping prospects

MAIN FINDINGS AND POLICY RECOMMENDATIONS

Non-standard forms of employment (hereinafter “non-standard employment”, or “NSE”) have become a contemporary feature of labour markets around the world. Their overall importance has increased over the past few decades in both industrialized and developing countries, as their use has become more widespread across economic sectors and occupations.

NSE comprises four different employment arrangements (see figure below) that deviate from the “standard employment relationship”, understood as work that is full time, indefinite, as well as part of a subordinate relationship between an employee and an employer.



For some, working in NSE is an explicit choice and has positive outcomes. However, for most workers, employment in NSE is associated with insecurity. NSE can also pose challenges for enterprises, the overall performance of labour markets and economies as well as societies at large.

Supporting decent work for all requires an in-depth understanding of NSE and its implications. This report details trends and consequences of NSE and draws on international labour standards and national experience to advance policy recommendations that help to ensure protection of workers, sustainable enterprises and well-functioning labour markets.

Trends in non-standard employment

The growth of NSE is the outcome of multiple forces. It reflects changes in the world of work brought about by globalization and social change – such as the increased role of women in the world’s labour force – but also regulatory changes. At times, laws have encouraged the use of NSE – either purposefully or unwittingly – by creating incentives for its use by enterprises. In other cases, there are gaps or grey areas in the law that have provided fertile ground for the development of non-standard work arrangements. Some of these gaps have resulted from the decline of collective bargaining in countries where collective agreements had previously been the dominant form of regulation.

Key trends in NSE include the following:

- In over 150 countries, the average use of temporary employees in registered private sector firms is 11 per cent, with about one-third of countries around this mean. There are wide divergences in the use of temporary employment, however, ranging from under 5 per cent in Jordan, Latvia, Norway and Sierra Leone to over 25 per cent in Mongolia, Peru and Spain. There are also considerable divergences in its use by firms: more than half of enterprises do not use temporary labour, whereas around 7 per cent use it intensively (more than half of their workforce is on temporary contracts).
- While women make up less than 40 per cent of total wage employment, they represent 57 per cent of part-time employees. Many women work part time as it allows them to combine paid work with domestic and care responsibilities. In countries such as Argentina, Germany, India, Japan, the Netherlands, Niger and Switzerland, there is more than a 25 percentage point difference in women’s participation as part-time employees when compared to men.
- Casual employment is a prominent feature of labour markets in developing countries, and has grown in importance in industrialized countries. In Bangladesh and India, nearly two-thirds of wage employment is casual; in Mali and Zimbabwe, one in three employees is casual. In Australia, where casual employment is a specific employment category, one out of four employees is casual.
- In industrialized countries, the diversification of part-time work into “very short hours” or “on-call” work, including “zero-hours” contracts (with no guaranteed minimum hours), has parallels with casual work in developing countries. In the

United Kingdom, 2.5 per cent of employees were on zero-hours contracts at the end of 2015. Approximately 10 per cent of the workforce in the United States have irregular and on-call work schedules, with the lowest-income workers the most affected.

- Data on temporary agency work (TAW) and other contractual relationships involving multiple parties are scarce. In countries with available data, TAW spans from 1 to over 6 per cent of wage employment. Asian countries have witnessed the growth of various forms of dispatched, agency, subcontracted or outsourced work throughout the past decades. In Indian manufacturing, contract labour reached 34.7 per cent in 2011–12, up from negligible levels in the early 1970s.

Non-standard employment poses risks for workers, firms, labour markets and society

NSE, particularly when it is not voluntary, may increase workers' insecurities in different areas. While insecurities can also be present in standard employment relationships, they are less prevalent than in the different forms of NSE. Key findings include:

- *Employment security.* Transitions from temporary to permanent employment range from a yearly rate of under 10 per cent to around 50 per cent, in countries with available data. The greater the incidence of temporary employment in the country, the greater the likelihood that workers will transit between NSE and unemployment, with the possibility of transitioning to better jobs less likely.
- *Earnings.* Workers in NSE face substantial wage penalties relative to comparable standard workers. For temporary employment, penalties can reach up to 30 per cent. Part-time employment is associated with wage penalties in Europe and the United States but carries wage premiums for higher-skilled workers in Latin America.
- *Hours.* Workers in on-call employment and casual arrangements typically have limited control over when they work, with implications for work–life balance, but also income security, given that pay is uncertain. Variable schedules also make it difficult to take on a second job.
- *Occupational safety and health (OSH).* There are significant OSH risks due to a combination of poor induction, training and supervision, communication breakdowns (especially in multi-party employment arrangements) and fractured or disputed legal obligations. Injury rates are higher among workers in NSE.
- *Social security.* Workers in NSE are sometimes excluded by law from social security coverage. Even when they are formally protected, lack of continuity in employment and short working hours may result in inadequate coverage or limited benefits during unemployment and retirement.
- *Training.* Workers in NSE are less likely to receive on-the-job training, which can have negative repercussions on career development, especially for young workers.
- *Representation and other fundamental rights at work.* Workers in NSE may lack access to freedom of association and collective bargaining rights either for legal reasons or because of their more tenuous attachment to the workplace. They may

also face other violations of their fundamental rights at work, including discrimination and forced labour.

There are also important and under-appreciated consequences for firms, particularly if their use of NSE is intensive, as well as for labour markets and society at large:

- *Implications for firms.* Firms that rely heavily on NSE need to adapt their human resource strategies from training and development of in-house employees to identifying the sets of skills that the firm needs to buy from the market. An over-reliance on NSE can lead to a gradual erosion of firm-specific skills in the organization, limiting its ability to respond to changing market demand. While there may be some short-term cost and flexibility gains from using NSE, in the long run, these may be outweighed by productivity losses. There is evidence that firms that use NSE more, tend to underinvest in training, both for temporary and permanent employees, as well as in productivity-enhancing technologies and innovation.
- *Labour markets and society.* Widespread use of NSE may reinforce labour market segmentation and lead to greater volatility in employment with consequences for economic stability. Research shows that for temporary and on-call workers, it is more difficult to get access to credit and housing, leading to delays in starting a family.

Policies to address decent work deficits in non-standard employment

Building on guidance from international labour standards and current practices observed at the national level, this report advances policy recommendations to address decent work deficits in NSE in four main policy areas.

- *Plugging regulatory gaps.* Ensuring equal treatment for workers in NSE is essential; it is also a way of maintaining a level playing field for employers. Establishing minimum guaranteed hours and limiting the variability of working schedules can provide important safeguards for part-time, on-call and casual workers. Legislation also needs to address employment misclassification, restrict some uses of NSE to prevent abuse, and assign obligations and responsibilities in multi-party employment arrangements. Efforts are needed to ensure that all workers, regardless of their contractual arrangement, have access to freedom of association and collective bargaining rights. Improving enforcement is also essential.
- *Strengthening collective bargaining.* Collective bargaining can take into account particular circumstances of the sector or enterprise and is thus well-suited to help lessen insecurities in NSE. However, effort is needed to build the capacity of unions in this regard, including through the organization and representation of workers in NSE. Where it exists, the extension of collective agreements to all workers in a sector or occupational category is a useful tool to reduce inequalities for workers in NSE. Alliances between unions and other organizations can be part of collective responses to issues of concern to non-standard and standard workers alike.
- *Strengthening social protection.* Countries should strengthen, and sometimes adapt, their social protection systems to ensure that all workers benefit from social protection coverage. This may include eliminating or lowering thresholds on minimum

hours, earnings or duration of employment so that workers in NSE are not excluded, or making systems more flexible with regard to contributions required to qualify for benefits, allowing for interruptions in contributions, and enhancing the portability of benefits between different social security systems and employment statuses. These changes should be complemented by efforts to guarantee a universal social protection floor.

- *Instituting employment and social policies to manage social risks and accommodate transitions.* Macroeconomic policies should support full, productive and freely chosen employment, including through public employment programmes, when needed. Unemployment insurance programmes should cover a broader range of contingencies such as reduced working hours during periods of economic recession, as well as temporary absences of workers who are undergoing training. Policies to support parental and other care leave and to facilitate transfer from full-time to part-time work and vice versa, as well as the provision of care facilities, help workers to reconcile work and family responsibilities.

Policies are needed to ensure that all types of work arrangements constitute decent work, as no contractual form is immune to the ongoing transformations in the world of work. While the years ahead will undoubtedly bring new changes, the dependence on work for one's livelihood and the effect of work on a person's overall well-being will not change. It is thus incumbent on governments, as well as employers, workers and their organizations, through national, regional and international efforts, to focus on these challenges in the context of the future of work, with the goal of promoting decent work for all.