

Health Impacts of Contracting Out

Policy Brief

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Contracting Out At The City Of Toronto

In recent years the City of Toronto contracted out a significant number of services to the private sector to reduce spending. The decision to contract out garbage collection west of Yonge Street is widely known, but a range of other services have also been contracted out. This policy brief focuses on the City's 2012 decision to contract out cleaning and housekeeping services and the impact on physical and mental health for workers.

Following 2012's contracting out of cleaning and housekeeping work, city council requested that staff develop better processes for ensuring job quality in the contracting out process. This paper seeks to support the City in its goal of ensuring job quality as part of the contracting out process.

While there has been some analysis of job quality for employees working for firms that have won the contracts, there has been little analysis of the impacts of contracting out on employees who continue in public sector employment. As part of the contracting out process earnings, working conditions and access to employment benefits were reduced for some workers who remained employed by the City. Employment for these city workers became more precarious. There is extensive international literature that demonstrates that job precarity and insecurity can have significant health impacts.

Impact Of Job Quality On Health

Outsourcing of public services is widespread, both in Canada and internationally. However, public discussions on the impacts of contracting out have concentrated on the health implications for others, usually the general public, rather than for the workers themselves. For example, concerns about the conditions in health care facilities, as a result of privatizing hospital cleaning jobs, have surfaced around the rise of hospital acquired infections among patients (1-3).

In one of the few systematic reviews of contracting out, Vrangbaek and colleagues (4) assess both the positive and negative impacts for employees internationally between 2000 and 2012. They note that while they are able to document both positive and negative effects, negative impacts dominate. These include poorer work conditions, decreased salaries, reductions in benefits and entitlements and reduced job satisfaction for workers whose jobs have been contracted out.

Changes to cleaner positions internationally have been shown to create a shift from jobs that are low skilled but provide a livable wage to ones that have reduced pay and involve an intensification of work duties (5, 6). Research on the experiences of contracted out hospital housekeepers and cleaning staff shows an intensification of work duties, understaffing, high employee turnover, difficulties making ends meet, struggling to pay bills and increases in working multiple jobs (7). In British Columbia, where cleaning positions in the health care sector have been mostly outsourced, pay rates for newly privatized workers dropped to 26 percent below the national average union wage for hospital cleaners (8). This downward shift in wages may fuel greater inequities by disproportionately affecting more vulnerable populations, such as women and immigrants.

Research by the Canadian Centre for Policy Alternatives (CCPA), using Statistics Canada data, shows the degree of pay disparities between City of Toronto cleaners and those working in the private sector.

Their analysis demonstrates that earnings for cleaners in the private sector range from 14 percent to 35 percent lower than the public sector. These changes in working conditions and pay can have adverse effects on health (9).

The available research on the health experiences of workers whose jobs have been contracted out suggests that this policy change may exact a heavy wear and tear on employees' health, marked by high levels of injury (including repetitive strain injuries) and musculoskeletal disorders (5, 7). In a Norwegian study of public sanitation workers, physical changes noted in workers' health were linked with heart problems and musculoskeletal pains due to a more strenuous workload and pace due to contracting out (10). Importantly, such research begins to give a sense of the physical aspects of this work which can be exacerbated by intensified work conditions, chronic understaffing, and high staff turnover (9).

Mental health symptoms are also reported with complaints of emotional strain and distress, in addition to anxiety and depression. Stinson and colleagues (8) report deteriorating mental health for workers, evidenced by self-reported depression, anxiety, powerlessness and anger about the changes in their working conditions following the contracting out process. Ferrie and colleagues (11) note a rise in the use of primary health care services to address minor psychiatric issues.

Workers who have gone through a contracting out process also perceive greater job insecurity, stress and vulnerability as a result (4, 12). Job insecurity fuels a persistent sense of uncertainty and powerlessness about their future and their everyday work lives (13). In contrast to individuals who lose their positions, people who remain employed but believe themselves to be at risk for job loss report worse health outcomes than workers in secure employment (14). The international literature on job insecurity and health is extensive and unambiguous; there are clear, adverse health outcomes associated with job insecurity (15, 16).

There is a growing body of health and social policy research on the rise of precarious employment in Canada and the health impacts of these changes. The Poverty and Economic Precarity in Southern Ontario (PEPSO) study helps to illustrate new forms of precarity and the adverse affects of precarious employment on health and well-being, citing employment strain, increased stress and limited community participation (17). In a study of 404 workers in Toronto, Lewchuck and colleagues showed a complex association between work and health. The study showed how elements of the employment relationship and household insecurity (adequacy of household earnings and benefits) contributed to varying health outcomes. Contract workers from various sectors reported poorer overall health than permanent full-time wage earners despite being marginally younger and better educated, two attributes that normally result in better health outcomes. Such research helps to highlight the complex relationship between work and health for people across different forms of employment, as well as the importance of fair, consistent, and equitable work policies.

Job Quality, Health And Contracting Out At The City Of Toronto

To understand the impacts of contracting out on the health and well-being on City of Toronto workers, the Wellesley Institute interviewed 18 cleaners and housekeepers whose work was affected by the 2012 contracting out process. The implementation of the contracting out policy resulted in transitions for lower-seniority staff from full-time to part-time work, shifting to work sites throughout the city, as well as layoffs. The results of our study are detailed in the full report, but this policy brief identifies key themes

about work and health that arose during interviews which are important for the City to take into account as increased contracting out is considered.

As part of 2012's contracting out process, the employment conditions of many workers who remained employed by the City changed. Notably, some employees' status shifted from full time to part time. Our study found that most workers accepted the transition to part time status as it ensured continued employment with the City. However work conditions changed in important ways:

- Consistent weekly hours of work were no longer guaranteed
- Without consistent hours, workers lost stability in their jobs
- The loss of hours and/or a reduced rate of pay meant workers struggled to meet some basic living costs including paying rent, making car payments, or daily transportation
- City workers were reluctant to use sick time, fearing they would be penalized by losing shifts in upcoming schedules if they took time off
- Workers had reduced access to employment benefits and had to pay more for benefits at a time when their earnings were reduced.

Workers in our study reported more intense physical health concerns following changes to their jobs, many of which they attributed to stress. High blood pressure, skin rashes, and headaches were raised by participants and explicitly linked to feelings of pressure and anxiety around their jobs.

People reported ongoing nervousness and worry about their future and what one respondent called “the sense of the unknown” that has had an immediate effect on their daily activities, disrupting sleep patterns and contributing to a sense of emotional or psychological burn out.

Discussion

The issues raised in our study surface broader issues of precarious work and employment conditions, which raise important questions about sources of work related stress and the vulnerabilities experienced by people in relation to their work lives. The invisibility of job insecurity means that it is not easily identified or addressed through institutional policies and practices (18). In addition, there may be distinctive forms of insecurity that surface for sub-groups of precarious workers based on gender, race and ethnicity, or demographic characteristics such as age.

Job insecurity was a major challenge identified by participants in our study. While these workers were arguably fortunate to have gone through the contracting out process and still remain employed by the City, which includes a fair wage and a unionized setting, changes in positions from full-time to part-time and scheduling uncertainty meant that these individuals found themselves in precarious employment situations. However, it is important to note that while these workers faced precarity, they remained in relatively stable work arrangements compared to the industry norms for cleaning staff. Workers who remained with the City, therefore, are essentially on the edge of a cliff; their situation is precarious but would be even more so if they lost their jobs and were to find equivalent work in the private sector.

Reduced access to employer-provided health benefits was another major source of stress for the workers in our study. Eligibility for benefits and the share of the cost borne by employees are dependent on hours worked. This increased both job insecurity and the financial implications of hours and scheduling. There is extensive evidence that lacking access to essential items like prescription drugs can contribute to poor

health. Recent research by the Wellesley Institute found that one-third of employees in Ontario did not have access to employer-provided medical or dental benefits, with women and people with lower earnings less likely to have benefits. Most of Ontario's public prescription drug, dental and vision benefits exclude people in paid employment who have no or inadequate employer-provided benefits. These workers, primarily low-income, may remain uninsured and have to pay for health services out-of-pocket (19). While the expansion of publicly provided health benefits is the clear policy solution, employers continue to play an important role in ensuring that workers have access to essential health services.

Recommendations

Following the 2012 contracting out process at the City of Toronto, councillors asked staff to develop better processes for ensuring job quality in the contracting out process. The City has an obligation to ensure that any positions that are contracted out meet minimum standards to ensure that workers have opportunities for good health.

1. Strengthening the Job Quality Assessment Tool

City staff are currently developing a Job Quality Assessment Tool that would be applied during the contracting out process to ensure that companies that bid on contracts for city services meet important minimum standards, including a living wage, skills and training opportunities and good working conditions. This is an important tool to ensure that workers employed by companies that are contracted by the City enjoy employment conditions that allow them to live with adequate income and safe workplaces.

Based on the findings from our study, it is important that the Job Quality Assessment Tool takes a broad approach to assessing working conditions. Our study found that many of the negative health impacts felt by workers stemmed from stress associated with uncertainty about incomes and hours of work. The City's tool should include measures of job security, for example, and regularity and predictability of scheduling.

2. Incorporating Health Impact and Health Equity Impact Assessments

One of the major lessons from 2012's contracting out process was that there were significant impacts on job stability that were not anticipated, which may have health implications for workers. To avoid these unintended consequences, the City should incorporate Health Impact and Health Equity Impact Assessments (HEIA) into their Job Quality Assessment Tool. Health Impact Assessments identify possible health effects of a policy or program decision, while Health Equity Impact Assessments (HEIA) analyze potential to influence health inequities and/or on health disadvantaged populations. The HEIA tool helps decision makers determine whether policy changes could have an inequitable impact on particular populations and, if so, helps guide changes to the policy to mitigate adverse effects on the most vulnerable and to enhance equity objectives. Finally, the HEIA tool assists in setting targets and measurements to

determine the policy's success.¹ HEIAs should be applied early in the contracting out decision process to ensure that any inequitable impacts are quickly identified and avoided.

3. Assessing Job Quality within the City of Toronto

The City's Job Quality Assessment Tool is important for ensuring that jobs that are contracted out to the private sector meet minimum standards. However, our study showed that the contracting out of city jobs had health and social impacts for workers who remained employed with the City. Workers who remained employed by the City but had a change in their status as a result of contracting out saw their earnings and hours of work reduced, and faced greater barriers to accessing employment benefits and using sick or vacation days.

To avoid this in the future, it is important that the City formally consider the impacts of contracting out positions on job quality. To do so, the City should apply the strengthened Job Quality Assessment Tool to City jobs. When jobs do not meet the minimum standards set out in the tool, the City should make improvements to benefits or working conditions to ensure that it meets the same standards internally that it requires of external contractors.

¹ There are many HEIA tools available, including one developed and used by the Ontario government: <http://www.health.gov.on.ca/en/pro/programs/hea/>

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