



What We Heard
**CONSULTATIONS
ON A MODERN FAIR
WAGES POLICY**

Labour Program
June 2019



Employment and
Social Development Canada

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Développement social Canada

Canada

What We Heard - Consultations on a Modern Fair Wages Policy

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About this report

Fair wages policies generally aim to prevent suppliers from competing for government contracts by paying their employees substandard wages. Typically, they require contractors and sub-contractors to pay their employees at, or above, designated wage levels set for certain occupations and regions. Several Canadian jurisdictions have such policies, such as New Brunswick, Ontario, Manitoba, Yukon and the City of Toronto.

The federal government had a fair wages policy, the *Fair Wages and Hours of Labour Act*, which covered contractors and sub-contractors in the construction, remodeling, repair, and demolition industries. This legislation, originally enacted in 1935 during the Great Depression, was repealed in 2014.

The Right Honourable Justin Trudeau, Prime Minister, asked the Honourable Patty Hajdu, Minister of Employment, Workforce Development and Labour, to work with the Minister of Public Services and Procurement and the President of the Treasury Board to implement a modern fair wages policy. In support of this commitment, the Government of Canada has been consulting with stakeholders about how a modern fair wages policy could help to ensure that workers on contracts funded with taxpayer dollars are paid fairly.

Each year, about 1.9 million employees work for businesses that supply close to \$25 billion worth of goods and services to the Government of Canada. A number of programs are in place to use this purchasing power to improve the lives of Canadians. One is the Federal Contractors Program, which requires certain government contractors (those receiving contracts worth \$1 million or more, and with at least 100 permanent employees across Canada) to seek to achieve and maintain a workforce that is representative of the Canadian workforce, including members of the four designated groups under the *Employment Equity Act*. Another is the Procurement Strategy for Aboriginal Business, which aims to assist Indigenous business development.

Between November 2018 and March 2019, the Government of Canada consulted with members of the public, unions and labour organizations, suppliers and supplier organizations, experts and advocates to listen to their ideas on whether a modern fair wages policy is needed and what it should look like.

This report is a summary of what we heard in the course of consultations that included a public online survey with 234 responses, 6 written submissions, roundtables with representatives from 20 unions and labour organizations, and discussions with representatives from 20 suppliers and supplier organizations.¹

¹ See the Annex for more information about consultation activities.

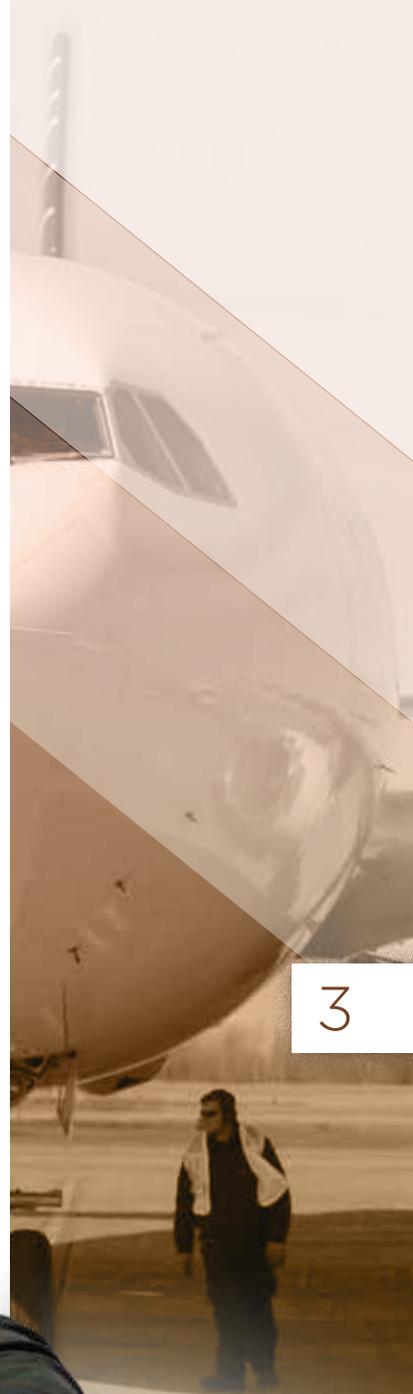
What we heard

Stakeholders sent a clear message during consultations: all Canadians, including those working on federal government contracts, deserve fair wages for their work. At the same time, we heard differing views about what this means in the context of particular industries, occupations and regions.

Overall, unions and labour organizations expressed favourable views of fair wages policies, while suppliers and supplier organizations thought that such policies were neither necessary nor desirable. Experts from academic, business and non-governmental organizations provided mixed views on fair wages policies, while members of the public tended to focus on what such a policy might mean for them and their families.

These views are organized around four key questions, which are summarized below in this section:

- 1. whether a fair wages policy is needed;**
- 2. what a fair wage is;**
- 3. which industries should be covered by a fair wages policy; and**
- 4. what effects a fair wages policy could have.**



Question 1

Is a fair wages policy needed?

We heard from supplier representatives that businesses with government contracts are already paying their employees well, making a fair wages policy unnecessary. They also noted that the labour market is currently pushing wages up, as demand for labour is high and unemployment is low.

“The market is already very competitive in wages, due to shortage of qualified applicants.”

- Online survey participant

Unions and labour organizations, by contrast, argued that a fair wages policy is needed to ensure a level playing field between unionized and non-unionized businesses competing for government contracts. They said that compensation levels set by collective agreements tend to be higher than prevailing market wages, partly because they can include benefits. As a result, they felt that unionized businesses were at a competitive disadvantage because they can face higher labour costs than non-unionized businesses.

“This is required to present a fair bidding field for all employers bidding on federal projects. Without a fair bidding field a union contractor will be eliminated due to the difference in hourly labour costs along with health and welfare benefits not being paid by a non-union contractor.”

- Online survey participant

Some experts argued that a fair wages policy is needed to ensure that government procurement does not result in low-wage work, while others argued that minimum wage laws could be more effective at addressing low wages.

Members of the public who participated in the online survey suggested that a fair wages policy was needed to support well-paying jobs amid a rising cost of living.

“In order to have a strong economy and a prosperous middle class in our country we need to recognize that it all starts with decent and fair wages for our workers.”

- Online survey participant

Question 2

What is a fair wage?

Jurisdictions that have fair wages policies define a fair wage in different ways. Some rely on the rates found in collective agreements, while in others fair wage rates are set by governments taking into account a variety of sources of information.

In consultations, most unions and labour organizations called for a total compensation approach to the definition of a fair wage, arguing that it should include not only the base wage, but also benefits. They also said that total compensation levels in collective agreements were the most reliable publicly available information on what a fair wage would be.

Supplier representatives told us that decisions about defining a fair wage are best taken by individual businesses in light of market forces and existing laws and regulations. They also noted that the rates published in fair wage schedules under the *Fair Wages and Hours of Labour Act* sometimes lagged behind market rates.

In addition, one expert suggested that the idea of a living wage, pegged to the local cost of living, should be part of the conversation about fair wages.



Question 3

Which industries should be covered?

While some unions, labour organizations and experts called for a fair wages policy to apply to all industries in which the Government of Canada contracts for goods and services, most of what we heard focused on construction, the only industry covered under the previous *Fair Wages and Hours of Labour Act*.

Construction unions were concerned that competition for contracts was causing sub-contractors to pay their workers low wages, sometimes in cash, in order to keep costs down. As a result, they argued, these workers are paid substandard wages, miss out on benefits to which they are entitled, and sometimes lack the training and trades licenses required to carry out their work. Such conditions, these unions told us, would make it difficult to recruit new apprentices and increase the representation of women, Indigenous workers, youth, members of visible minorities, veterans and other groups in the skilled trades.

Construction supplier representatives noted that sub-contracting is standard in their industry, where contractors routinely contract work out to skilled specialists to carry out specific parts of a project. They further argued that construction businesses compete and keep bids low not by paying workers substandard wages, but through good project management, process innovations, strategy and the timely purchase of materials. They said that they are working hard to increase apprenticeships and the representation of underrepresented groups in the skilled trades.

Question 4

What effects could a fair wages policy have?

We heard that the effects of a fair wages policy could vary by industry and occupation, depending on the policy's details, and on whether a policy would take into account the different circumstances of different regions.

Generally, supplier representatives cautioned that a fair wages policy could:

- lead to increased labour costs and new administrative burdens for businesses, particularly small and medium enterprises;
- make it difficult for businesses to remain competitive, pressuring them to choose between being able to compete for government contracts and being able to compete in the wider marketplace;
- shrink the pool of businesses willing and able to supply the Government with goods and services; and
- result in increased procurement costs that would ultimately be borne by taxpayers.

“The Canadian economy is based on a free market system. Imposing arbitrary wage levels may present barriers to new firms wishing to bid work and exclude small enterprises wishing to grow their business [...]”

- Online survey participant

Unions and labour organizations emphasized that a fair wages policy could have many benefits as long as it was strongly enforced, and suggested a variety of specific enforcement measures. They told us that a fair wages policy could:

- result in better quality work, because a level playing field for wages would require businesses to compete primarily on the basis of productivity, efficiency, innovation, and project management;
- benefit non-unionized workers, if it required their employers to compensate them at levels comparable to those found in collective agreements; and
- make it easier to recruit new apprentices and increase the representation of underrepresented groups in the skilled trades by making careers in these occupations more appealing.

“Fair Wage policies are a way to promote positive competition based on raising the skills and productivity of the workforce rather than the destructive competition based on reducing labour costs by cutting workers’ pay. Fair wage policies improve workers’ wages and benefits and are associated with improved apprenticeship outcomes and fewer injuries.”

- Online survey participant

Some experts argued that while a fair wages policy would lead to increased costs in the short run, these costs would be offset by increases in productivity as businesses adapted by investing more in skilled labour and finding efficiencies in other areas.

Members of the public who participated in the online survey said that a fair wages policy could help them stay in the trade for which they had trained, spend more time with their families, and experience less pressure to move away from their communities for work.

“[A fair wages policy] would provide an incentive to stay in the trade, stay and contribute to my local economy instead of find work elsewhere.”

- Online survey participant

Conclusion

Overall, we heard that while there is widespread support for the principle that workers should be paid fair wages, there are differing views among stakeholders about whether a fair wages policy is needed to achieve it, and what this would mean in practice. Unions and labour organizations view a fair wages policy as necessary to achieve a level playing field for unionized and non-unionized businesses and to address specific concerns about sub-contracting in the construction industry. Supplier representatives maintain that employees of businesses with government contracts are already being paid fairly, and that a fair wages policy could result in increased costs and additional burdens for these businesses, particularly small and medium enterprises.

We are grateful to the individuals and organizations who shared their views with us during these consultations. We are reflecting carefully on what we heard as we chart a path forward to ensure that employees working on contracts with the Government of Canada are paid fairly for their work.

Annex: Consultation activities

Online

An online consultation survey on fair wages was held from November 13 to December 14, 2018. A link to the survey was emailed to targeted stakeholders and posted to the Employment and Social Development Canada [consultations website](#). The link was also made available on the Government of Canada's [Consulting with Canadians](#) website and through a Request for Information on Public Services and Procurement Canada's procurement website, [buyandsell.gc.ca](#). It was also promoted on the Labour Program Twitter account, [@Labour_ESDC](#).

Survey participants were asked to identify themselves as "Supplier," "Union," "Expert (non-governmental organization, academic, etc.);" or "Individual," and to answer mostly open-ended questions about fair wages policies, including a possible fair wages policy's scope, requirements and means of enforcement. The survey received 234 responses (230 in English, 4 in French).²

Suppliers worked in education, professional, scientific and technical services, information and cultural industries, construction, and transportation and warehousing. Unions were most heavily concentrated in the construction, utilities, mining, manufacturing and transportation and warehousing industries. The most commonly reported line of work for individuals was electrician and related occupations.

When asked to indicate a province or territory, Alberta, Ontario, Nova Scotia and Saskatchewan were the most common responses provided by participants. Each province and territory was indicated by at least some participants.

Unions (142 participants,³ or 61%) responded most frequently to the survey, followed by individuals⁴ (74 participants, or 32%), and then suppliers and experts (9 participants, or 4%, each).

In addition, the Labour Program also received written submissions electronically from the following organizations:

- Canadian Association of University Teachers
- Canadian Labour Congress
- International Brotherhood of Electrical Workers Canada
- Provincial Building & Construction Trades Council of Ontario
- Public Service Alliance of Canada
- Workers' Action Centre and Parkdale Community Legal Services

² The survey participants were self-selected and did not constitute a representative sample.

³ Included both officers in union organizations and rank-and-file members.

⁴ Respondents who self-identified as individuals; their status was not independently verified. Some participants who self-identified as individuals also indicated that they were members of a union.

Roundtables with unions and labour organizations

Representatives from the following organizations participated in ministerial roundtable discussions in the National Capital Region, Edmonton, or Halifax as part of the consultations for a modern fair wages policy:

- British Columbia Building Trades
- British Columbia Federation of Labour
- Building Trades of Alberta
- Canada's Building Trades Unions
- Canadian Labour Congress
- Canadian Union of Public Employees
- International Association of Heat and Frost Insulators
- International Brotherhood of Electrical Workers
- International Union of Operating Engineers
- International Union of Painters and Allied Trades
- Mainland Nova Scotia Building Trades
- New Brunswick Building Trades
- Ontario Building Trades
- Operative Plasterers' & Cement Masons' International Association
- Public Service Alliance of Canada
- Sheet Metal Workers International Association
- Teamsters Canada
- United Association
- United Brotherhood of Carpenters
- United Food and Commercial Workers

[Read the background paper provided to participants](#)

Consultations with suppliers

At meetings of Public Services and Procurement Canada's Supplier Advisory Committee in the National Capital Region and St. John's, Labour Program officials met with representatives of the following organizations to listen to their views on a modern fair wages policy:

- Aerospace Industries Association of Canada
- Ardan Fitzroy Enterprises Inc.
- Atlantic Canada Aerospace and Defence Association
- Canadian Aboriginal and Minority Supplier Council
- Canadian Association of Defence and Security Industries
- Canadian Association of Management Consultants
- Canadian Chamber of Commerce
- Canadian Federation of Independent Business
- Claire Wilkshire Language Services
- Construction Association of Nova Scotia
- Cougar Helicopters
- Design Manufacturing Inc.
- H&F Electric
- Information Technology Association of Canada
- Newfoundland and Labrador Construction Association
- Newfoundland and Labrador Organization of Women Entrepreneurs
- Oceans Advance Inc.
- Oceans Ltd.
- Ulnooweg Development Group
- Women's Business Enterprises

In addition, Labour Program officials held a discussion with representatives of the Canadian Construction Association.

