

Modernizing Ontario's Fair Wage Policy

An Antidote to Precarious Work

Sheila Block

Introduction

The Ontario government is reviewing the province's fair wage policy, which is a welcome development. The wage rates in Ontario's fair wage policy have not been updated since 1995. They are below the prevailing rates, such that they are no longer effective in setting a floor for wages. In some instances, they are actually below the minimum wage.

However, there is more that needs to be updated in this policy than just the wage rates. The way in which government manages construction projects and the ways in which the labour market functions have changed a great deal since 1995.

For instance, government spending on construction almost exclusively flows through public-private partnerships (P3s) or Alternative Financing and Procurement (AFP). These projects are not subject to the current fair wage policy. Every time the province builds a hospital, a courthouse, or a school in partnership with a for-prof-



it company through an AFP arrangement, there are jobs created that don't have fair wage guarantees.

Similarly, the application of fair wage policies for low-wage workers, such as cleaners and security guards, need to be expanded to cover the broader public sector, and include low-wage workers in buildings where government is a tenant and not only where it is an owner.

The labour market has changed significantly since 1995. Increasing privatization and contracting out in the public sector, and increased sub-contracting in the private sector, means that fair wage policy must be made more expansive in order to be effective. This is required both to protect the workers who are most vulnerable and to maintain an effective wage floor.

For example, if the policy doesn't include sub-contractors, there will be an incentive for contractors who win bids to structure their workforce with more sub-contractors and to misclassify workers as self-employed as a way to reduce their costs. This will result in an ineffective fair wage policy and in an accelerated drive toward a low-wage Ontario.

Currently, Ontario's fair wage policy applies only to wages. As a result, the fair wage policy provides a disincentive to employers bidding on government contracts to provide benefits and it penalizes employers who do so.

It should apply to total compensation, as does the Toronto fair wage policy.

The changes in the labour market also require a more robust enforcement method. The current complaints-based enforcement mechanism is inadequate. The increased use of sub-contracting increases the potential for sidestepping fair wage policies. The increased precarity of the labour market means that workers are less likely to report violations because of fear of reprisals and a shortage of better employment options.

The shortcomings of a complaints-based system have been documented in the context of the Employment Standards Act. Shortcomings include: under-reporting of violations resulting from fear of reprisals and from insufficient knowledge of rights among workers.¹ A proactive approach, rather than a complaints-based enforcement policy, that includes Ministry of Labour inspections, reporting requirements, and penalties for violations would be more effective.

The case for fairer wages

Since 1995, there has been an increase in precarious, low-wage work in Ontario. This has resulted from a number of factors, including: a hollowing out of the manufacturing sector, slow economic growth, and changes in the way that work is organized.²

However, the pain of this restructuring of the labour market has not been equally shared. The bottom half of Ontario families have been losing ground while earnings of the top half have increased. The top half of Ontario families now account for 81 per cent of total earnings, as compared to 78 per cent at the beginning of this century.³ Reducing this labour market inequality will require concerted action from the Ontario government.

Labour law reforms in Bill 148 take important steps towards raising the floor for low-wage workers and increasing access to unionization. However, more can — and must — be done.

Updating Ontario's fair wage policy will protect middle-class jobs in the construction sector as well as improve wages and working conditions for low-wage, precarious workers in building cleaning and security services.

On average, workers in construction earn 122% of the average industrial wage in Ontario. These blue-collar jobs are good, middle-class jobs that should be protected — not only to shore up the middle, but also to ensure that government-funded infrastructure renewal projects result in more good jobs, rather than more low-wage precarious jobs.

Low-wage workers, such as the people who clean government buildings or provide security services in those buildings, also benefit from a better fair wage policy. On average, cleaners and security staff earn between 52 and 64 % of the average hourly wage in Ontario. Any modernization of the fair wage policy needs to ensure Ontario raises the wage floor for the lowest paid workers who are covered by fair wage policies.

Raising the floor on standards for government-funded work in these sectors will have positive spillover effects on the labour market and will help counteract the decline in wages among the bottom half of working families in Ontario.

Benefits of Fair Wage Policies

A CCPA-Ontario paper released in 2014 summarized the evidence on fair wage policies for the construction sector.⁴ If you take wages out of the equation, fair wage policies can promote positive competition that is focused on efficiencies and quality project management, rather than just cheap labour. The positive impacts also include: increasing training in the sector and, perhaps most importantly, improving health and safety in the sector.

The increased labour costs associated with a fair wage policy move competition in the construction industry to areas of efficiency and innovation, resulting in a race to the top rather than a race to the bottom.

Evidence from both the U.S. and Canada shows that fair wage policies strengthen apprenticeship training. When bids are focused on low-wage competition, unskilled helpers often replace apprentices and contractors are unwilling to make the required investments in training.

Research also shows a lower incidence of injury rates when fair wage policies are in place. The risks associated with non-compliance with health and safety regulations were made tragically clear in Ontario when four construction workers were killed and a fifth seriously injured in a swing stage accident in 2009.⁵

The negative impacts of low-wage competition are not limited to workers in the construction industry. There is a great deal of evidence that contracting in out of cleaning services in the public sector has negative impact on wages and working condition workers and on the quality of cleaning services.⁶ The implications of this are particularly problematic in health care settings where cleaning services are essential for healing and to prevent the spread of infections. Similar impacts could be expected for security guards, who are doing dangerous, low-wage work. Effective fair wage policies would be a means of reducing these negative impacts.

Policy Recommendations

An effective fair wage policy will decrease inequality and contribute to decent work in Ontario. The following recommendations will strengthen the policy:

1. Fair wage schedules should be based on total compensation, including both wages and benefits.
2. Fair wage schedules should apply to all employees and independent contractors who are engaged by contractors and subcontractors.
3. Fair wage schedules should be updated annually by Ministry of Labour. For the construction industry, rates should be set for: ICI, sewers and water mains sector, roads sector, and heavy engineering sector based on the most identifiable, best-documented prevailing rates in the defined provincial regions, so that each schedule reflects the total compensation package of each trade and job classification in each of those sectors.
4. The application of the fair wage policy in the construction sector should be broadened so that it includes contractors who are engaged in all government funded projects, including P3s or AFPs as well as covering contracts through all provincial government ministries, board, agencies, and commissions, including all statutory bodies with “independent” status.
5. The application of the fair wage policy for cleaners and security guards should be broadened to include the broader public sector and beyond buildings that the Ontario government owns to those where it leases or rents space.

6. For building and security staff, the wage rates should be based on the living wage for each region for the lowest classification with premiums for classifications above that.

7. The government should require bidding contractors and sub-contractors to comply with all applicable federal, provincial, and municipal laws relating to employment, including the Employment Standards Act, the Occupational Health and Safety Act, the Workplace Health, Safety and Insurance Act, the Ontario College of Trades and Apprenticeship Act, and The Ontarians with Disabilities Act

8. The government should move away from a complaints-based enforcement mechanism toward a pro-active one. This should include filing and reporting requirements as well as enhanced enforcement powers for the Ministry of Labour, including inspections, issuing any required enforcement orders, and penalties for non-compliance including disqualification from future contracts.

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Notes

- 1 Vosko, L. et al. 2017. *Closing the Employment Standards Enforcement Gap: An Agenda for Change* <http://closeesgap.ca/download/841/>
- 2 Mitchell, M and Murray, J. 2017 *Changing Workplaces Review – Final Report*. Ministry of Labour.
- 3 Block, S. 2017 *Losing Ground*. Canadian Centre for Policy Alternatives – Ontario
- 4 Mandryk, Josh. 2014. *The Case for a Stronger Fair Wage Policy in Ontario*. Canadian Centre for Policy Alternatives – Ontario
- 5 Alukah, Raveena. 2009. *Four Migrant Workers Die in Plunge from Highrise*. The Toronto Star. https://www.thestar.com/news/gta/2009/12/25/4_migrant_workers_die_in_plunge_from_highrise.html
- 6 Roch, B. et al 2015. *Contracting out at the city: Effects on Workers' Health*. Wellesley Institute.



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