

Subcontracting in the Manufacturing Sector

A QUEBEC-ONTARIO COMPARISON

Patrice Jalette
École de relations industrielles
Université de Montréal

Study Context

The debate surrounding section 45 of the Quebec *Labour Code* and its impacts on subcontracting in Quebec has been going on for some time. The consultations carried out within the framework of the Mireault report (Mireault et al. 1997) and the 2001 revision of the *Labour Code* gave rise to bitter exchanges between management and unions. While one side wanted greater relaxation of the provisions of section 45 in order to make subcontracting easier, the other sought instead to make the provisions stricter, or at least maintain them as they were.

One of the striking aspects of this debate is the little amount of scientific study and the lack of factual data on subcontracting in unionized environments in Quebec. The majority of the research dealing with this issue is carried out from an essentially legal angle,¹ emphasizing

decisions relative to section 45.² But is there in fact a link between section 45 and the quantity or the diversity of subcontracting in the province? Is less subcontracting done in Quebec than elsewhere as a result of section 45?

Establishing a causal link between section 45 and subcontracting in Quebec remains an extremely difficult, if not an hazardous exercise. There are very little recent data on the practice of subcontracting in Quebec companies, whether unionized or not. No data have been made available on subcontracting in Quebec or in Canada by the Institut de la statistique du Québec or Statistics Canada. Comparative data between Quebec and its neighbours would provide certain answers to the question of whether section 45 really decreases the level of subcontracting in Quebec, even if other provinces have equivalent legislative provisions

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¹ Other studies deal more specifically with collective agreement provisions on subcontracting (see Jalette and Warrian 2002, for instance).

² See, for instance, the work of Routhier-Boudreau (2002), of Chabot, Grant and Mallette (2001) as well as the work of Constantin and Villaran (1999).

(Mireault et al. 1997; Chabot et al. 2001). Without providing any definitive answers to the causal link question, such a comparison would certainly be likely to further the debate.

There are two studies that do provide some answers regarding subcontracting in Quebec in comparison to what is being done elsewhere in Canada. First, Aubert, Patry and Rivard (1999) carried out an enquiry with municipalities across Canada aiming at assessing the extent to which these municipalities subcontracted their activities. The authors concluded that "The outsourcing profile of Canadian municipalities is, however, very similar for all the regions studied" [translation]. Another study (Halley 2000), sponsored by the Canadian Federation of Independent Business, and carried out with member companies from the manufacturing and transportation industries and in part from the service industry, showed that 66.9 per cent of the Canadian companies taking part in the study acknowledged having outsourced contracts to subcontractors, and 64.2 per cent said they had done subcontracting work for another company. Only 19.6 per cent of respondents stated that they had never outsourced work or acted as a subcontractor. As for any differences between Quebec and the rest of Canada, the data were quite ambivalent. In many of the seven activities studied, fewer Quebec companies subcontracted. However, the amount of subcontracts granted was greater in Quebec over the three years studied. Based on these few available empirical studies, the existence of a significant difference between subcontracting levels in Quebec and elsewhere in Canada is far from established. The importance of the current debate, the limitations of past studies and the absence of official data amply justify pursuing in-depth research in the field.

Methodology

Objectives

This research has two objectives:

- 1) to assess the practice of subcontracting in Quebec companies and
- 2) to compare the situation in Quebec to the one prevailing elsewhere in order to establish whether the Quebec situation is different.

Research Strategy

To reach these objectives, a certain number of research choices were made.

First, the research was limited to one specific sector, manufacturing. Focusing on a single sector is justified by the fact that the subcontracting phenomenon takes on various forms and the stakes are somewhat different depending on the sector. The subcontracting issue is not perceived in the same way in the private and public sectors, or in the manufacturing and services sectors. It is easier to target research on one sector in order to measure its subcontracting level properly. Manufacturing was selected because subcontracting is practised by a large proportion of establishments—approximately two out of three establishments, according to Halley (2000)—and it is an industry greatly exposed to international competition, where establishments are likely to introduce innovations, such as subcontracting, in production management (see, for instance, Lapointe et al. 2001; Bélanger et al. 2002).

The second decision to be made concerned the selection of which province should be compared to Quebec. Ontario was chosen for various reasons. The province is traditionally used in comparisons with Quebec because of its proximity and the size of its economy.

Selecting Ontario is also interesting because of the contrast that exists at the political level (until recently, at least): the Progressive Conservative government in Ontario was known for its neo-liberal policies regarding labour, while Quebec policies were seen as being more toward the centre of the political spectrum.

The last important decision regarding research strategy was to choose the data collection method to be used to reach our objectives. We decided to conduct a telephone survey. This method seemed to be the quickest and most effective, taking into account the nature of the survey and the unavoidable budget and time constraints involved in such research.

To sum up, the research strategy consisted of conducting a telephone survey with establishments from the manufacturing sector located in Quebec and in Ontario.

Sample Selection

The manufacturing sector establishments targeted by the telephone survey were chosen from the four following subsectors:

Primary manufacturing

- wood products
- paper
- petroleum and coal products
- non-metallic mineral products
- primary metal manufacturing

Labour-intensive tertiary manufacturing

- food
- beverages
- textile mills
- textile products mills
- clothing
- leather and allied products
- furniture and related products
- various manufacturing activities

Secondary manufacturing

- chemical products
- rubber and plastic products
- metal products

Capital-intensive tertiary manufacturing

- printing and related support activities
- machinery
- computer and electronic products
- materials, electrical devices and components
- transportation equipment

The analysis was done using a random stratified sample. The objective was to contact 100 establishments in each of the four subsectors in each province, or 800 establishments in all. In each stratum, we had to get in touch with 33 establishments having fewer than 50 employees, 33 establishments having 50 to 199 employees, and 33 establishments having 200 employees or more. The structure of the manufacturing sector being different in Quebec and Ontario, the sampling strategy prevents the skewing of the results. Weighting of results according to the distribution of the local establishments would increase total representativeness but would also increase potential effect of the different industrial structures.

Survey Frame

The names and addresses of the Quebec and Ontario establishments to be contacted were provided by Dun & Bradstreet. The database consisted of Canadian companies whose main activity is manufacturing.

Questionnaire

A questionnaire was developed for the purposes of this survey.³ Other than the general identification questions, the questions dealt with nine activities in which the establishment was likely to be involved in the normal course of its operations:

- 1) machining of parts, product manufacturing and assembly;
- 2) equipment maintenance;
- 3) product transportation;
- 4) cleaning services;
- 5) security services;
- 6) food services;
- 7) financial services (payroll, accounting, etc.);
- 8) computer services;
- 9) administrative support (secretarial, clerks, etc.).

For each activity, the interviewer asked the respondent whether this activity was carried out entirely, in part or not at all by the establishment's employees. Depending on the establishment's situation, the interviewer asked respondents why the activity in question was not outsourced, why subcontractors were not used more frequently, and what problems occurred when the activity was outsourced. In order to make things easier for the respondents, we took their spontaneous answers to these questions, except those pertaining to the machining of parts, product manufacturing and assembly, for which a list of a dozen possible answers was provided. The answers were then submitted one by one to the respondent. The use of open questions regarding the other eight activities, to which the respondent answered spontaneously without any answers being suggested, allowed us to

pinpoint motives we had not previously considered and test the validity of the motives we had already identified. The questionnaire was first designed in French and then translated into English. A pretest was carried out with approximately 10 establishments to validate the questionnaire's content. Certain aspects needed to be clarified, specifically by restating some questions and adding answer choices. The time required to complete the questionnaire was about 10 minutes. In almost half the cases, the establishment's respondent was the human resource manager. In the other cases, the respondent was the owner or the president of the company, the plant manager or the production manager.

Interview Schedule

The telephone interviews were carried out between August 18 and September 12, 2003, from the call centre of the Montréal firm Écho Sondage, which was in charge of conducting the survey.

Response Rate and Sample

The response rate was 58 per cent. In Quebec, the quotas were reached in every subsector. In Ontario, only one sectoral objective was not reached in the secondary manufacturing subsector. The survey also registered incomplete quotas among small establishments, several of which were no longer in operation. Table 1 presents the number of survey respondents by industry subsector, establishment size and province.

Margin of Error

The maximum margin of error for the sample of 440 Quebec companies is ± 4.7 per cent, with a confidence level of 95 per cent. The

³ The author will provide the questionnaire upon request.

maximum margin of error for the sample of 405 Ontario companies is ± 4.9 per cent.

Respondent Profile

Table 1 presents the respondent establishment profile based on various characteristics. The breakdown of the respondents by subsector and size is relatively similar from one province to the other. The main difference is union presence. In Quebec, 44.3 per cent of the sampled establishments are unionized, while only 30.6 per cent of the Ontario establishments are unionized. This difference between union rates in the two provinces is similar to the one observed by Girard (2002). However, data provided by Statistics Canada lead us to believe that our sample probably over-represents the proportion of unionized establishments among the population, especially in Ontario. This over-sampling nevertheless implies that the margin of error of our survey will be smaller with regard to the unionized establishments. This is useful,

considering that the main objective of the research is to assess and compare subcontracting in Quebec, specifically in unionized establishments subject to section 45.

Results

The survey results are described below. The first section discusses general indicators on the volume of subcontracting activity in Quebec and Ontario. The second section presents detailed results by activity. The third section describes the motives, or reasons, behind establishments' decisions not to subcontract or to cease doing so.

General Subcontracting Indicators

Table 2 shows the average number of subcontracting activities per establishment. For each establishment, the total number of subcontracting activities was established by adding up the activities that were in fact outsourced⁴ among

Table 1
**Number of Establishments Participating in the Survey
by Province, Manufacturing Subsector, and Establishment Size**

	Quebec		Ontario		Total	
	%	N	%	N	%	N
Total number of establishment respondents (N)	100.0	440	100.0	405	100.0	845
Subsector of the manufacturing industry						
• Primary manufacturing	29.3	129	28.6	116	29.0	245
• Secondary manufacturing	23.6	104	21.0	85	22.4	189
• Labour-intensive tertiary manufacturing	23.9	105	24.4	99	24.1	204
• Capital-intensive tertiary manufacturing	23.2	102	25.9	105	24.5	207
Size						
• 1–49 employees	26.8	118	28.4	115	27.6	233
• 50–199 employees	35.0	154	36.8	149	35.9	303
• 200+ employees	38.2	168	34.8	141	36.6	309
Unionized establishments	44.3	195	30.6	124	37.8	319

⁴ An activity was considered as being outsourced if it was subcontracted entirely or in part.

Table 2
Average Number of Activities Outsourced

	Quebec		Ontario	
	%	N	%	N
Establishments Overall	3.0	440	2.7	405
• 1–49 employees	2.5	118	2.2	111
• 50–199 employees	3.1	149	2.9	144
• 200+ employees	3.3	163	3.0	132
• Unionized	3.2	195	3.2	124
• Non-unionized	2.9	245	2.5	281

the nine activities surveyed. On average, the Quebec establishments outsource more activities than their Ontario counterparts. However, these differences are not very significant, regardless of the size of the establishment or the presence of a union.

Table 3 shows the distribution of establishments according to the number of activities they subcontract. In Quebec, 95.2 per cent of establishments outsource at least one activity, while 87.9 per cent of establishments in Ontario participate in outsourcing. Consequently,

about half as many Quebec establishments never outsource. Moreover, in both provinces, it seems that there are more non-unionized establishments (approximately four times more) than unionized establishments where none of the activities considered in the survey is subcontracted. It is possible that the higher labour costs in a unionized environment constitute a direct incentive to subcontract.

However, this difference may be speculative.

One last indicator for the overall measurement of subcontracting in Quebec and Ontario is where one manufacturing establishment acts as a subcontractor for other establishments. Table 4 shows that Quebec has more establishments acting as subcontractors, although the difference is slim. In both provinces, it seems that non-unionized firms are more likely to act as subcontractors, probably because of their lower labour costs. Smaller establishments are also more likely to act as subcontractors.

Table 3
Distribution of Establishments by Number of Activities Outsourced

	Quebec						Ontario					
	Number of Activities						Number of Activities					
	0 %	1–2 %	3–4 %	5–6 %	7–8 %	N	0 %	1–2 %	3–4 %	5–6 %	7–8 %	N
Establishments Overall	4.8	31.4	48.2	14.7	0.9	440	12.1	28.9	44.2	14.6	0.2	405
• 1–49 employees	11.9	38.1	39.0	11.0	0.0	118	23.5	27.0	40.8	8.7	0.0	115
• 50–199 employees	2.6	32.5	50.0	14.2	0.6	154	8.7	28.9	46.9	15.5	0.0	149
• 200+ employees	1.8	25.6	53.0	17.9	1.8	168	6.4	30.5	44.0	18.5	0.7	141
• Unionized	1.5	28.2	53.8	14.9	1.5	195	4.0	26.6	49.2	19.3	0.8	124
• Non unionized	7.3	33.9	43.7	14.7	0.4	245	15.7	29.9	42.0	12.0	0.0	281

Caution must be used to interpret these results, considering the margins of error involved.

Finally, Table 5 sheds additional light on the situation by combining the last two indicators. This reveals that 3.4 per cent of the establishments surveyed in Quebec and 7.9 per cent of those surveyed in Ontario do not outsource any activities and do not act as subcontractors for other companies. In other words, over 96 per cent of Quebec establishments and over 92 per cent of Ontario establishments from the manufacturing sector use subcontractors or are subcontractors.

Table 4
Establishments Acting as Subcontractors for Other Companies

	Quebec		Ontario	
	%	N	%	N
Establishments Overall	34.2	430	31.3	387
• 1–49 employees	41.5	118	46.8	111
• 50–199 employees	39.6	149	33.3	144
• 200+ employees	23.9	163	15.9	132
• Unionized	26.7	187	26.1	119
• Non-unionized	39.9	243	33.6	268

margins of error associated with these results. The only difference that seems to be significant between the two provinces concerns machining

of parts, manufacturing and assembly: the proportion of establishments that subcontract this activity entirely or in part is greater among Quebec than among Ontario establishments. Another

significant difference exists in security services, but these results are based on a more limited number of observations.

Table 5
Establishments That Do Not Outsource Any Activity and Do Not Act as Subcontractors for Other Companies

	Québec		Ontario	
	%	N	%	N
Establishments Overall	3.4	440	7.9	405

Outsourced Activities

Table 6 presents more detailed results by activity. For the large majority of activities, there does not seem to be any significant difference between Quebec and Ontario. Four activities—administrative support, financial, computer and food services—are outsourced in very similar proportions in both provinces. The first three functions are for the most part carried out in-house, while food services are mainly outsourced.⁵ Differences between Quebec and Ontario are also slim with respect to equipment maintenance, product transportation and cleaning services, considering the

In Table 7, outsourced activities are divided according to the presence or absence of a union in the establishment. In Quebec, the differences between unionized and non-unionized environments are quite slim when the results for each activity are examined individually. Although some results seem to show that unionized establishments subcontract a little more than non-unionized establishments such a conclusion remains subject to caution due to the margins of error associated with these results. The

⁵ Caution must be used when interpreting the result concerning food services due to the small number of cases involved.

Table 6
Distribution of Establishment Activities, Outsourced or Not

	Quebec				Ontario			
	Outsourced Activities			N	Outsourced Activities			N
	entirely %	in part %	not at all %		entirely %	in part %	not at all %	
Machining of parts, manufacturing and assembly	8.6	37.1	54.3	420	3.4	17.0	79.6	383
Equipment maintenance	1.6	35.9	60.2	430	5.6	42.1	52.3	392
Product transportation	53.4	27.6	19.0	406	44.5	27.6	27.9	355
Cleaning services	35.1	14.3	50.6	433	37.1	18.9	44.0	391
Security services	44.0	8.8	47.3	91	70.1	6.0	23.9	67
Food services	71.6	12.5	15.9	88	80.3	4.9	14.8	61
Financial services	8.9	22.0	69.1	437	9.1	17.0	73.9	394
Computer services	14.6	20.6	64.7	417	13.9	22.2	63.9	374
Administrative support	2.4	2.6	95.0	422	1.6	3.7	94.7	374

trend of similarity between both sectors is also observed in Ontario, except for activities such as equipment maintenance, product transportation and cleaning services, which are outsourced slightly more often by unionized establishments, probably because of the higher in-house labour costs.

Motives

Table 8 presents the motives given by the establishments as to why an activity is not outsourced at all or not outsourced more often. Concerning the machining of parts, manufacturing and assembly,⁶ the reason most often stated in both provinces is simply that the company never considered this possibility. It seems that Quebec establishments, proportionally, have given more thought to this option than their Ontario counterparts, which could

explain why this activity is subcontracted more often in Quebec (see Table 6). The wish to fully use the skills available in-house in order to keep from losing them is the second most important motive in both provinces. The difficulty in finding a company capable of meeting quality specifications and criteria, the wish to avoid layoffs, as well as an insufficient production volume and the non-relevance of subcontracting represent the other most frequently stated motives in both provinces.

As for the other activities, it is important to note that a significant proportion of respondents spontaneously mentioned two motives that were not part of the pre-established list: the necessity of employing one person in-house permanently to oversee an activity; and the ease, the speed and the simplicity associated with retaining the activity in-house. The wish

⁶ For each motive, the respondent had to choose one of three answers: entirely, in part, or not at all. The numbers presented here were compiled by adding the "entirely" answers to the "in part" answers.

Table 7
Distribution of Establishment Activities, Outsourced or Not,
According to the Presence of a Union

	Quebec				Ontario			
	Outsourced Activities				Outsourced Activities			
	entirely %	in part %	not at all %	N	entirely %	in part %	not at all %	N
• Machining of parts, manufacturing and assembly	5.4	41.1	53.5	185	0.0	13.2	86.8	121
	11.1	34.0	54.9	235	5.0	18.7	76.3	262
• Equipment maintenance	0.0	40.7	59.3	194	4.2	55.0	40.8	120
	7.2	31.8	61.0	236	6.3	36.4	57.4	272
• Product transportation	61.9	27.1	11.0	181	57.8	28.4	13.8	109
	46.7	28.0	25.3	225	38.6	27.2	34.1	246
• Cleaning services	38.5	17.9	43.6	195	47.1	25.6	27.3	121
	32.4	11.3	56.3	238	32.6	15.9	51.5	270
• Security services	44.1	8.5	47.5	59	77.8	5.6	16.7	36
	43.8	9.4	46.9	32	61.3	6.5	32.3	31
• Food services	78.0	12.2	9.8	41	79.3	3.4	17.2	29
	66.0	12.8	21.3	47	81.3	6.3	12.5	32
• Financial services	1.5	22.1	76.4	195	6.6	16.5	76.9	121
	14.9	21.9	63.2	242	10.3	17.2	72.5	273
• Computer services	10.3	22.7	67.0	194	13.7	17.1	69.2	117
	18.4	18.8	62.8	223	14.0	24.5	61.5	257
• Administrative support	0.5	3.7	95.8	191	0.8	6.5	92.7	123
	3.9	1.7	94.4	231	2.0	2.4	95.6	251

■ Unionized.
 ■ Non-unionized.

to use these skills in-house in order to avoid losing them was another of the motives most often mentioned in both provinces, in keeping with the results concerning the machining of parts, manufacturing and assembly activity.

Finally, it is important to point out that labour regulations—the collective agreement, the *Labour Code* or labour standards—remain of marginal significance in the decision not to

outsource an activity or not to outsource it more often, no matter the activity or the province in question.

Table 9 distinguishes between the reasons given by respondents in unionized and non-unionized establishments. As for the machining of parts, manufacturing and assembly, the motive most often mentioned, whether the establishment is unionized or not, is that the establishment

Table 8
Motives Given by the Establishments as to Why They Do Not Subcontract
or Do Not Subcontract More Often

	Quebec		Ontario	
	%	N	%	N
• The company has a no subcontracting policy	30.9	168	9.9	101
	4.3	116	1.5	32
• Difficulties in finding a company able to meet quality specifications and criteria	47.6	168	34.7	101
	3.1	84	2.3	49
• The company does not have the necessary production volume	41.1	170	39.6	101
	1.1	30	1.3	28
• Outsourcing this type of work is too expensive	42.0	169	30.7	101
	8.0	219	10.2	214
• Subcontracting is not an appropriate method	43.9	164	32.0	100
	5.7	155	5.3	112
• The skills are available in-house and we do not want to lose them	66.1	171	48.5	99
	20.1	550	36.4	767
• The company does not want to make layoffs	54.1	172	37.7	98
	1.4	38	0.1	1
• This would lead to difficulties with the employees	32.7	171	32.3	99
	0.7	18	0.1	1
• The collective agreement does not allow it	26.3	114	30.0	40
	2.0	55	1.5	32
• The <i>Labour Code</i> makes subcontracting difficult	11.3	115	15.0	40
	0.6	15	0.2	4
• The labour standards make subcontracting difficult	9.5	169	12.1	99
	0.4	10	0.1	3
• Someone needed in-house permanently	--	--	--	--
	18.4	503	11.0	231
• A matter of organization: faster, easier, simpler to maintain the activity in-house	--	--	--	--
	25.9	708	11.0	232
• Other	--	--	--	--
	4.6	126	13.2	277
• The company did not consider subcontracting	62.6	302	83.4	302
	3.8	104	5.8	122

■ Machining – Grouping the answers obtained for the activities concerning the machining of parts, manufacturing and assembly with those obtained for the other activities was not possible because the questions asked were not the same. In the case of the first activity, multiple choices were offered to the respondent; that is, he or she was asked whether any of the items ever constituted a motive to not subcontract or not subcontract more often. For each of the other activities, the respondents were instead asked what the two main motives were as to why the activity was not outsourced or why it was not outsourced more frequently. The respondents had to spontaneously provide an answer.

■ Other activities – The answers provided for each activity were added up. In total, the Quebec unionized respondents gave 1,289 motives and non-unionized respondents gave 1,442 motives. As for Ontario, the totals were 638 motives for unionized establishments and 1,467 motives for non-unionized establishments. The proportions are expressed according to these totals and not according to the number of respondents, as is the case for the numbers on the machining of parts, manufacturing and assembly activity.

Table 9
Motives Given by the Establishments as to Why They Do Not Subcontract
or Do Not Subcontract More Often, According to Union Presence

	Quebec				Ontario			
	Unionized %	N	Non- unionized %	N	Unionized %	N	Non- unionized %	N
• The company has a no subcontracting policy	38.2	81	24.1	87	15.6	32	7.2	69
	4.7	61	3.8	55	1.1	7	1.7	25
• Difficulties in finding a company able to meet quality specifications and criteria	41.2	82	43.2	86	31.2	32	36.2	69
	3.3	42	2.9	42	3.0	19	2.0	30
• The company does not have the necessary production volume	38.5	83	43.7	87	31.3	32	43.4	69
	0.1	1	2.0	29	0.5	3	1.7	25
• Outsourcing this type of work is too expensive	39.5	81	44.4	88	35.5	31	28.6	70
	8.7	112	7.4	107	9.4	60	10.5	154
• Subcontracting is not an appropriate method	39.2	79	48.3	85	19.3	31	37.6	69
	5.2	67	6.1	88	4.2	27	5.8	85
• The skills are available in-house and we do not want to lose them	71.1	83	61.4	88	48.4	31	48.6	68
	17.8	230	22.2	320	36.7	234	36.3	533
• The company does not want to make layoffs	62.6	83	46.1	89	33.3	30	39.7	68
	1.2	15	1.6	23	0.0	0	0.1	1
• This would lead to difficulties with the employees	50.6	83	15.9	88	38.8	31	29.4	68
	0.9	12	0.4	6	0.0	0	0.1	1
• The collective agreement does not allow it	36.7	79	2.9	35	35.5	31	11.1	9
	3.9	50	0.4	5	4.6	29	0.2	3
• The <i>Labour Code</i> makes subcontracting difficult	13.9	79	5.6	36	13.3	30	20.0	10
	0.2	2	0.9	13	0.5	3	0.1	1
• The labour standards make subcontracting difficult	14.6	82	4.6	87	10.0	30	13.0	69
	0.4	5	0.4	5	0.2	1	0.1	2
• Someone needed in-house permanently	--	--	--	--	--	--	--	--
	20.7	267	16.4	236	12.4	79	10.4	152
• A matter of organization: faster, easier, simpler to maintain the activity in-house	--	--	--	--	--	--	--	--
	25.9	334	25.9	374	8.8	56	12.0	176
• Other	--	--	--	--	--	--	--	--
	3.9	50	5.3	76	5.6	36	5.9	86
• The company did not consider subcontracting	57.5	127	66.3	175	83.2	95	83.6	207
	3.2	41	4.4	63	13.2	84	13.2	193

■ Machining – Grouping the answers obtained for the activities concerning the machining of parts, manufacturing and assembly with those obtained for the other activities was not possible because the questions asked were not the same. In the case of the first activity, multiple choices were offered to the respondent; that is, he or she was asked whether any of the items ever constituted a motive to not subcontract or not subcontract more often. For each of the other activities, the respondents were instead asked what the two main motives were as to why the activity was not outsourced or why it was not outsourced more frequently. The respondents had to spontaneously provide an answer.

■ Other activities – The answers provided for each activity were added up. In total, the Quebec respondents gave 2,731 motives and the Ontario respondents gave 2,105 motives. The proportions are expressed according to these totals and not according to the number of respondents, as is the case for the numbers on the machining of parts, manufacturing and assembly activity.

never considered subcontracting the activity or subcontracting it more often. The availability of the skills in-house and the wish to avoid layoffs also represent significant motives in both unionized and non-unionized companies. Reasons related to work relations and labour regulations—difficulties with the establishments, collective agreement, *Labour Code*, labour standards—seem to come up more often in unionized environments, where subcontracting is more regulated and discussed more openly. However, once again, it is difficult to find any significant differences, considering the few observations made.

The same results can be seen for the other activities. There really is no significant difference between unionized and non-unionized environments with regard to the motives identified, whether in Quebec or Ontario. The majority of companies have not considered the issue; they want to use the skills available in-house in order to avoid losing them; they need someone in-house permanently; or they believe that it is simpler, easier and quicker to maintain the activity in-house. In both provinces, the motives related to labour regulations seem to have little impact on subcontracting decisions.

Conclusion

The study of the subcontracting phenomenon in establishments from the manufacturing sector in Quebec and in Ontario led to three broad findings.

The first finding is that subcontracting practices in Quebec do not markedly differ from those in Ontario. The subcontracting indicators show that in several respects, Quebec establishments outsource more activities than Ontario establishments, but these differences are not all significant. Activities concerning the machining of parts, manufacturing and assembly

are more often subcontracted in Quebec than in Ontario.

The second finding is that the differences between unionized and non-unionized establishments are relatively slim in both Quebec and Ontario. There are mixed results at this level. While unionized establishments subcontract more often than non-unionized establishments, the latter act more often as subcontractors. Moreover, it is possible that the size of the establishments plays a role in any differences between unionized and non-unionized establishments.

The third finding is that there is no obvious difference between Quebec and Ontario in the companies' consistency and experience with subcontracting. As for the motives for not subcontracting in both provinces, many establishments prefer making full use of the skills available in-house, and some believe they need someone in-house permanently to carry out an activity. For others, it is often simpler, quicker and easier to maintain the activity in-house. A greater proportion of Quebec establishments than Ontario establishments seem to have considered the possibility of subcontracting a few of their activities. Considering the background to this research, we should point out that the "non-subcontracting" motives related to labour regulations—collective agreements, the *Labour Code* and labour standards—remain of marginal significance in both provinces.

What answers does this research offer to the question of whether less subcontracting takes place in Quebec because of section 45 of the *Labour Code*? This study did not aim to establish such a causal link. Instead, the goal was to assess the practice of subcontracting in Quebec compared with Ontario. As for subcontracting itself, the study shows that this production organization method is widespread

in Quebec: over 96 per cent of the establishments surveyed either subcontract or act as a subcontractor, and they outsource an average of three of the activities included in the survey. The practice of subcontracting in Quebec is therefore far from limited.

Moreover, this study tends to show that the practice of subcontracting in the manufacturing sector is very similar in Quebec and Ontario. At first glance, the differing legislative context does not seem to have created important differences. Much more significant differences would have had to be observed to consider the legislative context a potential explanatory factor. More in-depth studies are needed to examine the link between labour legislation and the practice of subcontracting.

This study advances our knowledge of subcontracting in Quebec organizations. The sample of organizations studied is one of the largest ever surveyed on this subject in the manufacturing sector in Quebec and in Ontario. The questionnaire developed contains the most sophisticated measures to define a phenomenon that is not always easy to report on. Despite its limitations (only one sector studied, survey frame coverage, etc.), this research will certainly enable discussions on subcontracting in Quebec to move forward. This research will have achieved valuable success if it stimulates the production of other studies and enquiries on this issue.

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