

***Subcontracting in the Canadian Manufacturing Sector:
Strategies and Motives of Local Actors***

Patrice Jalette PhD

Professor

École de relations industrielles

Université de Montréal

Patrice.Jalette@umontreal.ca

Isabelle Poirier

M.A. student

École de relations industrielles

Université de Montréal

Isabelle.Poirier.1@umontreal.ca

INTRODUCTION

Subcontracting is still a highly contentious issue which has given rise to a major debate in Quebec, in particular on the legislation that relates to it¹. This debate has provoked acrimonious disputes between union and management at the national level. This article sets out the positions of union and management on this issue in the public debate and the literature, and examines in depth, through fieldwork, how issues related to subcontracting are dealt with locally in workplaces. The aim of this research approach is to test the empirical bases of certain assertions about subcontracting that are taken for granted both in the traditional way of thinking about subcontracting and in the debate that took place in Quebec in fall 2003. We suggest that that the widely held conception of subcontracting in unionized environments in general remains relatively simplistic because we still know little about this phenomenon. For example, there is very little

¹ The authors would like to thank the *Fonds québécois de la recherche sur la société et la culture* for funding this research. The author also thank all respondents in the telephone survey and in the case study.

empirical evidence on employer motives for subcontracting and on the circumstances under which the union will or will not oppose subcontracting.

This article will first present the general context of subcontracting as it is practised in Quebec and Canada by examining (1) its legal and institutional aspects, (2) the regulation on this subject contained in collective agreements, (3) the objective data on the actual practice of subcontracting in Canada, (4) the challenges that it poses to employers and unions as well as (5) the recent changes made to the legislation by the Government of Quebec. To enhance our empirical knowledge of the phenomenon, two methods of data collection were used. We first conducted a survey of 845 Canadian manufacturing sector employers. We then carried out a case study of a newsprint mill in which the employer and the unions were interviewed, allowing us to explore in greater depth a number of trends identified in the survey and a number of other assertions made about subcontracting. The results show that a number of assertions that were made during the recent changes to the legislation must be called into question. This research will seek to assess the effects of these changes on the parties.

SUBCONTRACTING IN QUEBEC AND CANADA

Legal and Institutional Context

In Canada, as in the United States, collective bargaining takes place at the level of the establishment (a plant, an office, a business, etc.).² Thus, working conditions are negotiated between a local union and an employer and apply directly to the employees of this establishment which is part of the union certification unit. Recorded in the collective agreement, working conditions concern, among other things, wages, employee benefits, working hours, staff movements, and grievance resolution procedure. In Quebec, section 62 of the *Labour Code* (R.S.Q., c. C-27) provides that “*The collective agreement may contain any provision respecting conditions of employment which is not contrary to public order or prohibited by law.*” Over the years, various laws, including the *Labour Code*, have modified the content of collective

² To learn more about industrial relations in Canada, see Gunderson, Ponak and Taras (2001).

agreements by providing for a number of public order standards which affected the working conditions of unionized and non-unionized workers.

Subcontracting -- i.e. an organization hiring an outside specialized firm to perform a number of operations, is a major aspect of industrial relations which has moreover been subject to a private regulation in collective agreements in Canada. Canadian laws in general, and the Quebec *Labour Code* in particular, do not directly address subcontracting. Federal and provincial laws preserve nevertheless the collective bargaining rights of the union in cases of the sale or transfer of all or part of a business. This was done to prevent an employer from getting rid of the union and the collective agreement simply by selling the business to another company. The public policy purpose is to bind the succeeding employer to the collective bargaining regime that was already in place (Adams, 2001). This is commonly referred to as successor rights of the certified union. In Quebec, these protective provisions were introduced in 1961 in section 45 of the *Labour Code* (Hébert 1992). Thus, the original aim of the law was to protect employees and the union in a situation where their company is being sold and not to protect them against subcontracting by their employer.³

Contracting-out does not automatically trigger successor rights provisions. Nevertheless, it has often been identified as successorship in Quebec because of a broader scope of the provision in the law or because of the general tests applied by its labour relations tribunals (Adams, 2001; Corry, 2000). The legal controversies linked with this legislative provision can be considered to result from its vagueness, in particular as regards the company transferring parts of its operations which Quebec tribunals have often likened to subcontracting (Gagnon, Avignon and Collombat 2003). That is why employer associations in Quebec have lobbied intensively for the deregulation of stringent legal rules regarding contracting-out, which are seen as the main impediment to economic growth in Quebec (Brown, 2001; Millan, 2001). The comparability of Quebec with the other Canadian provinces in terms of legislation on subcontracting has thus become a major issue for these employer associations. But does the main impediment to subcontracting in a unionized environment really come from the legislation?

³ However, it is plausible that it can fulfill somewhat the same function as the practice which the legislative provisions intend to avoid: the more operations are entrusted to subcontractors, the more the union's sphere of influence is diminished.

Collective Agreements

In every jurisdiction in Canada, contracting-out is permitted unless there is a collective agreement prohibiting it (Sack and Poskanzer, 2001; Corry, 2000; Jalette and Warrian 2002). Faced with the potential effects of subcontracting, unions sought to protect themselves through collective agreement provisions aimed at restricting subcontracting. They put pressure on employers to make the latter include a collective agreement provision prohibiting or restricting the granting of contracts to subcontractors. They were successful in some cases but failed in others (Hébert et al. 2003). Even today, not all collective agreements have such a provision; sometimes, the union cannot obtain it from the employer or the provision does not appear to be necessary given the nature of the operations. (e.g., the education sector)

To our knowledge, the collective agreement provisions related to subcontracting are the most complete and concrete data on the practice of subcontracting in unionized environments in Canada. In a recent analysis of Canadian collective agreements, Jalette and Warrian (2002) showed that between 1986 and 1998, there were fewer and fewer collective agreements in both the private and public sectors that did not address contracting-out. The proportion of agreements with contracting-out provisions rose from 37.7 to 55.3 percent, indicating an upward trend. The proportion of employees covered also grew, from 34.9 percent in 1986 to 62.6 percent in 1998. This seems to indicate that the prevailing economic and social contexts at the time caused the unions to be worried about the threats posed by contracting-out to their members' jobs (see also Kumar and Murray 2002).

What do we find in Canadian collective agreements about contracting-out? First, as we saw above, not all collective agreements contain a provision regarding contracting-out. When such a provision is included, the union will not usually achieve a complete ban on contracting-out nor will the employer achieve unrestricted use of contracting-out. The parties will instead agree on rules regarding the type of work that can or cannot be contracted out; the context in which contracting-out can or cannot take place; who can or cannot be the contractor; how a contract can or cannot be contracted out and the limitations of the impacts of contracting-out on employees (Jalette and Warrian 2002). Given its potential adverse impact on the jobs of union members and

on the very existence of the union, the most important condition for contracting-out appears to be the “no-layoff” provision which specifies that contracting-out is allowed unless it causes layoffs of bargaining unit members. However, unions in some industries view subcontracting differently and deal with it in a different way. For instance, the construction and garment unions attempt to limit subcontracting directly, but will also try to extend the provisions of the collective agreement to the subcontractor (Helper 1990). In some other cases, the parties may agree to give workers the opportunity to bid in order to keep the work in-house or to bring back in-house activities and functions that had been outsourced previously, a practice called “contracting-in” or “insourcing” (Allan et al. 2001; Helper 1990). There are in fact numerous combinations of non mutually-exclusive conditions addressing different issues related to contracting-out that may be found in the same collective agreement.

This analysis should highlight the fact that, contrary to what is generally suggested (see Canadian Federation of Independent Business 2003), the quasi-totality (97%) of collective agreement provisions are not “anti-subcontracting” provisions but can sometimes make subcontracting less attractive. While the collective agreement is sometimes considered to be the principal impediment to subcontracting in unionized environments, it should be noted that the collective agreement regulates the exercise of the employer’s right to subcontract but almost never prohibits it. Moreover, the mere presence of these provisions attests to the fact that the parties in the workplace do find an area of agreement on subcontracting, which suggests that it may be an issue that is less conflict ridden than what might be believed at first.

Subcontracting in Canada

Very little is known about subcontracting in Canada. Indeed, one of the striking aspects of this question is that it has been the subject of so few scientific studies and thus there is a lack of factual data on subcontracting in unionized environments in Quebec and in the rest of Canada. Two studies, however, provide some answers regarding subcontracting in Canada. First, Aubert, Patry and Rivard (1999) carried out a survey of municipalities across Canada aimed at assessing the extent to which these municipalities subcontracted their activities. The authors found that many activities were contracted-out and, even if the legal context varies across provinces, “the outsourcing profile of Canadian municipalities is, however, very similar for all the regions studied” (p. 278; translation). Another study (Halley 2000), sponsored by the Canadian

Federation of Independent Business, and carried out with member establishments from the manufacturing and transportation industries and in part from the service industry, showed that 66.9 percent of the Canadian establishments taking part in the study acknowledged having outsourced contracts to subcontractors, and 64.2 percent said they had done subcontracting work for another establishment. Only 19.6 percent of respondents stated that they had never outsourced work or acted as a subcontractor. These numbers support the view that outsourcing has become a mainstream business practice in many organizations. 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 establishments subcontracted. However, the amount of subcontracts granted was greater in Quebec over the three years studied. Based on these few available empirical studies, the actual level of contracting-out in Canadian organizations or the mere existence of a significant difference between subcontracting levels in Quebec and elsewhere in Canada are far from established.

Challenges of Subcontracting for the Parties

What do unions do regarding contracting-out? It is generally taken for granted that unions have vigorously opposed contracting-out because of the threat that it represents to the jobs and working conditions of their members and to their own existence. Based on the typologies of Foster and Scott (1998) and of Lapointe and his colleagues (2001), Poirier (forthcoming 2004) identified four more equivocal union positions. Thus, faced with the employer's intention to subcontract, the union can either: (1) oppose, (2) abstain, (3) support or (4) put forward its own view on subcontracting. According to Foster and Scott (1998), the union can express its opposition through several means: (1) pressure tactics, (2) non-involvement in the process, (3) a judicial process and (4) the collective agreement. In the negotiation process, union strategies are located on a continuum whose extremes are, on the one hand, to completely prevent the use of contracting out and, on the other hand, to fully accept contracting out (Helper 1990) in accordance with what we saw in the previous section. The union position on subcontracting may vary according to the type of activities subcontracted and the employers' motives for subcontracting as suggested by Poirier (2004).

Why do employers contract out? There are two main motivations, one strategic and the other economic. First, employers see contracting out as strategic in the organizational quest for greater flexibility. This is a major driver underpinning the emerging model for organizing the production of goods and services (Murray et al. 2002). Outsourcing is viewed as an important source of flexibility which permits alternative use of resources (e.g. human, technological, intellectual). Also, one of the most common reasons for outsourcing is the improvement of organizational focus. The contracting-out of peripheral activities (e.g., cafeteria, payroll, maintenance) to outside experts frees the organization's scarce resources for other purposes, and allows it to concentrate them on its core business (e.g., conception, core production or services). The increase of production capacity and access to expertise not available in-house are other strategic managerial motives to outsource (Holmes 1986). Second, according to economic theory, outsourcing will take place when the costs of the "in-house" production are greater than the sum of the costs of the outside service contractor plus the transaction costs—the costs incurred by a contractual arrangement (Sclar 2000). Costs represent a high-priority consideration for many employers, particularly in unionized Canadian firms where labour costs, mainly wages and benefits, are generally higher than in the contractor firms which are often non-unionized (see Fang and Verma 2002).

The Gordian knot of the debate between the union and management on subcontracting stems from the trade-off to be made between the union's desire to protect its members' jobs and certification and the employer's desire to enhance organizational flexibility and effectiveness. In this sense, the debate over subcontracting is a classical case of union-management confrontation in industrial relations (Barbash 1984).

Legislative Changes and Reactions

The Quebec Liberal Party was brought to power in April 2003 after nine years' reign by the Parti Québécois, promoter of the national independence program. Presenting itself as the party of the centre, the Liberal Party, led by a former leader of the federal Conservative Party, attracted attention through its conservative policies, in particular in industrial relations. In keeping with one of its electoral promises, the Liberal Government introduced a bill -- Bill 31 (2003, chapter 26) – aimed at amending the *Labour Code* in order to facilitate recourse to subcontracting. The

most significant amendment is to exclude a number of cases of transfer of part of the operation of a company from the protections stipulated in section 45 of the *Labour Code*, where, “*the transfer does not entail transferring to the transferee, in addition to functions or the right to operate, most of the elements that characterize the part of the undertaking involved.*” The other changes abolish the protection of the collective agreement which employees had in the year following their transfer to a transferee as well as the employer’s obligation to inform the union before the transfer. In the documents presenting these changes,⁴ the government stated that the aim of the bill is to bring the Quebec legislation “ (...) *in tune with that of the other provinces so that Quebec can be just as competitive.*” (translation) In legislative terms, the changes were aimed at making the Quebec law more comparable to the laws of the other provinces as well as lessening the insecurity and uncertainty resulting from what the Minister referred to as a “*jurisprudential slippage of the concept of business.*” (translation) Lastly, for the government, in the context of globalization and the resulting growing competition, “*the new opportunities for organizational changes resulting from the legislative amendment will be decisive for businesses and the Quebec state.*”(translation)

Responding to their traditional demands, Bill 31 was received with enthusiasm by employer representatives. For the Conseil du patronat du Québec (2003), the bill makes it possible to achieve a fairer balance between social and economic matters, between Quebec’s specificity and parity with the rest of Canada. While not denying the necessity to protect employees in the case of transfer or sale of a company, the Conseil (p.8) considers that subcontracting should be favoured because with “*globalization, new technologies and increased international competition, businesses must concentrate on their core activities and on what they do best.*” (translation) Subcontracting is viewed as an important factor in job creation for the Quebec economy even though the Conseil du patronat recognizes that, in the short term, it could contribute to reducing the number of jobs in companies. Other employer associations – the Canadian Federation of Independent Business (2003) and the Manufacturiers et exportateurs du Québec (Quebec manufacturers and exporters) (2003) – maintain that the realignment of the regulation will restore the balance in labour relations and help Quebec to catch up in the area of investment, increase

⁴ These documents are available on the Website of the ministère du Travail du Québec: <http://www.travail.gouv.qc.ca/actualite/article45/index.html>.

wages and improve the standard of living of Quebecers as well as increase productivity. For these associations, the liberalization of subcontracting is justified by its expected benefits, in particular at the macro-economic level.

The tabling of Bill 31 gave rise to a general protest among the unions. They were unanimous in their view that the amendments to the regulation represent a direct threat to social and industrial peace by opening the door to serious workplace conflicts. Thus, at their next round of negotiations, local unions will want to better protect themselves against the door being opened wider to subcontracting by including more restrictive provisions in the collective agreements. The Quebec unions criticize the government for having, as it were, given employers “*the recipe*” for how to abandon the union without the protection of the *Labour Code* being applied to the transfer of operations. What union organizations are most concerned about is that subcontracting will be used increasingly for economic reasons, at the expense of the working conditions of their members and other Quebec workers. For the Fédération des travailleurs et travailleuses du Québec (Quebec federation of labour) (2003), the organization with the most members in Quebec, the bill has upset the fragile balance -- both legally and in the workplace --which has taken years to build up. It criticizes the government for making these changes in great haste without having properly assessed their consequences first. The Confederation of National Trade Unions (CSN) (2003), the second largest union organization, considers that Bill 31 will result in Quebec “*lagging behind the Canadian provinces*” (translation) in the area of worker protection in the cases of company transfers, contrary to what the government suggested.

The only point on which most union organizations and employer associations agreed, is that the wording of the bill is vague. In particular, the interpretation of the expression “*most of the elements that characterize the part of the undertaking involved*” paves the way for new legal debates. Despite the degree of unanimity even on this issue, the Liberal Government went ahead and adopted Bill 31 on December 18, 2003.

RESEARCH QUESTIONS AND PROBLEM

There have been no studies in the field of industrial relations on the issue of subcontracting. Theoretically, subcontracting is mainly addressed from the employer’s perspective, particularly,

as we saw above, in terms of the latter's opportunity to use it for strategic and economic reasons. It is generally assumed that the employer wants to subcontract as many activities as possible in order to enhance organizational flexibility and reduce production costs (see, for example, Holmes (1986)). It is also taken for granted in the literature that the unions will be strongly opposed to subcontracting and their strategy on subcontracting consists essentially of resistance (see Foster and Scott (1998), for example).

It is interesting to observe that, during the debate on Bill 31, employer and employee associations largely adopted this discourse. On the one hand, employer associations are calling for a more flexible application of the legal provisions so as to facilitate subcontracting and thus increase organizational flexibility. Employee associations, on the other, are demanding a tighter application of these same provisions or, at the very least, that they be maintained so as to limit the practice of subcontracting and protect employees' jobs and working conditions. At the national level and in the mainstream literature on this subject, these positions are so polarized that they seem to be irreconcilable. But what is the reality of subcontracting at the local level? In unionized workplaces, are the actors' positions so diametrically opposed? Or, on the contrary, do the actors manage to come to a common understanding? There are indications that subcontracting is less problematic in workplaces than the discourse of national associations and the literature would suggest.

A handful of surveys tend to show that the use of subcontracting is relatively widespread among organizations in various sectors in Quebec and in the rest of Canada. However, according to the discourse of Quebec employer associations, subcontracting is, on the contrary, so constrained by the legislative framework and union presence that any development in this area is nearly impossible. Data on the practice of subcontracting tend to tone down these assertions, showing that it is rather unusual for an organization not to use any outside contractors at all. This suggests that employers in establishments can, at least in part, subcontract certain activities. But are there other activities that employers would also want to subcontract? If yes, are they being prevented from doing so by the legislative framework and the collective agreement or do other factors come into play? Thus, we will first test the assertion that labour laws and the collective agreement

constitute the main obstacles to an increase in subcontracting. To our knowledge, there are no empirical data on the reasons given by employers for not subcontracting more.

The impact of the union presence on the level of subcontracting is a particularly interesting aspect. During the debate which took place in Quebec, there appeared to be no studies that determine whether there is more or less subcontracting in unionized workplaces. It can be hypothesized that the union presence in an organization will influence the employer's decision to subcontract and the actual level of subcontracting used, but the exact nature of this influence is less obvious than it first appears. On the one hand, more generous wages and employee benefits as well as union work rules constitute a direct incentive for the employer to subcontract because of their effects on production costs and organizational flexibility. It is expected that a unionized firm would subcontract more than a non-unionized firm, since it would allow the former to exert greater control over costs and maintain greater flexibility. But even without a union, firms which pay high wages to certain categories of employees might want to subcontract a number of peripheral activities. On the other hand, the unions can restrict subcontracting through a provision in the collective agreement or because of the labour legislation, as indicated by the first assertion. It is thus expected that unionized employers would resort to subcontracting less because of these restrictions. However, as seen previously, not all unions are successful at entirely prohibiting subcontracting. Therefore, the influence of the union presence on subcontracting is an issue worth exploring using empirical data, which is what we will seek to do in this research. Deriving from the first assertion, the second assertion to be tested is that subcontracting is used to a lesser extent in unionized organizations.

On the union side, nobody can deny that over the years subcontracting has become an important trend that unions and workers must take into account. Faced with the growing desire of employers to use subcontracting, what strategies are being adopted by the unions? As seen earlier, the provisions of Quebec collective agreements rarely stipulate that subcontracting be completely banned, and it is generally allowed if certain conditions, which vary from agreement to agreement, are respected. This suggests that union strategies regarding subcontracting at the local level are diversified and do not amount to an unconditional opposition as suggested by the union position at the national level and in the literature. It is possible that union strategy differs

depending on the type of work that the employer wants to contract out. While a managerial strategy of union wage rate and benefits avoidance being driven solely toward cost reductions will raise harsh union opposition, it is less than obvious that the union reaction will be the same if contracting-out aims to get the skills not available in-house for major maintenance or for construction of expanded plant facilities which are more driven by flexibility considerations. Thus, we will test a third assertion, that unions are opposed to subcontracting under any circumstances.

This research helps to fill a number of gaps in our knowledge on subcontracting in Canadian organizations. It primarily seeks to determine whether there are differences between unionized and non-unionized workplaces. Another innovation consists in identifying the motives given by employers for not resorting to subcontracting more than they currently do. Another contribution of the research is that it examines how issues related to subcontracting are addressed by the parties at the local level. We believe that, in the end, the principal contribution of this research is that it draws much finer distinctions regarding the widely-held conception of subcontracting in unionized workplaces.

METHODOLOGY

Two methods of data collection were used in order to gather and compare all the data for this research: a telephone survey and a case study.

Telephone survey

In a few words, the research strategy consisted of conducting a telephone survey with establishments from the manufacturing sector in Quebec and Ontario. The research was limited to one specific sector, manufacturing, which is justified by the fact that the subcontracting phenomenon takes on various forms and the issues are somewhat different depending on the sector. It is easier to target research on one sector and then measure its subcontracting level. Manufacturing was selected because, as reported in Halley (2000), subcontracting is practised by a large proportion of establishments. We chose to compare Quebec to Ontario 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 neoliberal policies regarding labour, while Quebec policies were seen as leaning more toward the centre of the political spectrum.

The manufacturing sector establishments targeted by the telephone survey were chosen from the four following subsectors: primary manufacturing, secondary manufacturing, labour-intensive tertiary manufacturing, capital-intensive tertiary manufacturing. 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 subsector, we had to get in touch with 33 establishments with fewer than 50 employees, 33 establishments with 50 to 199 employees, and 33 establishments with 200 employees or more. Given that the structure of the manufacturing sector is different in Quebec and Ontario, the sampling strategy prevents the skewing of the results. The response rate was 58 percent. The maximum margin of error for the sample of 440 Quebec establishments is ± 4.7 percent, with a confidence level of 95 percent. The maximum margin of error for the sample of 405 Ontario establishments is ± 4.9 percent.⁵

A questionnaire was developed for the purposes of this survey.⁶ 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.).

⁵ For more details about the methodology of the survey, see Jalette (2004).

⁶ The questionnaire is available from the authors upon request.

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 and why subcontractors were not used more frequently. 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.

Case study

The case study was conducted in a Quebec newsprint mill which produces 226,000 metric tons every year, two-thirds of which are destined for the market in the northeastern United States. At the time of the study, the plant employed 302 employees divided as follows: 225 unionized tradesmen and operators, members of the union of plant employees; 13 unionized office employees, members of the union of office employees; and around 60 non-unionized executives. The first union unit includes production employees, maintenance employees, paper makers and security guards, while the second unit includes office employees (clerks, draftsmen, technicians, etc.).

The choice of the company to be studied was predetermined on the basis of methodological and practical considerations. First, we chose to study a company from the private sector since, according to Kumar and Murray (2001), the unions in this sector are more concerned about subcontracting. We also chose to restrict ourselves to the manufacturing sector, which is highly exposed to international competition and thus in which the establishments are likely to have introduced innovations in production management such as subcontracting (Bélanger, Giles and Murray 2002). Two other factors were also considered in choosing the company: first, the experience of union and management in subcontracting over the last three years and, second, the assurance of their collaboration and their interest in the research.

The data were collected in semi-structured interviews. The first interview was conducted with an employer representative and was aimed at, first, providing a general description of subcontracting in the establishment studied and, second, identifying the type of activities subcontracted and the employer's motives for subcontracting. The other interviews were conducted, respectively, with a representative of the plant employees' union and a representative of office employees. Through these interviews, data were collected on the following aspects: employer subcontracting strategy, union strategy adopted in relation to recent experiences in subcontracting and, lastly, the consequences of each of these strategies for the union and its members. The data collection was supplemented by an analysis of existing secondary data (e.g., the collective agreement of each of the unions, letters of agreement) and telephone conversations with individuals who were previously interviewed so as to complete the data already gathered.

RESULTS

We will first examine the results of the telephone survey and then the results of the case study.

Telephone survey⁷

As reported in Table 1, the Quebec establishments outsource more activities on average than their Ontario counterparts. Moreover, on average, more activities in unionized establishments are subcontracted, regardless of the province.

Table 1

Average Number of Activities Outsourced

	Quebec		Ontario	
	%	N	%	N
Overall	3.0	440	2.7	405
• Unionized	3.2	195	3.2	124
• Non-unionized	2.9	245	2.5	281
Source: Jalette (2004)				

Table 2 shows the distribution of establishments according to the number of activities they subcontract. In Quebec, 95.2 percent of establishments outsource at least one activity, while 87.9 percent of establishments in Ontario participate in outsourcing. Moreover, in both provinces,

⁷ More detailed results are presented in Jalette (2004).

there seems to be 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.

Table 2

Distribution of Establishments According to the Number of Activities Outsourced

	Quebec Number of activities						Ontario Number of activities					
	0 (%)	1-2 (%)	3-4 (%)	5-6 (%)	7-8 (%)	N	0 (%)	1-2 (%)	3-4 (%)	5-6 (%)	7-8 (%)	N
Overall	4.8	31.4	48.2	14.7	0.9	440	12.1	28.9	44.2	14.6	0.2	405
• 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
Source: Jalette (2004)												

One last indicator for the overall measurement of subcontracting is where one manufacturing establishment acts as a subcontractor for other establishments. Table 3 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. Caution must be exercised in interpreting these results, considering the margins of error involved.

Table 3

Establishments Acting as Subcontractors for Other Establishments

	Quebec		Ontario	
	%	N	%	N
Establishments overall	34.2	430	31.3	387
• Unionized	26.7	187	26.1	119
• Non-unionized	39.9	243	33.6	268
Source: Jalette (2004)				

Finally, Table 4 sheds additional light on the situation by combining the last two indicators. This reveals that 3.4 percent of the establishments surveyed in Quebec and 7.9 percent of those

surveyed in Ontario do not outsource any activities and do not act as subcontractors for other establishments; most of these establishments in both provinces are non-unionized. In other words, over 96 percent of Quebec establishments and over 92 percent of Ontario establishments from the manufacturing sector use subcontractors or are subcontractors. In both provinces, it is observed that more establishments in the non-unionized sector do not use subcontracting nor act as subcontractors.

Table 4
Establishments That Do Not Outsource Any Activity and Do Not Act as Subcontractors for Other Establishments

	Quebec		Ontario	
	%	N	%	N
Establishments overall	3.4	440	7.9	405
• Unionized	0.5	195	1.0	124
• Non-unionized	3.0	245	8.1	281
Source: Jalette (2004)				

Table 5 presents more detailed results by activity and according to the presence or absence of a union in the establishment. 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.⁸ Differences between Quebec and Ontario are also slim with respect to equipment maintenance, product transportation and cleaning services, considering the 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 companies that subcontract this activity entirely or in part is greater among Quebec companies than among Ontario companies. Another significant difference exists in security services, but these results are based on a more limited number of observations. In Quebec, the differences between unionized and non-unionized environments are quite slim when the results for each

⁸ Caution must be used when interpreting the result concerning food services due to the small number of cases involved.

Table 5

Distribution of Company Activities, Outsourced or Not

		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	Overall	8,6%	37,1%	54,3%	420	3,4%	17,0%	79,6%	383
	Unionized	5,4%	41,1%	53,5%	185	0,0%	13,2%	86,8%	121
	Non-unionized	11,1%	34,0%	54,9%	235	5,0%	18,7%	76,3%	262
Equipment maintenance	Overall	1,6%	35,9%	60,2%	430	5,6%	42,1%	52,3%	392
	Unionized	0,0%	40,7%	59,3%	194	4,2%	55,0%	40,8%	120
	Non-unionized	7,2%	31,8%	61,0%	236	6,3%	36,4%	57,4%	272
Product transportation	Overall	53,4%	27,6%	19,0%	406	44,5%	27,6%	27,9%	355
	Unionized	61,9%	27,1%	11,0%	181	57,8%	28,4%	13,8%	109
	Non-unionized	46,7%	28,0%	25,3%	225	38,6%	27,2%	34,1%	246
Cleaning services	Overall	35,1%	14,3%	50,6%	433	37,1%	18,9%	44,0%	391
	Unionized	38,5%	17,9%	43,6%	195	47,1%	25,6%	27,3%	121
	Non-unionized	32,4%	11,3%	56,3%	238	32,6%	15,9%	51,5%	270
Security services	Overall	44,0%	8,8%	47,3%	91	70,1%	6,0%	23,9%	67
	Unionized	44,1%	8,5%	47,5%	59	77,8%	5,6%	16,7%	36
	Non-unionized	43,8%	9,4%	46,9%	32	61,3%	6,5%	32,3%	31
Food services	Overall	71,6%	12,5%	15,9%	88	80,3%	4,9%	14,8%	61
	Unionized	78,0%	12,2%	9,8%	41	79,3%	3,4%	17,2%	29
	Non-unionized	66,0%	12,8%	21,3%	47	81,3%	6,3%	12,5%	32
Financial services	Overall	8,9%	22,0%	69,1%	437	9,1%	17,0%	73,9%	394
	Unionized	1,5%	22,1%	76,4%	195	6,6%	16,5%	76,9%	121
	Non-unionized	14,9%	21,9%	63,2%	242	10,3%	17,2%	72,5%	273
Computer services	Overall	14,6%	20,6%	64,7%	417	13,9%	22,2%	63,9%	374
	Unionized	10,3%	22,7%	67,0%	194	13,7%	17,1%	69,2%	117
	Non-unionized	18,4%	18,8%	62,8%	223	14,0%	24,5%	61,5%	257
Administrative support	Overall	2,4%	2,6%	95,0%	422	1,6%	3,7%	94,7%	374
	Unionized	0,5%	3,7%	95,8%	191	0,8%	6,5%	92,7%	123
	Non-unionized	3,9%	1,7%	94,4%	231	2,0%	2,4%	95,6%	251

Source: Jalette (2004)

activity are examined individually. Although some results seem to show that unionized companies subcontract a little more than non-unionized companies, such a conclusion should be

drawn with caution due to the margins of error associated with these results. The 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 companies, probably because of the higher in-house labour costs. The data presented until now call into question the assertion that the Quebec legislative framework and the union presence constrain subcontracting to a greater degree than that observed elsewhere. In the telephone interviews, respondents were also asked about their motives for not using subcontracting more, in particular in relation to the legislative framework and collective agreement. Table 6 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,⁹ the reason most often stated in both provinces is simply that the establishment never considered this possibility. 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 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, regardless of the activity or the province in question.

⁹ For each motive, the respondent had to choose one of three answers: yes, in part, or no. The numbers presented here were compiled by adding the “yes” answers to the “in part” answers.

Table 6

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

	Quebec		Ontario	
	%	N	%	N
The establishment has a no-subcontracting policy	30.9	168	9.9	101
	4.3	116	1.5	32
Difficulties in finding an establishment able to meet quality specifications and criteria	47.6	168	34.7	101
	3.1	84	2.3	49
The establishment 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 establishment 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 establishment 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.

Source: Jalette (2004)

Table 7 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 is that the establishment never considered subcontracting the activity or subcontracting it more often. The unionized subsector in Quebec is the only exception since the first motive cited is the intention to use the skills available in-house. Reasons related to work relations and labour regulations – difficulties with the employees, 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 three major motives are that 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. The assertion that the legislative framework and union presence constitute the principal obstacles to subcontracting does not seem to be supported by the last results.

Table 7
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 establishment has a no subcontracting policy	38.2 4.7	81 61	24.1 3.8	87 55	15.6 1.1	32 7	7.2 1.7	69 25
Difficulties in finding a establishment able to meet quality specifications and criteria	41.2 3.1	82 42	43.2 2.9	86 42	31.2 3.0	32 19	36.2 2.0	69 30
The establishment does not have the necessary production volume	38.5 0.1	83 1	43.7 2.0	87 29	31.3 0.5	32 3	43.4 1.7	69 25
Outsourcing this type of work is too expensive	39.5 8.7	81 112	44.4 7.4	88 107	35.5 9.4	31 60	28.6 10.5	70 154
Subcontracting is not an appropriate method	39.2 5.2	79 67	48.3 6.1	85 88	19.3 4.2	31 27	37.6 5.8	69 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 establishment 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 establishment 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**, manufacturing and assembly (see Table 6 for more details about the data on which the figures are based).

■ **Other activities** (see Table 6 for more details about the data on which the figures are based).

Source: Jalette (2004)

Case study

The fieldwork case study helped us to deepen our understanding of subcontracting in workplaces and to enrich the explanation of the trends observed in the telephone survey. The subcontracted activities in the establishment studied are mainly linked to the servicing of production machinery. These include activities related to the maintenance, repair and installation of paper machine equipment parts and installations of the thermomechanical pulp (TMP) manufacturing workshop. Several of these activities are subcontracted during the week of scheduled production shutdown which occurs once a year (also called the annual shutdown). During this week, all production activities in the plant are stopped so that major repair and preventive maintenance of the equipment can be carried out. The work must be completed according to schedule so that the plant can restart production as quickly as possible. The large amount of work to do and the little

time in which to complete it make it necessary to hire many subcontractors during the shutdown. Although most of the establishment's employees participate in the activities, their number is clearly insufficient given the amount of work and the tight schedule. Both the employer and the plant's union representative agree that the scheduled production shutdown is the period of the year when the number of activities subcontracted is at the highest level.

Apart from the annual shutdown, the employer also uses subcontracting for maintenance operations covered by a service contract offered by the equipment or machinery manufacturer. This contract covers a number of situations in which the manufacturer's specialized employees can intervene in the establishment, that is, installing and breaking in new machines, and replacing defective or outdated equipment. Most of the time, these interventions do not entail additional costs for the employer since the terms of the service contract are negotiated when the equipment is purchased.

The employer also subcontract some other maintenance operations that require a recognized, specific expertise. These may involve operations that have to be carried out by an individual who has been certified as having the specific skills. The employer representative gave us the example of the inspection of boilers in the steam plant department which must be carried out by a person who can officially attest that they are in good working order regarding the established standards.

Among other activities related to paper production, the employer contracts out a number of laboratory tests because there is no specialized technology in-house. The employer representative gave the example of the company's tests in compliance with the environmental standards which required the use of highly specialized measuring equipment. The cost of these pieces of equipment and the rapid development of these technologies led the employer to subcontract this activity.

White-collar work in this plant has also been subcontracted. For example, computer services are partly subcontracted and four to six employees from subcontractor firms work in the plant. Their number varies according to the periods and the ongoing projects. The use of an outside firm allows the employer to have access to resources that are not available in-house and to be able to

rely on cutting-edge expertise, which is a significant advantage in the computer field. The engineering department is another example where the employer subcontracts a number of tasks linked to design and drafting for special projects in addition to the regular work. Contracts were also given to replace a draftsman on sick leave.

Some other activities which are peripheral to the work performed in the two union units are carried out by subcontractors. Cafeteria services and transportation are entirely subcontracted as well as all the operations related to the maintenance of the site and buildings (e.g., lawn mowing, maintenance of administrative offices, window washing, reroofing). Since the employer does not have nor wish to have any specific expertise for these operations, he prefers to obtain these services from outside specialized contractors. This allows the organization's human resources to concentrate on the core mission of the company, that is, newsprint production. On the whole, the activities subcontracted by this organization seem to be typical of what was observed in the manufacturing industry (see the previous section).

Based on our interviews, the employer's general policy on subcontracting is to try to fully use resources and skills available in-house. Thus, the employer will mainly resort to subcontracting when there are not enough employees (e.g., during the annual production shutdown), when a specialized expertise is not available in-house (e.g., guarantee and certification activities) or when the equipment is not available (e.g., laboratory tests). These situations correspond quite well to those where subcontracting is allowed by the collective agreement of the production employees. Although the agreement is still a constraint to the employer's right to use subcontracting, it does not seem to prevent the latter from subcontracting many activities.

It should be noted that, even though it is allowed by the agreement, no paper production work is subcontracted, contrary to what can be observed elsewhere in the manufacturing sector (e.g., spare parts). Even when it was possible to subcontract plant operations, it would not be in the employer's interest to do so because of the substantial investments made in training operations employees. Like other employers who participated in the survey, the company does not want to lose the skills available in-house by subcontracting. Moreover, the employer pointed out other motives for not subcontracting, in particular, not wanting to lose control over an activity (e.g.,

payroll) and the costs associated with supervising the contractor's work on site. For the employer, it is simpler, more efficient and a lot less trouble to keep certain activities in-house even though they cost a bit more. This explanation helps to illustrate and clarify what some of respondents in the telephone survey meant when they stated spontaneously that they wanted to keep certain activities in-house.

As regards the union, we will first examine the general position of the production employees union and then the position of the office employees union. For the production employees union, the type of activities subcontracted and their volume were acceptable at the time of the interviews. Before agreeing to subcontracting, the union had to ensure that the activities for which the plant is equipped and the employees are available and skilled are performed by the plant's work force as provided for in section 25 of the collective agreement:

25.01 The Company agrees to modify its right to award flat-rate contracts, by undertaking not to award these contracts for repair and maintenance operations which are normally carried out by the maintenance team's employees, and for which the plant in question is equipped and which the employees are able to carry out. (translation)

However, the union will not strongly oppose the subcontracting of activities for which the plant is not equipped and which the employees are not able to carry out. In this sense, the union's attitude can be characterized as vigilant.

However, to achieve the balance observed, the union had to defend its position. Thus, in 1999, the company implemented a major project to modernize its plant which required the use of a great number of subcontractors operating in the area of construction and installation of machinery. Once the modernization project was completed, the company continued to use these subcontractors in accordance with the guarantee contracts offered on the installation and equipment parts. The plant's union was strongly opposed to such extensive use of subcontractors in the plant when 150 of its members had been laid off because of the modernization. The union

demanded that its members, in particular those who had been laid off, be able to perform the work that was done at the time by the subcontractors.

The union reacted by demanding the full application of the collective agreement on contract work. Thus, it systematically filed a grievance for each subcontracted task. The union strategy was aimed at putting pressure on the employer by piling up the grievances and pushing them to arbitration. Even though it was not certain that the grievances could be won by the union, the considerable number of grievances sent to arbitration would generate substantial costs for the company, either in terms of arbitration fees or time spent by the human resources department. Over fifty grievances were filed. To put an end to this delicate situation, the parties came to a compromise. The union withdrew its grievances and undertook not to file grievances on subcontracting until 2005, when the current collective agreement expires. In return, the employer rehired four regular employees in the maintenance department.

In general, these findings suggest that the principal strategy advocated by the plant employees union is to emphasize to the employer that the members have the necessary skills to perform the tasks and the company has the equipment needed to carry them out. In these cases, the union will ensure that the capacities of its members and of the plant are fully used before any work is contracted out. Moreover, the interviews revealed that the subcontracting of certain more exhausting tasks, which have to be performed under particularly difficult conditions, will arouse little opposition by the union. This is true, for example, of particularly hard and dirty cleaning tasks which are carried out by subcontracting firm employees during the annual shutdown. It should be noted that these tasks are indeed not interesting for members who can choose to perform other functions.

Newly created following the plant's sale in 1998, the office employees union local has less experience in subcontracting. Moreover, it should be underlined that, unlike the production employees' collective agreement, the office employees' collective agreement does not contain any provision that deals specifically with subcontracting. Subcontracting did not seem to be a priority for the union during the last negotiations since the level of subcontracting was relatively low then. In addition, there was no major problem with the employer on this issue. However,

since then, there have been a few contentious cases (drawing, computer services and customer services) where positions could have been created within the unit instead of subcontracting the tasks to be performed. The strategy of the office employees union is aimed at ensuring that no regular employee will be deprived of work due to subcontracting. When work that is usually done by the unit's members is contracted out, for example, draftsman's work, no employee is deprived of work. In this case, the employer and the office employees union have an unwritten agreement stipulating that when a unionized position is subcontracted, the employer undertakes to pay the union an amount equivalent to the union dues that they would be paid if the position was filled by a unionized employee.

It should be observed that the position of these two unions does not amount to a simple opposition to subcontracting. Their approach is much more equivocal.

DISCUSSION

Our aim in this paper is to empirically validate a number of assertions about subcontracting in Canada that are taken for granted in both the literature and the recent debate on the legislative amendments made to the *Labour Code* in Quebec. The first assertion is that labour laws and the collective agreement constitute the main obstacles to an increase in subcontracting. The second assertion examined in this research is that subcontracting is used to a lesser extent in unionized organizations. The third assertion relates to the unconditional opposition by unions to subcontracting. Based on the data collected through the telephone survey conducted with 845 establishments in the manufacturing sector and the case study of a newsprint mill, we can demonstrate that this issue is more complex and equivocal than what these assertions would suggest.

When the question was directly put to employers in the telephone survey, the main reasons they mentioned for not subcontracting have more to do with production and work management and not labour relations. The desire to fully use the skills available in-house, the desire to avoid layoffs, the difficulty in finding subcontractors who can meet the firm's expectations, the fact that it is easier, simpler and quicker to have the activity carried out in-house as well as the need to have a person in-house to do the work are all considerations related to the method of organizing

production and work. It should be noted that several entrepreneurs did not even consider subcontracting certain activities, which may indicate that some activities lend themselves more to subcontracting than others, in particular those related to core activities. The data collected show that the reasons relating to the *Labour Code* and labour standards are more marginal factors in the decision to subcontract. However, though not prevalent, these reasons appear to be more common in unionized workplaces. These results are just as valid for Ontario as for Quebec, where, according to employer associations and the government, the legislative framework considerably restricts subcontracting. Instead, the survey shows that considerations about the organization of work and production seem to override the decision to subcontract.

This conclusion is supported by comments made by the employer in our case study. The latter told us clearly that he wanted to fully use the skills available in-house before contracting out even though, in some cases, subcontracting would perhaps be more cost-effective. The reluctance to contract out production activities – even when it is allowed by the collective agreement – due to the considerable investments made in training also shows that the decision to subcontract is not based on labour relations criteria only. Another reason mentioned is the desire to maintain control over the activity and monitoring costs, which is in line with the main considerations given that relate to work and production organization. In the interview, the employer never referred to section 45 of the *Labour Code* as an obstacle to subcontracting in his organization even though the question was put to him directly. Thus, the first assertion is not supported by the empirical data.

However, as seen above, the collective agreement appears to largely determine the type of subcontracting used in the establishment. This subcontracting is basically justified by the fact that the work force (number and skills) or equipment is not available, which meets the criteria stipulated in the collective agreement. On the other hand, the survey also shows that the collective agreement is considered to be an obstacle for many employers operating in unionized workplaces. These results show that among the factors related to labour relations, the collective agreement is still the main obstacle to subcontracting even though, on the whole, they are still less important than those related to production and work management.

The collective agreement appears to constitute the main way in which the union presence can reduce the level of subcontracting in an establishment. Moreover, the case study clearly shows that the union -- in particular, the production workers union -- was able to use the collective agreement to reduce the subcontracting of maintenance operations. However, the survey results suggest that there are no differences between unionized and non-unionized establishments in terms of subcontracted activities. In fact, some activities are subcontracted even more often in unionized workplaces, and this is true of both provinces. There are many explanations for this apparent paradox. As shown by the case study and the general data on collective agreement provisions, subcontracting is rarely prohibited in unionized workplaces. The collective agreement may allow some activities to be subcontracted when certain conditions are met, for example, when the expertise is not available, as the case study aptly demonstrated. As we saw, the employer adapted his subcontracting strategy accordingly. In addition, the collective agreement only protects the activities performed by the workers who are members of the union certification unit. Thus, the employer can do as he pleases in the case of activities that are not covered by the collective agreement. Lastly, under particular circumstances, the union may agree to the subcontracting of certain activities. Indeed, in the plant studied, activities carried out in more difficult conditions were subcontracted. Although the collective agreement is a real constraint to subcontracting, based on the factual data collected in the fieldwork, the statement that the union presence unequivocally and inescapably reduces subcontracting in unionized workplaces, as suggested by the second assertion, cannot be supported.

As regards the last assertion, the interviews conducted show that the position of the two unions does not amount to a simple opposition to subcontracting. Their approach is much more equivocal. In general, the production employees' union seeks to regulate and restrict subcontracting. However, in the specific case of subcontracting as a result of the modernization project, the union's reaction was to strongly oppose it. This vehement reaction was conditioned by the fact that the project would have negative effects on its members' jobs. The reaction tipped the power relationship in the union's favour and it obtained what it sought. On the other hand, the less favourable power relationship of the office employees' union may explain its inability to prevent certain activities from being subcontracted. This is why its actual strategy is aimed more at minimizing the effects of subcontracting by protecting current jobs rather than restricting

subcontracting, as evidenced by the absence of a subcontracting provision in its collective agreement. The difference in the type of activities covered by each of the unions can also account for the difference in strategies. Thus, in the case of the production employees, the activities involved are core activities directly linked with paper production while in the case of office employees, the activities involved are more peripheral. Moreover, the power relationship of production employees is greatly increased because their specific expertise, compared with that of office employees, is more difficult to find outside the establishment. This case shows us that union strategies on subcontracting may differ, depending on the issues and, in particular, the power relationship. These appear to be the key factors in determining the results of the unions' action, assessed in terms of activities that are subcontracted or not subcontracted.

Other factors may explain why, under certain circumstances, the unions will be less opposed to subcontracting suggested by the employer. The justifications related to expertise appear to be crucial. As we saw, the unions studied did not strongly oppose the employer when the latter contracted out jobs for which the skills were not available in-house, regardless of specificity or cost considerations. These arguments, which we had heard before when interviewing the employer, were often used by union representatives to justify the subcontracting of a particular activity. Although the unions studied remain vigilant about any subcontracting project proposed by the employer, their reaction nonetheless varies, depending on the case. Not all subcontracting projects will merit and give rise to unconditional opposition by the union. Like the power relationship and the issues, the reasons for subcontracting and the type of activities subcontracted appear to be important considerations in the union's reaction to subcontracting, which does not amount to a simple opposition.

In light of the results presented, what are the expected impacts of the legislative amendments made by the Government of Quebec to reduce worker and union protection during the transfer of part of a business? How will these changes at the public policy level (macro) affect the workplace level (micro)? It is obvious that the unions will want to reinforce the provisions in the collective agreement aimed at protecting their members from the negative effects of subcontracting. The reduction of the scope of the legislative protection will certainly cause the unions that do not have provisions in their collective agreement, like the office employees union in the plant studied, to

introduce one. According to Gagnon, Avignon and Collombat (2003), the unions will likely seek provisions that will make the collective agreement apply to the subcontractor's employees, thereby covering the cases of subcontracting that are not protected by law. In this sense, although they manage to better protect themselves from subcontracting, it is far from obvious that the liberalization of the regulation in the *Labour Code* will result in increased subcontracting in the unionized sector, especially if this protection comes from a ban on subcontracting or the imposition of more stringent conditions. This would likely have a considerable effect on subcontracting in plants such as the one we studied. However, it should be noted that the union's capacity to introduce greater protection into the collective agreement and to improve subcontracting largely depends on its power relationship with the employer. Many unions believe that it is unrealistic to think that they will be able to convince their employer not to resort to subcontracting under certain circumstances or to make the collective agreement apply to subcontractors. The least they can do is to seek better protection for the members who are currently employed against the negative effects of subcontracting, as was already done by the office employees' union in the case studied.

Faced with worried unions, how will employers react? The power relationship related to subcontracting certainly favours employers, who will be able to subcontract activities more easily, without the union certification or the collective agreement being protected. As shown by the survey results, it is far from certain that employers will embark on subcontracting wholesale. The considerations related to work and production organization appeared to constitute a much greater obstacle than those related to labour laws. It is the considerations other than those related to labour relations which condition the use of subcontracting. Even when employers in unionized workplaces do not subcontract more, the new power relationship is nonetheless in their favour. As Warrian (1996) pointed out, although the effect of subcontracting on organizational performance is not certain, the threat of subcontracting is always effective in labour relations. This threat can thus be used to obtain concessions from employees on other aspects of working conditions. Thus, the issue of legislative amendments appears to go well beyond the volume of subcontracting carried out in Quebec organizations.

The balance has been upset somewhat. The case study shows that the union and management can come to a viable *modus vivendi* regarding subcontracting. However, this can only be achieved after a certain amount of time and after a number of productive and not so productive experiences. The small numbers of provisions prohibiting subcontracting in the collective agreements as well as the lack of significant difference between unionized and non-unionized establishments in terms of subcontracted activities reflect the approaches to subcontracting that the union and management have adopted. The new legislative provisions are changing the established order. This quest for a new balance is likely to cause considerable disruption in Quebec workplaces.

While this research makes a valuable contribution, it nevertheless contains a number of limitations. By restricting the research to the manufacturing sector, it is evident that its external validity has been considerably reduced. Eventually, the research on subcontracting should be pursued by examining other sectors, in particular in the service sector, to determine whether the results are different. Even within the manufacturing sector, it would be worthwhile to conduct other case studies in order to validate the findings in this article since these initial results can certainly not be generalized to the entire sector. An important aspect of the research to be developed is to understand the union's reaction to subcontracting and its determinants. Despite these shortcomings, this research has helped us to better understand the phenomenon of subcontracting in unionized organizations and has shown that this issue deserves to be studied further given its complexity and relevance.

BIBLIOGRAPHY

Allan, C., P. Brosnan, F. Horwitz and P. Walsh (2001), "Casualisation and Outsourcing: A Comparative Study," *New Zealand Journal of Industrial Relations*, 26: 253-272.

Aubert, B., M. Patry and S. Rivard (1999), "L'impartition des services municipaux au Canada: un Bilan," in M. Poitevin (ed.). *Impartition: Fondements et analyses*. Québec: Presses de l'Université Laval, 265-280.

Barbash, J. (1984), *The Elements of Industrial Relations*. Madison, Wis.: The University of Wisconsin Press.

Bélanger J., A. Giles and G. Murray (2002), "Towards a New Production Model: Potentialities, Tensions and Contradictions," in G. Murray, J. Bélanger, A. Giles and P.A. Lapointe (eds.). *Work and Employment Relations in the High Performance Workplace*. London: Continuum, 15-71.

Boyer, M. and M. Moreaux (1999), "Impartition stratégique et flexibilité," in M. Poitevin (ed.), *Impartition: Fondements et analyses*. Québec: Presses de l'Université Laval, 103-120.

Brown, D. (2001), "Quebec employers angry over labour code: government keeps strict limits on outsourcing." *Canadian HR Reporter*, August 13.

Confédération des syndicats nationaux (2003), *Une attaque aux droits individuels et collectifs des travailleurs et travailleuses*, Brief presented by the CSN to the Commission de l'économie et du travail sur le projet de loi 31 modifiant le Code du travail, November 26.

Conseil du patronat du Québec (2003), Vers un plus juste équilibre social et économique, CPQ's comments on Bill 31 *An Act to amend the Labour Code*, November.

Corry, D.J. (2000), *Collective Bargaining and Agreement: Collective Agreement Annotated*. Aurora, Canada Law Book Inc.

Fang, T. and A. Verma (2002), "Union wage premium." *Perspective on Labor and Income*, 3: 50-65.

Fédération canadienne de l'entreprise indépendante (2003), *Pour améliorer la compétitivité du Québec*, FCEI's brief on Bill 31 *An Act to amend the Labour Code*, Montreal, November.

Fédération des travailleurs et travailleuses du Québec (2003), *Projet de loi no 31 Loi modifiant le Code du travail du Québec*, Brief presented to the Commission de l'économie et du travail, November 26.

Gagnon, M.-J., P. Avignon and T. Collombat (2003), *L'économie politique de la sous-traitance et les articles 45 et 46 du Code du travail du Québec*, Montreal, research report, Institut de recherche en économie contemporaine.

Gunderson, M., A. Ponak and D. Gottlieb Taras (2001). *Union-Management Relations in Canada*. 4th ed., Toronto: Addison Wesley Longman.

Halley, A. (2000). *A Study of the Outsourcing Activities of Canadian Businesses: A Comparison of the Country's Four Major Regions*. Montreal: École des Hautes Études Commerciales, Research Book 00-10.

Hébert, G. (1992) *Traité de la négociation collective*. Montreal: Gaëtan Morin Éditeur.

Hébert, G., R. Bourque, A. Giles, M. Grant, P. Jalette, G. Trudeau and G. Vallée (2003), *La convention collective au Québec*, Gaëtan Morin Éditeur.

- Helper, S. (1990), "Subcontracting: Innovative Labor Strategies," *Labor Research Review*, vol. 9 n° 1, 89-99.
- Holmes, J. (1986), "The Organization and Locational Structure of Production Subcontracting," in A. Scott et M. Storper (ed.), *Production, Work, Territory*. Boston, Allen and Unwin, 80–106.
- Jalette, P. (2004), "Subcontracting in the Manufacturing Sector: A Quebec-Ontario Comparison," *Workplace Gazette*, vol. 6, no 4, winter, 73-86.
- Jalette, P. and P. Warrian (2002). "Contracting-out Provisions in Canadian Collective Agreements: A Moving Target," *Workplace Gazette*, Vol. 5, No. 1, Spring, 64-76.
- Kumar, P. and G. Murray (2001), "Priorités des négociations syndicales dans la nouvelle économie: résultats du sondage mené par DRHC en 2000 sur l'innovation et les changements au sein des syndicats au Canada," *Gazette du travail*, vol. 4 n° 4, 48-62.
- Lapointe, P-A, C. Lévesque, G. Murray and C. Le Capitaine (2001), "Les innovations en milieu de travail dans les industries métallurgiques au Québec: Rapport synthèse." Groupe de travail sur les ressources humaines de la table de concertation dans les industries métallurgiques.
- Levine, J. (1990), "Subcontracting and Privatization of Work: Private and Public Sector Developments," *Journal of Collective Negotiations in the Public Sector*, 19: 275-282.
- Manufacturiers et exportateurs du Québec (2003), *Article 45: envoyons un signal clair et positif*, Slides.
- Millan L. (2001), "Controversial reforms to Quebec's Labour Code in limbo." *Canadian HR Reporter*, April 23.
- Murray, G., J. Bélanger, A. Giles and P.A. Lapointe (eds.). *Work and Employment Relations in the High Performance Workplace*. London: Continuum.
- Poirier, I. (2004), *La sous-traitance dans le secteur manufacturier: conséquences et enjeux pour le syndicat et les travailleurs*, M.A. dissertation, École de relations industrielles, Université de Montréal.
- Sack J., and E. Poskanzer (2001), *Contract Clauses: Collective Agreement Language in Canada*. 3rd ed., Lancaster House.
- Sclar, E.D. (2000), *You Don't Always Get What You Pay For: The Economics of Privatization*. Ithaca: Cornell University Press.
- Warrian, P. (1996), *Hard Bargain: Transforming Public Sector Labour-Management Relations*, Toronto, McGilligan Books.