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Building and Construction Trades Department, AFL-CIO
Département des métiers de la construction, FAT-COI



Labour Advisory Group HRSDC TFW Directorate

“Options for a New Prevailing Wage Rate Model”

May 25, 2009

Althea Williams c/o Mike Perry Senior Analyst (via email)
Director, Policy and Program Design
Temporary Foreign Worker Directorate
HRSDC

Dear Madam,

In response to the request for comments, analysis and priority setting by the TFW Directorate May 14, 2009, please find below a summary and policy submission for your review. We thank you for allowing us to be on the Labour Advisory Group and we look forward to developing our relationship further.

Option 1) Status Quo PWR Model with Improved Data Quality

The model that is currently employed by HRSDC is, for the short term, the most practical approach for determining prevailing wage rates. If the current model was appropriately supplemented with improved data from a number of market sources, the program ought to benefit. Labour Market Information (LMI) is key when costing any economic venture and to incorporate a number of different sources of LMI would alleviate some concerns raised at the Labour Advisory Group. Where there is a collective agreement; the minimum is the CBA rate for that classification. In any determination of a PWR it is important to understand the dynamics of the wage patterns. For example, 90% of people employed in the work are within the top 10% of observations, 5% in the average hourly wage and 5% of the bottom 10% just doing an arithmetic average would be unfair. The average needs to be weighted, based on numbers engaged. For example:

Top 10% @ \$40/hour for 2,000 people (the union rate)
Hourly wage @ \$30/hour for 300 people
Bottom 10% @ \$20 for 100 people

Arithmetic average is \$30 per hour but when you consider the numbers on a weighted basis \$33.33/hour is the result. The PWR is the wage most likely to be earned by workers – in this scenario there is a good reason to pay PWR much closer to the rate earned by the majority of workers on that worksite.

1902 - 130 Albert Ottawa, ON K1P 5G4

 (613) 236-0653

 (613) 230-5138

 cdnoffice@buildingtrades.ca



www.buildingtrades.ca



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Option 2) PWR Model with Experience levels

Experience levels are often used to determine both cash and non-cash compensation in the work place. Canadian workers are constantly measured against experience levels and even collective bargaining employs compensation based on experience qualifications. For example, the remuneration of an apprentice in construction is different than that of a journeyman. There are elements of this approach that would be fair and appropriate in the Temporary Foreign Worker program and elements that would be unfair. Foreign experience measurements would have to be improved – the Foreign Credential Recognition office would need to clarify what exactly constitutes Canadian experience for each and every occupation for this kind of a system to be effective.

An apprentice electrician for example, is already compensated differently than a journeyman electrician as defined by the appropriate Apprenticeship Act or Regulation. Potentially, this method could be used when comparing a TFW's foreign experience to that of Canadian workers and determining wage variations.

Option 3) Market-based wage determination model

Generally speaking, there is no better example of a market wage rate than what (for the purposes of this discussion) a construction worker earns under a collective agreement in Canada. This is a market wage defined, negotiated and agreed upon under contract between an employer and employee. In fact, in many industries, the CBR sets precedents at non-CBR workplaces in determining wage levels. It is important to ensure total compensation to that employee is considered – if an electrician is receiving \$43.00/hour plus \$5.95/hour for pension and benefits wages should be considered to be at \$48.95. Compensation to the TFW should be calculated at \$48.95 not \$43.00. Failure to compensate the TFW at \$48.95 puts downward pressure on the Canadian wages – a stated non-desirable outcome of the program.

BCTD Submission

The BCTD submits for the near term, Option 1 is the most viable determinant for PWR calculations. Each model has merits but also limitations when used in isolation for the purposes of determining market wages. In the context of construction, our collective bargaining system is already based on the option outlined in Option 2 and Option 3.

In the short term, HRSDC's current practice of requiring either the PWR or collective bargaining rate (which ever is higher) is appropriate.

As outlined above, each of the options has merits - for the purposes of the TFW Directorate Option 1 is potentially the most viable. In the broader context however, there are elements of each which could add value to the PWR discussion.

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We remain at your disposal should you have any questions, comments or concerns.

Please do not hesitate to contact:

Christopher Smillie, Policy Analyst
Building and Construction Trades Department , AFL-CIO
Canadian Office
613-236-0653
Csmillie@buildingtrades.ca

Sincerely yours,

Robert R. Blakely

Director, Canadian Affairs

