

New Configurations of Work Relations and Their Impacts on Work, Employment, and Collective Action

The Poultry Value Chain in Quebec: the Processing Segment

Summary

Martine D'Amours and Cathy Belzile
Université Laval

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Martine D'Amours, Full Professor, Université Laval.

Cathy Belzile, Research Auxiliary (at the time of the research), Université Laval

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Overview of the project and our research strategy

It is increasingly noticeable that contemporary work is no longer taking part inside the traditional employment relationship between an employer and employees, but within new organizational configurations like subcontracting, interim appointments (obtained through an employment agency) and self-employment. These organizational configurations place workers (employees or self-employed) in contact with various entities that influence their working and employment conditions without necessarily endorsing the legal status of an employer, and effectively upsets the employment relationship by making it more complex to control workers.

To understand contemporary work and employment relations, it seems necessary to shift the analysis from the firm level to that of the value chain, conceived as a “social system”, in order to take into account the nature of relationships between firms, and also between the firms and the different types of workforce they put into contact. The general objective of this research project is to understand, from a historical and comparative perspective, how these new configurations operate, and their impacts on work, employment and the capacity of the various actors to take collective action.

The research strategy that was chosen is that of the multiple-case study (Yin, 1989; Eisenhardt, 1989). Four sectors distinguished by the nature and strategy of the pivot firm and by the degree of qualification of the workers concerned, are targeted for analysis, namely: ICT business services, childcare services, transportation and food processing.

For each of these sectors, a synchronic (current configurations) and diachronic (their development over the last ten years) case study of a pivotal company, its subcontractors, agency workers and independent workers was carried out. Due to the current context of globalization, subcontracting chains are spreading to multiple countries; the case studies on transportation equipment and food processing will thus focus on a multinational firm simultaneously present in Canada, France and Mexico (comparative case-study on these 3 countries).

Summary

The poultry value chain in Quebec is made up of three segments (production, processing, distribution) that are both strongly concentrated and functionally integrated. This monograph deals with the processing segment, from the time the chicken arrives at the plant until it is sold – processed to varying degrees – to the client companies

1- The product and its characteristics

Chicken production in Canada and Quebec has been on the rise for several years, in response to a similarly growing demand. Mass production is standardized in order to meet the highly standardized demands of end clients.

2- Description of the production structure leading to the final product/service

The degree to which the sector is both concentrated and integrated justifies the label “value chain.” The value chain is defined as “a network of labor and production processes whose end result is a finished commodity” (Hopkins and Wallerstein, cited in Lakhani et al., 2013).¹

The actual production is undertaken by around 750 quota holders (these quotas authorize production), but a share, presently unknown, of these quotas is owned by other actors in the industry: mills, hatcheries, slaughterhouses.

Quebec has around 20 poultry processing businesses, but more than 90% of the slaughters can be attributed to two large companies (Government of Quebec, 2019: 12),² which were formed through mergers and acquisitions. We will call these the “lead companies” or “hub firms.” Each of these lead firms is itself owned, either in full or in large part, by an agricultural cooperative.

Each hub firm has two plants designated for slaughtering and initial processing (first-level plants) and at least one further processing (second-level) plant. The third level is made up of other companies that further process, cut and package the meat. One of these companies is a captive subcontractor of the hub firm, and it in turn has part of the (specialized) work done by another subcontractor on site. But in most cases, the third-level companies are legally independent of the hub firms; they buy meat from the lead company (or elsewhere, for example through importation) and process/package it.

This model of labour division is relatively new (it has been in place for 10 or 15 years); previously, the lead companies themselves undertook all of the different tasks

¹ Tashlin Lakhani, Sarosh Kuruvilla, and Ariel Avgar (2013). “From the Firm to the Network: Global Value Chains and Employment Relations Theory,” *British Journal of Industrial Relations*, vol. 51, no. 3, p. 440–72.

² Government of Quebec (2019). *Portrait-diagnostic sectoriel de l'industrie de la volaille au Québec*. Quebec Ministry of Agriculture, Fisheries and Food, Director of Trade and Intergovernmental Politics, 34 pp.

involved in the production of a minimally processed product (fresh chicken) and its sale to a variety of clients. Two factors help to explain the change:

1. The large number of buyers who want to secure their supply via formal agreements. This means that to reach supermarket meat counters or the tables of restaurant chains, processors must be able to respond to the quantity/scheduling/quality requirements of one or several of the five major grocery chains (Loblaw, Metro, Sobeys, Walmart and Costco) and of one or several of the major fast-food or rotisserie chains;
2. The increased demand for further processed products (deboned, seasoned, breaded, etc.), which has led the hub firms to develop, each in its own way, the lucrative niche of further processing, either in one of their own plants (directly or via a subsidiary company) or with a subcontractor under their control. That said, a portion of the products made in the first-level plants is sold to legally independent businesses that specialize in further processing and make “private-label” products for the major distributors. In other words, while the two hub firms control more than 90% of the chicken slaughter in Quebec, further processing is spread among a much larger group of players.³ This growth in the number of players at the bottom of the value chain has been propelled partly by the large grocery and restaurant chains, who build business connections with the suppliers who offer them the lowest prices, and partly by the processors, who have refocused their core business around slaughtering, first cutting, and part of further processing, excluding packaging.

As we will see, the establishments at different levels within the processing segment occupy a different position in the division of labour and correspond to different employment configurations and working conditions.

To complete the portrait of the businesses involved in the processing segment, we must also consider the companies that are subcontracted for their particular specialization (truck transport, extra mechanical or maintenance work, sanitation in some cases) as well as the placement agencies from which companies recruit their workforce, either to reach capacity temporarily or to supply workers on a permanent basis to the plants at the bottom of the chain.

It is important to note that companies began to hire subcontractors and to turn to employment agencies in a context in which production was also growing. Some of the peripheral activities, and thus some portions of the production itself, could be performed in “satellite” plants or by subcontractors without eliminating any jobs for the existing workforce, a large part of which has been reassigned to other activities.

The chain includes, finally, the distributors (end clients), who have held the balance of power for two decades. Five major distributors share almost the entire market among themselves and decide which products will find their way to supermarket counters or restaurant tables. Because of their significant buying power, each client company is able to impose its own requirements in terms of quantity, quality, price

³ The Ministry of Agriculture, Fisheries and Food of Quebec identified, in 2011, around 140 establishments involved in the further processing of poultry. Government of Quebec (2011, February). Monograph on the poultry industry in Quebec. Quebec Ministry of Agriculture, Fisheries and Food, Director of Trade and Intergovernmental Politics. 57 pp. + appendices.

and schedule, both to the processors and to the producers. The distributors also require the presence of the plants at the bottom of the chain (third-level plants), partly through pricing and partly because they can contractually require the rights to purchase the products made in these plants, guaranteeing that the slaughterhouses will provide them with raw material.

Nevertheless, the large distributors do not hold all the power. In Canada, a policy framework called supply management applies to three agricultural sectors, including the poultry industry. This legislative and regulatory framework – which controls production, limits importation and regulates market conditions – gives substantial individual and collective power to breeders; this creates a favourable environment in which to carry out their activities, especially in terms of remuneration and risk management (because the producer is guaranteed to sell all their products, at the very least at the prices that have been negotiated collectively).⁴

3- Different groups of workers and their social labour relations

This section will present a comparison⁵ of the variously configured employment relationships that exist in the poultry processing sector. These relationships can be internal: regular employee (typical) or atypical employee (part-time, seasonal or occasional). They can also be external and cross-company: subcontracting, own-account self-employment, franchising, or interim work.

For this project, we have adopted the concept of the social labour relations (SLR), in order to expand the notion of wage-labour nexus so that it applies to configurations beyond just a binary employment relationship—for example, to include own-account self-employment (D’Amours, 2014).⁶ This concept can be subdivided into five analytical components:

- work organization, autonomy, qualifications
- working conditions: workload, hardship, schedules
- rules, level, and the extent to which remuneration is guaranteed or predictable
- breakdown of economic risks: business risks, job security/stability, risk of knowledge obsolescence (employability)
- breakdown of social risks: illness, accident, parenthood, retirement

We will now look at how various SLRs coexist in the processing segment of the poultry chain.

⁴ For more information, see the monograph about the production segment: Martine D’Amours (with Marie-Hélène Deshaies) (2018, November), *La chaîne de valeurs du poulet au Québec : le segment de la production*. See also Cathy Belzile (2018, October), “Travailler pour une entreprise sans y être lié par un contrat de travail. Analyse comparée de l’impact de diverses configurations de l’externalisation sur la relation et les conditions d’emploi.” PhD dissertation, Faculty of Social Sciences, Laval University.

⁵ Only production jobs were considered in this comparison.

⁶ Martine D’Amours (2014). *La qualité des emplois des travailleurs indépendants qualifiés: traducteurs, journalistes, avocats*. Quebec: Presses de l’Université du Québec, 270 pp.

3.1 Level-1 plants (slaughterhouses owned by the lead company)

For the most part, level-1 plants hire their employees directly. However, two different SLRs exist at this level: that of the regular employees who hold positions (typical employees), and that of temporary or occasional employees (atypical employees).

Typical employees work within the chain, on a just-in-time basis, and with very little autonomy. That said, they receive the highest wages in the industry (the hourly rate of a labourer in 2017 was \$20) and they have access to all of the rights and protections that are laid out in their collective agreement. The risk that the amount of orders might fluctuate has no effect on these workers, who are guaranteed 35 to 40 hours of work or of compensation. The social risk is mutualized: the workers are covered by public social security plans (unemployment, workplace accident, retirement benefits) and the employer contributes to the cost of other, complementary social insurance (group insurance in case of illness, extra retirement benefits).

Atypical employees are subject to a work organization similar to that of their typical colleagues, but they are governed by fewer clauses in the collective agreement. The need is so great in most plants that atypical employees often work full weeks there. That said—and this is the principal way in which they are different from typical employees—they have no guarantee of a job; they are called in when there is work, but they are the first to be let go when there is none, and as a result their revenue is unstable. In their case, part of the social risk is mutualized and the other part is assumed by the worker: the worker contributes to various public programs but is less likely to fulfill the conditions required to receive benefits, and if he or she does, they will only be basic; moreover, coverage applies only for the duration of the contract. In addition, these workers are often excluded from the group insurance and retirement plans to which their employers contribute.

3.2 Level-2 plants (further processing plants owned by the lead company):

The employees in level-2 plants present different cases depending on the lead company they work for. In one case, the same two SLRs coexist as in the level-1 plants, although with more flexibility: here, the employer can offer fixed-price contracts, and can create casual and student positions with more limited rights than those that are accorded to typical employees. All employees work 40 hours per week, even the casual workers who are waiting for a permanent position, though these casual workers do not have access to all the benefits laid out in the collective agreement. In another case, the level-2 plant only hires typical employees (with the exception of students), but their SLR is undesirable: no guarantee of hours, with entry-level salaries around \$13 per hour and much worse conditions than those in the level-1 plants. As well, these employees do not benefit from a group insurance or retirement plan..

3.3 Level-3 plants (further processing plants that are not owned by the lead company)

In general, level-3 plants are responsible for similar activities to those of level-2 plants (further processing, deboning and packaging), but unlike level-2 plants, they are not owned by the lead company. Two configurations are possible: (3A) they can be subcontracted by the lead company (sometimes according to a contract guaranteeing

that the lead company will supply them with raw material), or (3B) they can be independent, and buy raw material from leading firms in order to manufacture products ordered by the end clients. Both of these configurations involve far worse working and employment conditions than those in level-1 or even level-2 plants. Indeed, the average salary of the labourers employed by the lead company is \$4.55 per hour higher than that of the subcontracted workforce.

For example, say that plant 3-A is subcontracted by hub firm A. There are two groups of employees: the unionized employees hired by 3-A, and the non-unionized employees of a subcontractor on-site, who work in a particular area under their own employer, performing deboning work that requires specific skills and especially speed.

The unionized employees of plant 3-A have very little autonomy, because not only are they under the control of their employer but their working conditions (especially hours worked, but also scheduling) depend on the contracting company. Their wages vary between \$11.26 and \$13.10 per hour, after 4 years. The worker must accept the risk that there are no guaranteed hours, because the lead company provides work to its own employees before providing to the subcontractor.

The subcontractor's on-site employees have been sought out specifically for their butchery skills, namely their ability to carry out deboning work very quickly, and as a result they enjoy more autonomy than the employees discussed above, especially with regard to respecting the rules. They are paid according to the weight of the bones they remove from the carcasses; depending on how fast they can perform the deboning, their earnings can be quite high. They do not, however, have guaranteed hours and they are not protected in any way by their employer.

We did not succeed in obtaining interviews with key informants from the independent plants that represent case 3-B. However, informants from level-2 establishments spoke of further processing as a highly competitive market, and justified the working conditions in their own establishments based on the competitiveness among the plants at the bottom of the chain. We can hypothesize that some of these plants share the characteristics of 3-A plants. Notably, hourly salaries are low and deboners are paid based on their performance. One employer that we interviewed suspected that these competitors at the bottom of the chain do not respect minimum working conditions, which allows them to operate with reduced costs.

Furthermore, the testimony of one informant, who intervenes to support immigrant workers (who are employed directly by the plants or indirectly through employment agencies), leads us to believe that some small plants (30-40 employees) establish informal working relationships. This informant described agency workers who are paid \$11 per hour (the agency asks for \$18 from the user company), in cash ("under the table"), without social benefits, without sick leaves, and who must sometimes supply their own tools and pay out of pocket when the machinery breaks. Some agencies provide transportation to the plant (sometimes lowering the salary in turn, which then falls below minimum wage), and others do not. In these segments of the chain, it is common for agencies to "disappear" overnight, without paying the money due to workers, and then re-open under a different name. In the event of an accident, there is a strong likelihood that the workers will not submit an accident report to the CNESST, either because they do not want to hurt their chances of further employment, or because they do not have a valid work permit, or because they do not

want to compromise their ability to obtain citizenship. Moreover, the company will make the excuse that they never directly employed the worker, while the employment agency will claim that the worker is not covered because they do not have a work permit.

3.4 Agency workers :

Agency workers live with constant job and income insecurity. If we look only at the work on the production chain, analysis of job offers reveals that temporary jobs are always provided by an agency, while jobs offered directly by a company are always permanent and full-time. The agency worker can be hired one day at a time or for longer periods, but as a general rule they can be let go very easily.

Even when they work in a unionized plant, agency workers do not fall under collective agreements, even if in some cases, the unions have obtained for them the hourly rate (first level) established in the agreement.⁷ They do not accumulate seniority, do not have guaranteed hours, have highly irregular schedules and are not covered by the social benefits plans that the user company offers to its employees. Immigrants make up a large percentage of agency workers.

4- Groups that intervene in WLN and their forms of authority

One of our research objectives was to identify the various entities involved in the "manufacturing" of social labour relations. In this section, we offer a general analysis of the roles played by these several entities in the implementation of the SLR of various groups of workers, the modalities of this intervention and the resources on which they rely.

Firstly, it is important to note that the end clients (large distribution and restaurant chains) have a significant impact on other actors. Indeed, they encourage competitive relationships among their suppliers, and they implement audit systems intended to ensure that their own standards and those of other certifying bodies are met. Thus, lead processing companies have adapted their strategies and practices in order to secure contracts with client firms, and this has in turn affected the working and employment conditions in their plants—motivating, for example, the decision to perform part of the further processing, deboning and packaging in plants where the working and employment conditions are less favourable. In addition, the pressure of client firms has had an impact on the leeway of the unions within the lead companies, who attempt to maintain good working and employment conditions, under threat of seeing some areas of production moved to plants with lower labour costs.

The segmentation of the workforce—that is to say the development of the atypical workforce in the lead plants and the recourse to agency workers throughout the chain, the workforce whose different social labour relationships we analyzed above—can be explained by the strategies that processing companies adopted in response to the pressure of their client firms. In addition, the conditions of atypical workers trickle down in part from the orientations of trade unions, themselves constrained by labour regulation authorizing unionisation at the establishment level, but which can affect

⁷ This hourly rate is the one paid to the agency by the user company, but it is impossible to verify whether this rate, as well as other legally required benefits, such as increased payment for overtime, are actually transmitted by the agency to the worker.

and have affected certain choices, such as whether to include or exclude agency workers, or whether to demand that they are paid the salary laid out in the collective agreement.

We will now examine in more detail the relationship between a leading processing company (A) and a subcontracted company (B) that carries out further processing, deboning and packaging, as well as the impact of this relationship on the working and employment conditions of the employees of B. B is the exclusive subcontractor for A, and A offers volume contracts to B. Their relationship is one of total dependence, because A negotiates the contracts with the client, owns the meat, and owns and installs the equipment. Research and development, as well as the choice of what to produce, are equally under its purview. Similarly, B's very existence in its current form is a result of its relationship with A, which is its only client. A, meanwhile, can secure important contracts from large distribution and restaurant chains thanks to the presence of its subcontractor.

The authority to allocate material resources is shared between the contracting company and the client firms. The specifications of the product (including compliance with certifications and delivery times) are the prerogative of the client firms and are agreed upon in a commercial contract with the contracting firm. The subcontractor has no say in how the product is made, or in the technology that is used, both of which are determined by A. B simply provides the space and the human resources.

The authority to alter the configuration of the chain and to control other actors, including limiting their ability to organize and to express their needs, is also held by the contracting company and client firms. The configuration of the chain, in which the hierarchy among establishments can be seen in their different systems of work and employment, is enforced by A, in response to various injunctions by the client firms. This also confers on A the authority to manage the activities of B, and more precisely to limit the margin of manoeuvre of its actors.

This monopolization of authority resources by the contracting company and the client firms notably renders the roles of general director and director of human resources of B largely redundant: everything, even the values, the human resources policy, is strongly influenced by A. It also makes any action on the part of the union difficult. Indeed, the employee union of B is restricted by limits determined by other actors; if collective negotiation could actually bring about any real improvement in working conditions, then it might provoke A to use another strategy to fulfill the contracts it has with its clients (for example, sending the contract to its own peripheral plants, or choosing another subcontractor whose employees are not unionized).

Consequently, the work and employment conditions for the employees of B depend on multiple actors and on the nature of the relationships among them.

The employees of B are controlled by three different entities: their legal employer, the lead company A (which conducts audits of B to ensure that its standards and those of its clients are respected), and the client firms, which run their own audits on both A and B.

As the legal employer, B controls the hiring, training, compensation and daily supervision of its employees. But the salary and benefits that the company is able to

offer depend on the terms and conditions of the contract negotiated with A. Moreover, B's employees work within a structure that has been determined by A, in order to fill orders that A has negotiated. The technology, equipment, hierarchy of positions, working methods, and thus the impact of these things on workplace health and safety, all go back to A.

The income insecurity of B's employees depends in large part on A, which establishes a hierarchy between its own plants, where work hours are guaranteed, and the subcontracted plants, where they are not. We could say the same thing about the variability of work schedules. Finally the lower hourly salary of the employees of B is a condition that allows A to obtain contracts with its client firms.

4 - Conclusion

This research on the poultry chain in Quebec has shown that over the last 10 or 15 years, the nature of both the product and its destination have changed: the share of further processed products has grown and agreements between the processors and their clients are more formal, with only a small proportion sold in the free market.

The configuration of the chain has also changed significantly: previously, production (that is to say, the production of a limited quantity of products, minimally processed) was done entirely in the main plants. Today, following many mergers and acquisitions, processing is led by two large hub firms, with different internal levels: first-level plants (slaughter and initial cutting), where the conditions are good, and second-level plants (further processing), which are very profitable but where the work and employment conditions are inferior. The third level is composed either of subcontracted firms that carry out the further processing for the lead company, or of legally independent businesses. These businesses, where the conditions are even worse, buy the raw material from the lead companies and elsewhere and further process it according to the needs of their end customers. In line with the central hypothesis of this research project, the "processing" segment of the poultry chain allows for the coexistence of a variety of differently configured employment relations, which result in different work and employment conditions (SLR), less and less favourable the lower they are on the chain, with the last links characterized by informal working relationships.

Our analysis reveals that there are multiple actors involved in creating these different conditions. Beyond the typical binary employment relationship, which involves the employer and their employees, it is also necessary to consider triangular relationships, which are based on both a commercial contract and a work contract: the relationship between the placement agency, the user firm and the employee; the relationship between the leading company, the subcontracted company and its employees. Thus, even though the lead firm is not their legal employer, the employees of the subcontracted company work within a structure determined by the contracting company, filling orders that this company has negotiated and respecting the hierarchy that it has established.

In general, collective action in the poultry chain remains difficult, in large part because it is so fragmented. Where union representation exists, it is divided among four organizations. Efforts to cover agency workers even in unionized companies are very uneven. Within the unions, the hierarchical relationships among different groups of

workers (workers from various establishments seeking contracts; typical and atypical employees, intersecting with other cleavages such as native Quebecer/immigrant, rural/urban) hinder the development of any true solidarity. Collective action also encounters numerous obstacles, since the employees of the subcontractors within the poultry chain lack any leverage in the current legal framework that allows for unionization at the plant level..