

**COALITION OF BC BUSINESSES**

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**Small Business  
Economic Outlook and  
Employment Standards Survey**

**June 2004**

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**COALITION OF BC BUSINESSES**

The Coalition of BC Businesses was formed in 1992 to represent the voice of small and medium-sized businesses in the development of British Columbia's labour and employment policies.

The Coalition is made up of organizations that collectively represent over 50,000 small and medium-sized businesses active in all sectors of BC's diverse economy in communities throughout the province.

The Coalition's focus is the development of labour policies that will help foster a positive relationship between employers and employees and a climate for economic growth, opportunities and jobs.

## EXECUTIVE SUMMARY

- The Coalition of BC Businesses commissioned a survey to gauge the opinions of employers on the economic outlook of their small businesses and to measure their awareness, attitudes and application of the 2002 Employment Standards Act amendments.
- The BC government introduced the 2002 employment standards changes to increase business activity and employment by providing employers and employees with greater flexibility to tailor workplace conditions to their own unique circumstances and customer needs. The changes were also introduced to ensure BC's employment standards laws are competitive with other jurisdictions.
- **Firms responded favourably to impact of 2002 Employment Standards Act changes on their business conduct.**  
Seventy one percent of respondents said the employment standards changes would increase flexibility in dealing with employees.
- **Small Businesses confirm positive effect from specific changes to employment standards.**  
Nearly seven out of ten of businesses that made business-practice changes as a result of the 2002 amendments said the changes to minimum shift hours had a positive effect on their business.
- **Firms generally familiar with employment standards changes.**  
Six out of ten firms indicated an awareness of changes in the Employment Standards Act in 2002.

### Upbeat Economic Outlook

- **BC small businesses bullish about future**  
Eighty seven percent of respondents said they were optimistic about the future of their business.
- **Sales are up**  
Seventy five percent of firms had the same or increased sales compared to two or three years ago.
- **Employment on the rise**  
Seventy nine percent of firms had the same or more employees than two or three years ago.

### Employment Standards Act Survey

- **Strong overall approval of the 2002 changes to the Employment Standards Act.** Seventy eight percent of all respondents, and eighty six percent in the restaurant/food store segment, approved of the changes made to the Employment Standards Act.

### Conclusion: Maximizing Awareness and Use of Employment Standards in the Workplace

- The Employment Standards Act amendments of 2002 appear to be achieving their objectives among those employers who are aware of and are using these changes.
- The survey, however, reported gaps in awareness, understanding and use of the Employment Standards Act among some small business employers.
- It is clear that the BC economy could derive further benefit from the Act if government, with the support of the business community, made a concerted effort to communicate the amendments and the advantages they represent to employers and employees alike.

## INTRODUCTION

### The Case for Amending the Act

Prior to the 2002 legislative amendments, the Employment Standards Act imposed very rigid standards with virtually no opportunity for employers and employees to adapt those standards to meet their own unique needs and circumstances.

The one-size fits all approach to employment standards created needless obstacles to growth in business activity and employment. Overtime, hours of work and termination provisions were inflexible and prevented businesses from responding to the ebbs and flows of economic cycles and work that was project-oriented or seasonal in nature.

The challenge was to strike a fair balance between the need for businesses to operate flexibly and the need to provide adequate protection for employees.

### 2002 Employment Standards Changes

The BC Government moved to modernize employment standards by creating greater flexibility for employees and employers, reducing unnecessary regulation and bringing mandatory penalties into force. The government's amendments to the Employment Standards Act and Regulation took effect on November 30, 2002

The Coalition of BC Businesses supported these changes as they were seen to modernize and simplify BC's employment standards rules. At the same time, the new Act cracked down on employers who broke the rules by enforcing the highest mandatory penalties in Canada: \$500 the first time, \$2,500 the second, and \$10,000 the third. (See Appendix A for the 2002 Employment Standards Act and Regulation amendments).

### Small Business Economic Outlook and Employment Standards Act Survey

The Coalition of BC Businesses developed the *Small Business Economic Outlook and Employment Standards Act Amendments Survey* as a tool for the employer community to assess awareness and impact of the 2002 amendments, and to explore the potential need for further changes to the Act.

The Coalition of BC Businesses commissioned Western Opinion Research to survey 500 randomly selected BC small businesses between April 5 and 19, 2004. The purpose of the survey was to:

- Determine the awareness and use of 2002 changes to the Employment Standards Act
- Determine the opinions of these changes
- Determine the perception of the need for clarification of, or more information about the employment standards changes

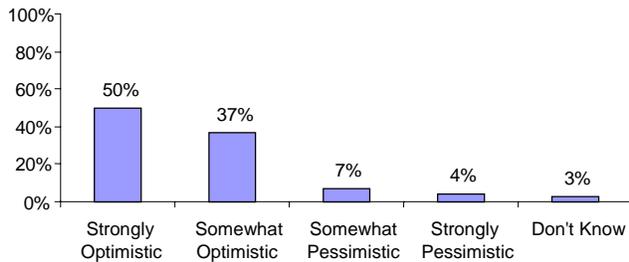
The survey also presented an opportunity to gauge employers' opinions of their economic indicators and levels of business confidence. The results of the survey are found in the 'detailed findings' section.

## DETAILED FINDINGS

### BC small businesses are more optimistic about the future.

Respondents were asked if they are generally optimistic or pessimistic about the future of their business over the next year or two. Results show that nearly nine out of ten small businesses (87%) are optimistic about the future. One-half of respondents (50%) are strongly optimistic about the future of their businesses while a further 37 percent are somewhat optimistic.

**Figure 1:**  
*Level of Optimism for BC Businesses*

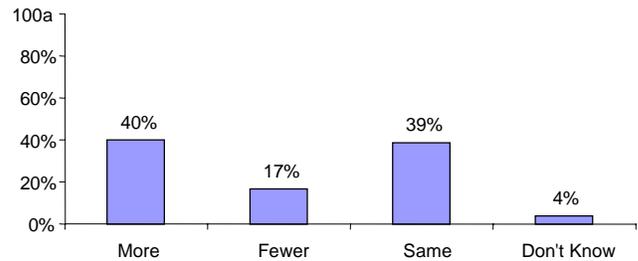


### Firms have more employees now than before the employment standards amendments.

Respondents were asked if they had more, fewer or the same number of employees as they did two or three years ago. Results show that a higher proportion of businesses say they have more employees (40%) than fewer employees (17%). The balance of businesses (39%) has the same number of employees.

**“We just got more jobs, more work.”**  
  
- small business respondent

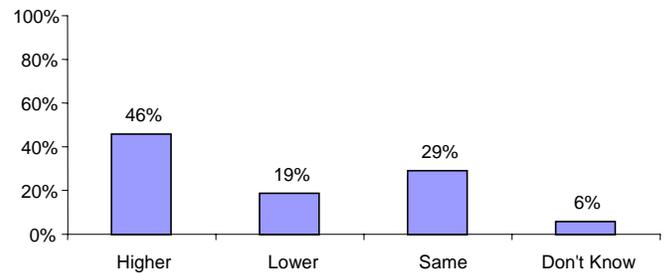
**Figure 2:**  
*Gaining/Losing Employees in the Last Two or Three Years*



### Firms are making more sales now than before the employment standards amendments.

Nearly one-half of businesses (46%) have increased sales compared to two or three years ago, which is substantially higher than the percent of businesses that have decreased their sales (19%). Just under one-third (29%) report that sales are the same.

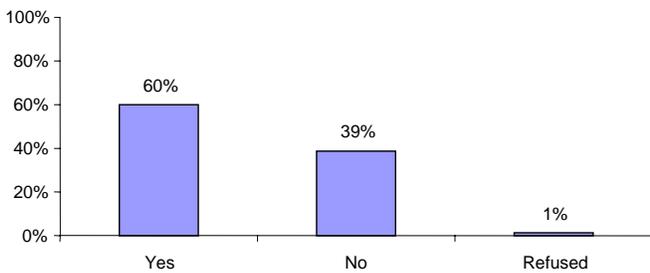
**Figure 3:**  
*Sales Growth or Decline in the Last Two or Three Years*



**Majority of firms cited an awareness of changes to the Employment Standards Act in 2002.**

Respondents were queried on their general awareness of changes to the Employment Standards Act in 2002. Six out of ten respondents said they were aware of the Employment Standards Act changes compared to 39% who said they were not aware of the changes.

**Figure 4:**  
*Awareness of Employment Standards Act Changes*

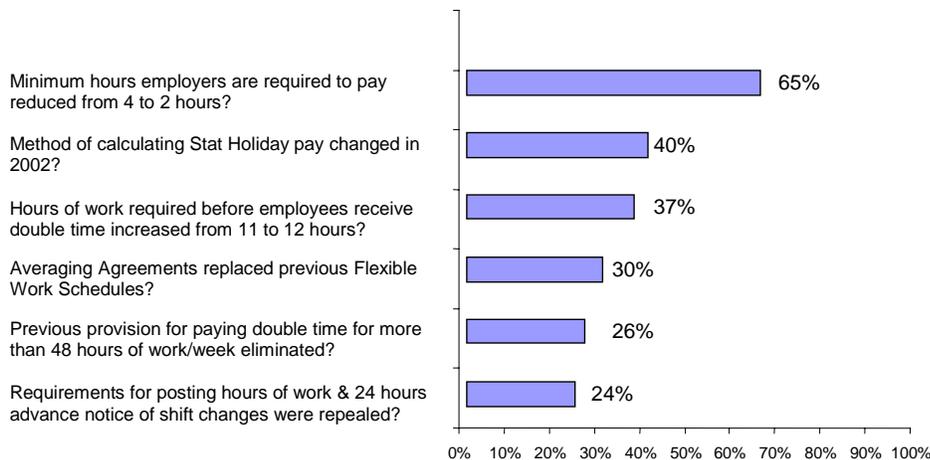


**Reference to specific changes to the Employment Standards Act generated greater overall awareness.**

In a series of follow-up questions, respondents were asked if they were aware of a number of "specific" changes to the Employment Standards Act.

**Figure 5:**  
*Awareness of Employment Standard Act Changes*

Were you aware of the following changes to the Employment Standards Legislation in 2002?



**High Awareness**

The majority of respondents said they were aware of the changes in minimum shift hours from four to two hours (65%).

**Moderate Awareness**

Two in five respondents said they were aware of changes to the method of calculating overtime (40%) and that the hours of work required before employees receive double time increased from 11 to 12 hours (37%).

**Low Awareness**

Somewhat lower levels of awareness were reported with respect to Averaging Agreements replacing previous Flexible Work Schedules (30%), the elimination of the provision for paying double time for more than 48 hours/week (26%) and the repeal of requirements to post hours of work and notice of shift changes 24 hours in advance (24%).

***"Make legislation more understandable to employers, and less open to interpretation."***  
***- small business respondent***

**Businesses confirm positive effect from specific changes to employment standards.**

Respondents who were aware of specific changes to employment standards were asked if the 2002 amendments had a positive or negative effect, or no effect at all on their businesses.

**“Changing the minimum shift from four hours to two created more flexibility. It gave students a lot more jobs.”**

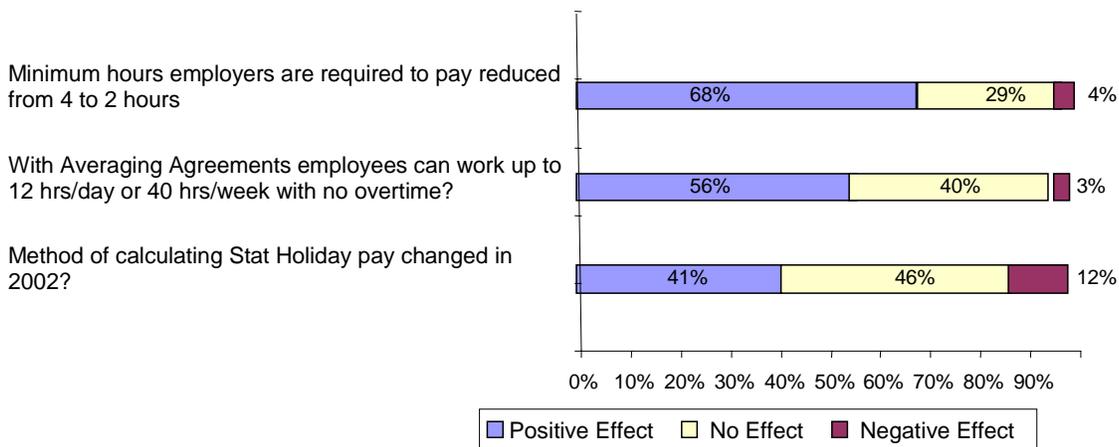
**- small business respondent**

Among firms that made business-practice changes as a result of the 2002 amendments, results show that the effect of these changes was generally positive.

In particular, the majority of these businesses cited positive effects from changes in minimum hours (68% positive) and changes to hours of work averaging agreements from 12 hours per day or 40 hours per week (56% positive). With respect to simplifying the method of calculating stat holidays, 41% said the change was positive.

**Figure 6:**  
*Positive or Negative Effect on Business*

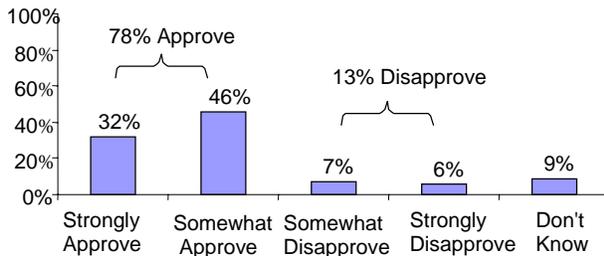
*Did these changes to the Employment Standards Legislation in 2002 have a positive effect, a negative effect or no effect on your business?*



**Strong approval of changes to the Employment Standards Act in 2002.**

Once businesses learn about the changes, the approval rating for the amendments increased dramatically. Nearly eight out of ten respondents approved of the employment standards changes.

**Figure 7:**  
*Approval Rating for Employment Standards Act Changes*

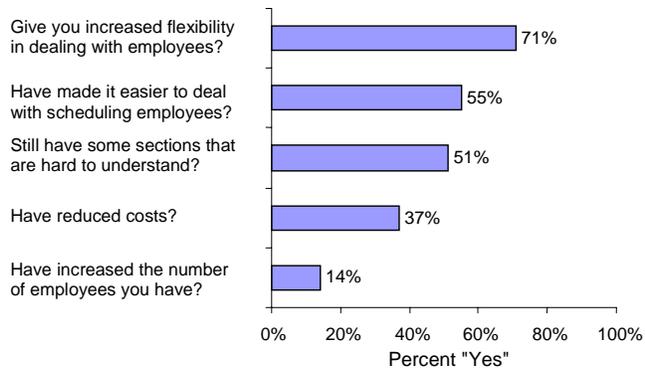


**Firms responded favourably to the impact of 2002 Employment Standards Act changes on their business conduct.**

Respondents were asked a series of closed-ended questions to gauge the effect that the 2002 Employment Standards Act changes would have on their business practices.

**Figure 8:**  
*2002 Employment Standards Act Effects*

Would you say that in total, the changes to the Employment Standards Act introduced in 2002:



Results show that amendments to the 2002 Employment Standards Act had far reaching effects

***“It just allowed us to get our staff focused on the task at hand, which helps everyone here.”***

***- small business respondent***

on BC small business that were applying the changes. In particular, the majority of businesses agreed that the changes provided “increased flexibility in dealing with employees” (71%) and that it “made it easier to deal with scheduling employees” (55%).

Also noteworthy in the findings is that a significant proportion (51%) agrees that some sections of the Employment Standards Act are hard to understand.

**Awareness, use and understanding of Averaging Agreements ranks low.**

Only 30% of respondents said they were aware of hours of work averaging agreements. Those who were aware of them were asked to what extent they use, understand and want to know more about hours of work averaging agreements.

Use of hours of work averaging agreements is low. Only 15% of those aware say they use hours of work averaging agreements.

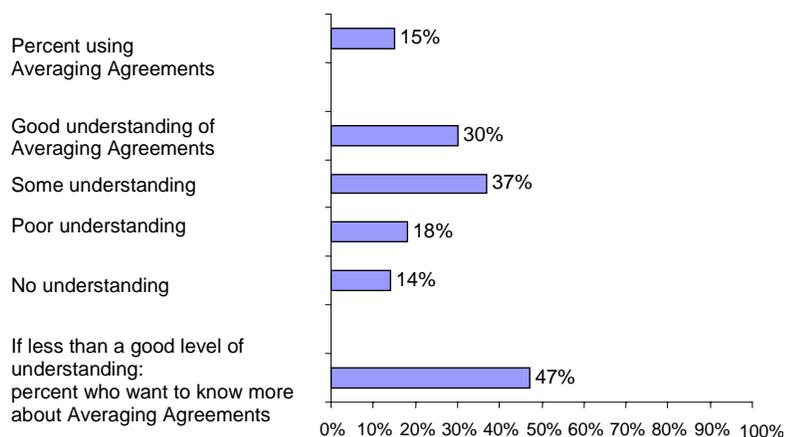
Of those aware of averaging agreements, 30% say they have a good understanding of how it works while 37% claim to have some understanding. About one-third of respondents (32%) say they have a poor or no understanding of hours of work averaging agreements.

Among those with less than a good understanding of hours of work averaging agreements, about half of them would like more information.

When broken down into size of businesses, 27% of large businesses (more than 16 employees) are using averaging agreements, while no businesses surveyed with fewer than seven employees are using averaging agreements. Larger businesses are also more likely to have a better understanding of averaging agreements than small businesses.

It appears that businesses that need averaging agreements are aware of them and making use of them as well.

**Figure 9:**  
*Averaging Agreements*



## APPENDIX A: RESEARCH METHODOLOGY

A telephone survey of 500 randomly selected small businesses was conducted between April 5 and 19, 2004. The results of the survey reflect the views of all eligible BC small businesses to within plus or minus 4.5 percentage points at the 95 percent level of confidence.

Interviews were conducted with the person responsible for, or involved with decisions about hiring and scheduling employees. Companies having unionized work forces were eliminated from the survey by administering a screening question in the survey introduction. During the fielding of the survey, respondents' business types were monitored to ensure that a representative distribution of industries was being interviewed.

All the telephone interviewing was conducted from the Western Opinion Research call centre. To ensure quality control, between 10 and 15 percent of the interviews were monitored by a supervisor. The questionnaire averaged 11 minutes in length.

The sample of BC businesses was randomly taken from a purchased list of BC business telephone numbers. The criterion for sample selection was that the businesses have 50 or fewer employees.

### Business Types in the Sample

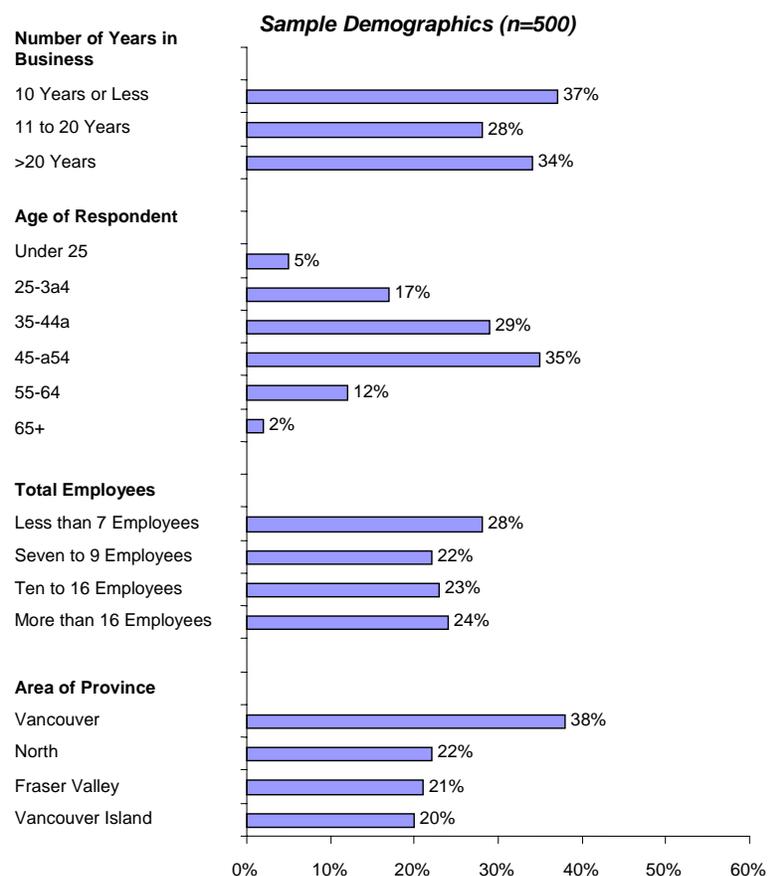
Results show that the distribution of business types in the survey sample is very comparable to that for the general business population. The only notable difference in the survey sample from the population is a slightly higher proportion of "eating & drinking places" (13%) as compared to the total provincial business population (6%). This is not unexpected given that the sample criterion is limited to businesses with 50 or fewer employees and excludes businesses with unionized employees, while the provincial comparison includes all business.

The largest share of interviews fell into three main business classifications: Services (37%), Other Retail (20%) and Eating and Drinking Places (13%).

### Demographic Information

The following table summarizes various demographic details about the businesses (Years in business, Age of Respondent, Total Number of Employees, and Area of Province).

**Figure 10:**  
*Demographic Information*



## **APPENDIX B: SUMMARY OF 2002 EMPLOYMENT STANDARDS ACT AMENDMENTS**

Changes to BC's Employment Standards Act and Regulation come into effect on Nov. 30, 2002. The changes, introduced in Bill 48, the Employment Standards Amendment Act, include:

### **Mandatory penalties**

Employers who violate employment standards will face escalating penalties ranging from \$500 to \$10,000. A penalty will be mandatory whenever the Employment Standards Branch issues a determination.

### **Flexibility in work hours**

Employers and employees can agree to a work schedule under the 40-hour workweek umbrella that averages hours over one, two, three or four weeks with an averaging agreement.

Overtime is payable for unscheduled extra hours worked in an averaging agreement, or if the employee works more than an average of 40 hours in a week.

### **Changes in overtime rules**

Overtime is time-and-a-half after eight hours in a day or 40 hours in a week, and double-time after 12 hours worked in a day.

### **Statutory holiday pay**

To be eligible for statutory holiday pay, a worker must have been employed for 30 calendar days and have worked or earned income on 15 of the previous 30 days. Employees who work under averaging agreements do not have to meet the 15-day minimum.

The policy continues for eligible employees who work on a statutory holiday. The employee must be paid time-and-a-half for the first 12 hours and double-time for working more than 12 hours. In addition to the statutory holiday pay, the employee must also receive a paid day off or an average day's pay.

## **Changes to the Employment Standards**

### **Regulation**

Special overtime rules for sectors including agriculture, taxis, trucking, oil and gas exploration and silviculture are being changed to align with general rules. As with other employees in BC, workers in these industries will be paid time-and-a-half for weekly overtime.

Fish farm employees who work more than 35 hours per week are excluded from overtime and hours of work requirements so that tasks can be performed as needed.

Fish farm employees who are required to be on site 24 hours per day must have at least 12 hours of total rest and at least eight consecutive hours of rest every day.

A clearer definition of "manager" will include a person whose principal employment responsibilities consist of supervising or directing human or other resources.

A new definition of "high-technology professional" is based on the nature of the work rather than specific job titles.

Other employees in high-technology companies will be able to enter into averaging agreements without fixed work schedules.

Sales commissions can be used to meet overtime and statutory holiday pay requirements as long as employees are paid at least what they would have earned at their base wage rate.

Certain "high-end commission salespeople" are excluded from most rules governing hours of work, overtime and statutory holiday pay. This includes people who sell or lease automobiles, trucks, motor homes and heavy industrial equipment.