

# Competition Policy in Labour Markets: Towards a More Just Society

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PRESENTED BY: ROBIN SHABAN (THEY/THEM)  
CO-FOUNDER AND SENIOR ECONOMIST

# Disclosure Statement

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In addition to my affiliation with Vivic, I am also affiliated with the Canadian Centre for Policy Alternatives as a research associate.

## THE PROBLEM

# Labour market monopsony: challenges and opportunities

Roughly [5.6%](#) of working-age individuals (1.3M) are working poor. Driven by lack of full-time work and misclassification of workers (gig work).

A [basic income](#) of between \$17K and \$24K would cost up to \$93B (gross) and still not eradicate poverty.

### Problem:

1. Monopsony power in labour markets harms (low-income) workers through lower compensation and lower-quality employment.
2. Canadian governments currently spend billions supporting millions of workers through transfers and services (like training). Examples:
  - Canada Workers Benefit (CWB) – about \$3.4B.
  - Employment Insurance – [\\$3.4B](#) provided to provinces through Workforce Development and Labour Market Development agreements.
  - Canada Child Benefit – [\\$24.5B supporting 3.3M families](#).

### How much are governments subsidizing monopsony power with taxpayer money?

**For context:** Competition Bureau's 2020-21 budget was [\\$52.1M](#).

### Opportunity:

1. Competition between firms in labour markets can be an engine to increase living standards and foster equitable prosperity.
2. Fostering competitive and equitable labour markets may be a more cost-effective intervention than transfer programs.

## SOLUTION

# We need more equitable labour markets

Tackling monopsony through competition policy can make labour markets more equitable.

The most direct intervention for poverty and social exclusion is to develop inclusive economies (societies) and markets.

Tax and transfer interventions are not sufficient or efficient to address poverty/social exclusion.

Cost savings – Increasing competition in labour markets may encourage firms to internalize labour costs that have been shifted to the public sector.

- Higher wages – for every dollar a worker earns, the federal government could save \$0.15 in CWB spending (for workers just under the poverty line).
- More training – [Decades of decline](#) in firm spending on training and education.
  - Budget 2021 [committed billions](#) to worker training programs.
  - However, with tighter labour markets today [workplace training may be more common](#).

Effectiveness – Competition policy in labour markets could be a more efficient and just intervention than transfer programs. From the [BC Expert Panel on Basic Income](#):

- “A basic income is a very costly approach to addressing any specific goal, such as poverty reduction”
- “Regulatory reform to create a more just labour market, improving wages and job conditions for low-skill, low-income workers – particularly beneficial for people whose often precarious situations have been highlighted by COVID-19: women, people with limited education and work skills, and Indigenous and racialized people.”

# Filling a gap: competition law in labour markets

Labour policy with a monopsony lens?	Competition policy with a labour lens?
<ul style="list-style-type: none"> <li>Enhancing countervailing power of workers (e.g., making unionization easier).</li> <li>Enhancing labour-market floors (e.g., minimum wage, addressing misclassification of workers).</li> </ul>	<ul style="list-style-type: none"> <li>Target anti-competitive practices (collusion, use of non-compete agreements).</li> <li>Prevent accumulations of monopsony power through merger control.</li> <li>Anticompetitive conduct specific to labour markets?</li> </ul>

**Idea:** Develop a market regulator (or several provincial market regulators) for labour markets. The regulator(s) would live within ESDC or provincial labour ministries.

- **Mandate:** ensure a fair and equitable level of monopsony power within labour markets. That level would need to be determined through negotiation between stakeholders.
- **Activities:**
  - Enforce labour-market specific competition law.
  - Monitor markets to identify high concentrations of monopsony power.
  - Suggest legislative reforms to address systemic instances of excessive monopsony power.
  - Identify market failures best addressed through government programs.

Housing labour-specific competition enforcement in labour departments has significant advantages.

- More willingness to consider fairness and equity as policy objectives.
- Notable gaps in current competition [legislation and enforcement](#).
- Proven systems for balancing worker and firm interests (e.g., EI's tripartite governance system).
- Subject-matter expertise and synergies with other labour-specific activities.

# Thank You



VIVIC RESEARCH  
123 SLATER STREET, 6<sup>th</sup> FLOOR  
OTTAWA, ON  
K1P 5H2

(613) 898-0026  
VIVICRESEARCH.CA  
HELLO@VIVICRESEARCH.CA

    HELLOVIVIC