



Parliamentary Briefing Note

Prepared by Consumers Council of Canada for the Canadian Consumer Initiative

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Housing Renovations

Introduction

The demand for housing in Canada's urban centres has fuelled a renovation boom, supported in part by government incentives and easy credit. Whether interest in renovations wanes or not, the \$37 billion home renovation marketplace will remain active and involve the majority of homeowners.¹

At the same time, renovation services have been a leading source of consumer complaints. In news media, on consumer discussion websites and in complaints data collected by consumer protection organizations and government, the home renovations industry, justly or unjustly, appears unreliable, delivering poor quality and plagued by dishonesty. Home renovation television programs uncover botched and fraudulent renovations and home repair work.² The effect on consumer confidence in such a vital economic sector is of concern to the country as a whole.

The Consumers Council of Canada conducted research seeking out root causes and consistent or persistent problems in the home renovation industry.³ The Council considered the input of key informants within industry, complaints data in two provinces and information gathered in a national omnibus survey of Canadians.

Trouble identifying the qualified

Renovation projects present unique problems to be solved by teams of workers with varying skills and competence levels, assembled for a one-time purpose. Subcontracting is a notable feature of labour organization in this industry.

Significantly, consumers and general contractors share a challenge finding qualified people to work for them. Human Resources Development Canada determines skills needs and coordinates trades standards with its provincial partners, but retail consumers know little about these standards.

"Home renovators" require a variety of aptitudes and skills, some basic and others high-level. Skills certification in home renovation-related trades puts little emphasis on customer service or project management skills. Yet many types of workers

1. According to the May 2012 "Annual BMO Home Renovation Report," fewer Canadians are planning home renovations this year, but half of Canadian homeowners (51 per cent) plan to renovate their homes in the next year, compared with 62 per cent in 2011.
<http://newsroom.bmo.com/press-releases/bmo-home-renovation-report-canadians-scale-back-p-tsx-bmo-201205280793475001>
2. The Consumers Council of Canada's 2009 report "Renovation Rip-Offs: Problems and Solutions" documented the persistence of consumers' challenges in this marketplace, and a recent, disturbing media report about the problem was aired in 2012 on Canadian Broadcasting Corporation's consumer show *Marketplace*, entitled "When the Repairman Knocks," <http://www.cbc.ca/marketplace/2012/whentherepairmanknocks/>
3. "Renovation Rip-Offs: Problems and Solutions," Consumers Council of Canada, 2009.

THE CANADIAN CONSUMER INITIATIVE is a coalition of four major Canadian consumer organizations: Consumers Council of Canada, Option consommateurs, Public Interest Advocacy Centre and Union des consommateurs.

L'INITIATIVE CANADIENNE DES CONSOMMATEURS est une coalition formée des plus importantes associations de consommateurs au Canada, soit le Conseil des consommateurs, le Centre pour la défense de l'intérêt public, Option consommateurs et l'Union des consommateurs.

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call themselves “home renovators,” without possessing key skills. While it’s possible to obtain certification as an electrician, plumber, carpenter or drywaller – common trades needed in many home renovations – no formal certification exists for the “home renovator.” In Ontario, Canada’s largest provincial market for home renovation, just one community college offers a program claiming to provide overall training to become a home renovator

Trade certification has spread but is not promoted by the industry as a marketing opportunity or advantage for renovation contractors. Potential workers do not seem to recognize value in apprenticeship and certification. Consumers don’t understand the brands associated with certification. “Home renovators” often take great pride in their work and qualifications. So, a striking aspect of the home renovation market, another consequence of its labour force structure, has been the low level of recognition and support for apprenticeship training, trade certification and promotion to consumers of standards of qualification. While the federal government invests a considerable amount of effort in the Canada-wide Red Seal program, a collaboration of the provinces, little is done to create public appreciation for this effort.

Consumers want to make careful choices of affordable and qualified contractors. Renovation projects can only progress from dreams, to plans, to successful completion, if consumers can obtain and understand how to choose people, materials and plans.

Maligned occasional workers need consideration in the labour mix

The GST/HST is a lightning-rod issue in the home renovations marketplace. Government tax collectors paint those not collecting sales taxes as miscreants. Some renovators, faced with price competition, join in the criticism. However, the first \$30,000 of annual income earned by many small, part-time renovators carries no responsibility to collect GST/HST and, depending upon circumstances, little more income tax liability after standard deductions and tax credits. By all accounts an underground market in home renovations flourishes, and it contributes to the unruly nature of the renovation marketplace, while not necessarily offending many home owners, who regularly avail themselves of successful, affordable renovation work in this manner.

Homeowners generally try to prepare themselves to achieve a successful renovation, even if some do not. Many get what they want based on careful study and luck. Others are unqualified to make good decisions. Many, prepared or not, still have problems.

Actions for government

- A strong feature of the TrustMark program for home renovation services in the United Kingdom has been the extent to which “qualification,” “business and service acumen” and periodic standards-based audit/inspection of program participants define the initiative’s brand proposition. This initiative has been backed up by government subsidization of brand marketing to incentivize organizations of all sizes to participate – a choice of carrot over the stick. HRDC should study the benefits of this model.
- Develop model standards for labour-related warranties covering common home renovation features, to economically improve marketplace efficiency across Canada and help provinces affordably innovate in this regard.
- Since contractor-subcontractor relationships are a significant feature of labour organization in the home renovations marketplace and yet contribute to the unruly nature of the sector, governments should actively seek out and study policy options that promote labour force quality and stability as a way to improve consumer protection.
- Commission research to determine the causal relationships between trades certification and consumer protection, including evaluating the risks associated with uncertified tradespeople performing home renovations.
- Evaluate the potential benefits of post-secondary education programs offering home renovation as a distinct skilled specialty and the value of creating a “home renovator” certification.

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- Make objective information about business registration and trades certification available to the public and promote common standards across Canada that make their use convenient, comprehensible and cost-effective for the public and content aggregators interested in improving their availability.
- Use nuanced communications to help consumers identify shady operators rather than equating non-collection of taxes with problem renovations.

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