



UNION COMMUNITIES, HEALTHY COMMUNITIES

THE NEW ATTACK ON UNIONS AND ITS THREAT
TO SHARED PROSPERITY IN CANADA

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The new attack on unions and its threat to shared prosperity in Canada

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Contents

Executive Summary

1 Why is the Canadian right importing American-style attacks on the labour movement?

1a The state of play: organized labour in Canada and the United States

1b The reinforced right flank: the coordinated attack on labour

2 Why are they attacking our unions?

2a Equality and broadly-based prosperity

2b The union advantage

2c Unions as a force of progressive community change

3 Debunking the right's attacks on the labour movement

3a Unions are vital to stable economic growth

3b Collective bargaining has more positives than negatives

3c The red herring of blaming unionized public employees for high taxes

4 Conclusion

References

Executive Summary

Unions continue to play a major role in making Canada a more equal and democratic society. Canadian unions are relatively strong partly because of the stronger tradition of “social unionism” which stresses the need to work in the interests of all working people through political action. Our labour laws reflect broad public support for unions and their positive role in the workplace and the wider society.

However, labour rights in Canada are under attack. There is a significant attempt by the political right to import radical US-style anti labour laws which would severely weaken unions. These proposed laws would reverse Canadian legislation which:

- provides that all union members who benefit from union wages and protections should pay dues
- considers political activities a reasonable extension of the workplace role of unions in a democratic society
- reinforces that it is up to unions to democratically decide how they spend their funds.

This frontal assault on the legitimacy of Canadian unions threatens to make Canada a much less equal and democratic society. When union density decreases, income inequality tends to increase along similar lines: since the early 1980s, the decline in union representation has been a significant factor behind the stagnation of middle-class wages and the fast-rising income share of the top 1%.

Canadian unions have been and remain major social, economic and political actors which successfully promote rights at work, fair wages, decent working conditions, and social programs and public services for all citizens.

For example, the “union advantage” of better wages is greatest for traditionally low-wage workers, including young people, as well as women and workers of colour who experience job market discrimination. Countries with stronger labour movements are much more equal, have much lower levels of low pay, and have experienced much less of an increase in economic inequality since the early 1980s.

The labour movement has been a central part of the wider progressive political movement to make Canadian society more democratic, both inside and outside the workplace; more secure from the perspective of working people who are vulnerable to unemployment and low income; and more equal by advocating for the fairer distribution of income and economic resources, including public services and social programs which benefit all citizens.

The political right claims that unions undermine our economic performance. But neutral, expert studies not only refute the claim that radical American anti-labour laws have helped create jobs, they also show that many countries with strong labour movements have done just as well (or better) than Canada and the United States when it comes

to growth and jobs, and have remained much more equal. Furthermore, by linking rising productivity to higher pay, unions support stable growth as opposed to “boom-and-bust” economies driven by debt and financial speculation. The labour movement understands that economic realities must shape the outcomes of collective bargaining. Real wage increases for unionized workers have been extremely modest in both the public and private sectors in recent years due to increased global pressures, the high Canadian dollar, and the impacts of the recession.

If individual workers are treated with dignity and respect; if workplace rules are perceived as fair; if workers can raise concerns and issues and have them resolved; if workers know that they will share in the benefits of workplace change; and if workers have a say in working conditions, training, and health and safety issues; then workers and their unions tend to work co-operatively with management to boost productivity and economic performance.

The labour movement is an important force for human rights and greater economic equality. It is a major reason why extreme income inequality is less pronounced in Canada than in the United States. Fighting for greater equality and social justice requires a robust union movement that advocates on behalf of all workers.



1

Why is the Canadian right importing **American-style attacks** on the labour movement?

1a

The state of play: organized labour in Canada and the United States

Canada's labour movement is under attack. Since the 1980s, when almost 40% of Canadian workers held good, stable, unionized jobs, union membership has shrunk to include only one in three workers. About 75% of public service workers are unionized; the private sector is a different story. Here, only one in six workers enjoys unionized employment. Over the past decade, this rate has been low, but generally stable in the major private service industries: accommodation and food, trade, and finance. Unionization remains significant in sectors like transportation, construction, communications, and utilities. However, during this same period, about 300,000 unionized manufacturing jobs have disappeared due to major layoffs and plant closures -- this loss represents the bulk of the recent decline of private sector unionization rates (Jackson, 2009; Statistics Canada, 2011). All told, Canada's unions are facing new and unique challenges from the well-organized and highly-motivated political right. While this report is an important reminder of the economic and social benefits of a thriving organized labour movement, it also seeks to discuss these attacks by debunking a number of the most commonly-used arguments posited by the right.

To understand these challenges, we first need to contrast today's Canadian labour movement with the dire situation in the United States. There, overall union density is now just 12% — and less than 7% in the private sector. The long decline of the US labour movement began in the 1960s, when unions represented about one in three workers. Further decline in the US seems certain given that new union organizing has virtually ground to a halt.

The recent frontal assault on the collective bargaining rights of workers in former US labour strongholds in the Mid West further hinders American labour's capacity to build.

So why is the Canadian labour movement so much stronger than in the US? Canadian unions have often been described as closer to the tradition of "social unionism" which stresses the need for unions to work in the interests of all working people through political action and advocacy. This agenda contrasts with the tradition of "business unionism" which prioritizes the immediate interests of members in the workplace (Kumar, 1993; Heron, 1996). Most observers agree that, whatever the underlying sources of Canada's stronger union movement, differences in labour law have also been a major factor (Warner, 2012). Stronger unions supported by a more labour-friendly political environment have, in turn, helped orient public policy in a more progressive direction than in the United States.

For example, no Canadian jurisdiction has adopted the most radical American-style anti-union legislation dating back to the Taft-Hartley Act. These laws fundamentally undermine the resources and influence of unions by giving individual members the right to opt out of paying union dues, even

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1 Why is the Canadian right importing American-style attacks on the labour movement?

though they still benefit from the union contract, and even though the union still owes non-dues paying members the duty of fair representation. Twenty-three American states, mainly in the south and west, had implemented such laws by 2011. Union density in these states was extremely low, averaging just 7.6%. In 2012, Republican majorities in Indiana and Michigan added those states to the anti-union column by passing similar laws. Further, in contrast to Canada, many American states deny collective bargaining rights to public sector workers.

Federal labour law in the United States also undermines unions' capacity for advocacy and political action. Since 1988, American union members have been able to withhold the part of their dues which would be used to support activities not directly related to workplace representation and collective bargaining. Unions are required to report details of all spending to make this opt-out possible. In Canada, however, the Supreme Court's 1991 ruling on the Lavigne case reaffirmed that political activities are a reasonable extension of the workplace role of unions in a democratic society, and that it is up to each union's members to democratically decide how they spend their funds.

Where union organizing is concerned, there are also profound differences in law and practice between the United States and Canada (Warner, 2012). New organizing in the United States is almost impossible since votes for representation can be dragged out by employers. Union activists can be easily fired. There is no mechanism to impose a first contract if employers refuse to bargain in good faith (Moody, 2007; Slinn and Hurd, 2009). Canadian labour laws in this area are by no means perfect, and differ by province, but recognition votes are generally held quickly; illegal employer intervention in

workers' democratic decision-making processes are held in check; and first contracts can usually be imposed.

Different jurisdictional practices aside, the freedom of association and the right to free collective bargaining are fundamental human rights. These elementary rights are enshrined in numerous international human rights declarations, most notably the 1976 International Covenant on Economic, Social and Cultural Rights which Canada ratified with the support of all provinces. Canada has ratified six of the eight "fundamental" conventions of the International Labour Organization (ILO), including Convention No. 87 on "Freedom of Association and Protection of the Right to Organize" (ratified in 1972) which establishes the right of all workers to form and join unions of their own choosing without prior authorization, and which guarantees the free functioning of labour organizations without government interference. Unfortunately, the ILO has found Canada and the provinces to have violated this Convention no less than 78 times since 1982, most often because our governments have restricted the right of some workers to join the union of their choice, or have imposed collective agreements through legislation.

However, the right of government to violate fundamental labour rights has been successfully challenged. In response to legislated changes to collective agreements in British Columbia's health care sector, a landmark 2007 Supreme Court decision stated for the first time that Canadian workers' rights to free collective bargaining are constitutionally protected by the freedom of association provisions of the Canadian Charter of Rights and Freedoms. The Court concluded that free collective bargaining enhances working Canadians' human dignity, liberty, and autonomy by giving

1 Why is the Canadian right importing American-style attacks on the labour movement?

them the opportunity to influence the establishment of workplace rules and thereby gain some control over a major aspect of their lives.

Until the 1980s, unions were generally, if reluctantly, accepted as a part of the workplace by Canadian employers. This was partly because most governments actively supported the institution of collective bargaining, and partly because high levels of private sector unionization put union and non-union employers on similar competitive footing in many sectors. Over time, increased international competition, deregulation of industries like the airlines, and privatization of government services began to make the situation worse. This more (brutally) competitive economic environment has caused Canadian employers to push for changes to the law which have made organizing new unions and free collective bargaining much more difficult.

Federal and provincial labour laws have been amended to restrict unions' ability to organize and bargain collectively. Some groups of workers have been denied the right to join unions, and most jurisdictions have made it harder for unions to gain certification of new bargaining units quickly and democratically without undue interference by employers. As detailed by the Canadian Foundation of Labour Rights, Canada's federal and provincial governments have passed two hundred pieces of legislation since 1982 that have restricted, suspended, or denied collective bargaining rights for Canadian workers. These laws have limited the rights of workers to join unions, unilaterally taken away the right to bargain by imposing collective agreements, and removed the right to strike in both the public and private sectors. There have been eighty-eight instances of back-to-work legislation over that period, the majority of which

have imposed settlements rather than just ordering workers back to work. Governments have also frequently suspended the collective bargaining rights of public sector workers through legislation.

Generally speaking, Canadian labour law has remained significantly more union-friendly than in the United States. But for how long will working Canadians enjoy this protection? In recent years, Canadian conservative political forces and major employer groups have moved from supporting major restrictions on union rights to whole-heartedly embracing the radical anti-union agenda of American employers and the Republican right. Importing the worst parts of American labour law to Canada would almost certainly take us down the same path as the United States – beginning with a decrease in unionization levels.

1b

The reinforced right flank: the coordinated attack on labour

Both the Fraser Institute and the Montreal Economic Institute have recently published a flurry of studies on differences between the Canadian and American legal regimes, and have argued for American-style anti-union legislation as a means to create jobs and to reduce the cost of public services, and thus taxes (Godin et al, 2006; Fortin, Chassin and Gagnon, 2011). They have been joined by Labour Watch, an organization which co-ordinates anti-union legislative initiatives and is supported by leading Canadian employer organizations including the Canadian Federation of Independent Business (CFIB), the Canadian Restaurant and Foodservices Association, the Quebec Council of Employers, the Retail Council, and Merit, an alliance of

1 Why is the Canadian right importing **American-style attacks** on the labour movement?

non-union construction companies. These right-wing think tanks have focused a great deal of critical attention on the allegedly over-generous pay and pension benefits of public sector unionized workers.

The labour movement has also found itself being attacked in Canadian legislatures. In 2012, the Ontario Progressive Conservatives, who could well form the next Ontario government, issued a major policy paper endorsing anti-union laws as well as legislation which would require unions to disclose any money spent on political campaigns (Ontario PC Caucus, 2012). They have also promised to unilaterally rip up existing public sector collective agreements. This agenda would make Ontario labour law little different than in the most stridently anti-union jurisdictions in the United States, and it goes much further than either Premier Klein of Alberta or Premier Harris of Ontario were ever prepared to go. “Right-to-work” laws have also been supported by Alberta’s Wildrose Party, were included in a comprehensive review of Saskatchewan’s labour legislation following the re-election of the Brad Wall government, and may soon be applied to federal government employees.

At the federal level, the attacks on unions are just as fierce: in December, 2012, the House of Commons passed Bill C-377, a private member’s bill that had the strong support of almost the entire Conservative caucus and Cabinet. Based on American legislation, it would require some 25,000 union locals to file detailed statements of revenues and expenses with the Canada Revenue Agency. These statements are to be broken down by area of activity, including political advocacy and lobbying. The ultimate goal of Bill C-377 is to secure the information base needed to support American-style legislation that would allow union members to withhold

The Canadian Bar Association argues that Bill C-377 violates Canadians’ Charter rights to free expression and association by excessively interfering with unions’ internal administration and operations.

dues spent on activities other than collective bargaining and workplace representation. However, C-377 creates a remarkable double standard: these stringent reporting requirements would not apply to other organizations, such as employer groups and professional associations, which engage in similar kinds of lobbying and political advocacy. The Canadian Bar Association (2012) argues that the Bill violates Canadians’ Charter rights to free expression and association by excessively interfering with unions’ internal administration and operations.

This new, organized, direct attack on the legitimacy of Canadian unions mimics extremist Republican anti-unionism in the United States, and threatens to make Canada a much less equal and democratic society. Indeed, the radical Canadian right sees unions as a major obstacle to implementing its broad political agenda: dismantling social programs and public services, privatizing services such as health care, and implementing further tax cuts.

2 Why are they attacking our unions?

2a Equality and broadly-based prosperity

To understand why the labour movement is in the right's political crosshairs, we need to understand how it has contributed to the fight to build a fairer society. Unions originally emerged to define and represent workers' interests and to balance employers' power, both in the workplace and in wider society. In the social democratic or "embedded liberalism" era which lasted from the 1940s to the early 1980s, unions were major social, economic and political actors. Unions successfully promoted fair wages, decent working conditions, social programs, and public services which benefit all citizens – not just unionized workers. While on the defensive since that time, Canadian unions still make a significant difference both for their members and for working Canadians in general.

Unions are also important advocates of human rights and democracy. They provide workplace representation for their members, have some influence over workplace rules, and provide protection from arbitrary discipline and dismissal. Non-union workers have theoretical access to a number of rights and standards through individual litigation and complaints under employment standards legislation, but these are basically means to seek redress after employment has been terminated. In short, unions give many workers a collective voice and some workplace power vis-à-vis their employers.

Unions are an important force for greater equality. Economic research shows that unionized workers typically receive higher wages than otherwise comparable non-union workers. This "union wage advantage" is greatest for people

who would otherwise be lower-paid workers. This group notably includes workers with less formal education and skills, younger and less experienced workers, and women and workers of colour who experience discrimination in the job market. Differences between the wages of unionized and non-unionized workers are significantly higher in lower-paid occupations, such as sales and service jobs, and are less pronounced in professional jobs. Indeed, unionized male professionals often earn no more, or even less, than their non-unionized equivalents (Jackson, 2009). Unions have therefore been able to raise the wages of some lower-paid workers and reduce the overall incidence of low pay and poverty (Chaykowski, 1995).

Unions have also succeeded in narrowing wage and salary gaps within unionized firms and highly-unionized industries. For example, skilled tradesworkers in the auto industry make more per hour than regular assembly line workers, but the difference is not as great as it is in non-union firms. Unions also reduce pay gaps between rank-and-file workers and their managers. The positive, equalizing impacts of unions on wages spill over to lower-paid, non-union workers in communities with high levels of unionization. Western and Rosenfeld (2011) found an interesting connection in American industrial and regional clusters: a fall from higher to lower levels of unionization is related to rising levels of wage inequality among non-union workers. This correlation exists because non-union employers in a strong union environment will pay higher wages to lower-paid workers in order to avoid unionization. Strong unions therefore establish norms of fair wages which spill over into the non-union sector.

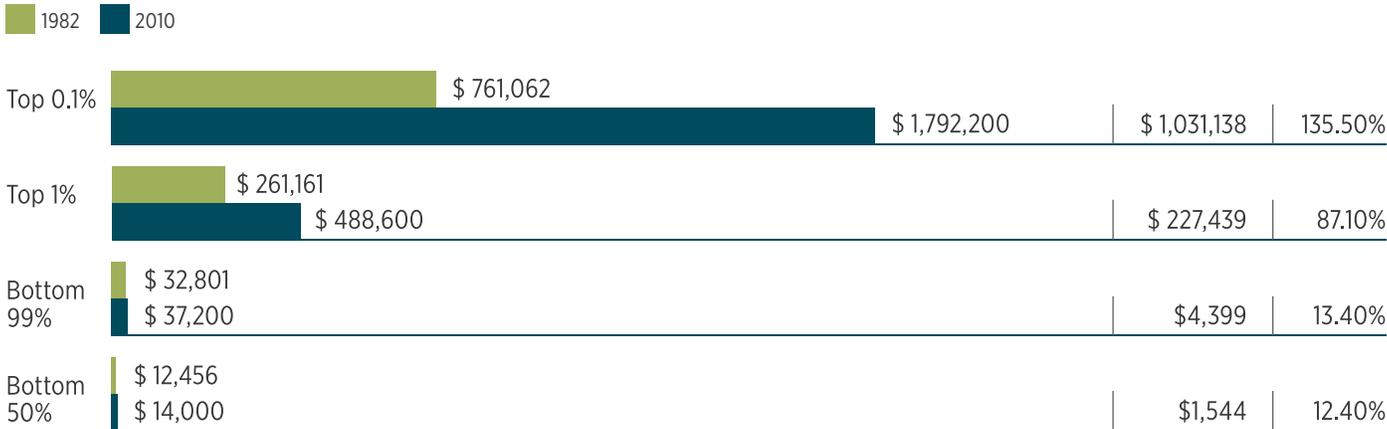
2 Why are they attacking our Unions?

Unions not only raise pay for the lower-paid, but also promote pay and employment equity. Many collective agreements contain non-discrimination clauses; some call for formal pay and employment equity procedures above and beyond those mandated by law. Unionized workers are also most likely to benefit from legislated pay and employment equity laws because unions have been prepared to fight long and costly court battles on their behalf. Wage differences between women and men are much narrower in unionized workplaces and in highly-unionized sectors of the workforce. The same is true of wage differences between racialized and non racialized workers, and between workers with and without disabilities (Reitz and Verma, 2004; CCSD, 2004).

2b The union advantage

The equalizing impact of unions on wages is more important than the impact of unions on overall wage levels. The right has made misleading comparisons between average union and non-union wages to paint unionized workers as significantly overpaid. However, those who make this argument often omit the fact that unionized workers are, on average, older, more experienced, more likely to work for large employers, and more highly-educated and skilled than non-union workers. Unfortunately, only a minority of low-paid, lower-skilled private service sector workers belong to unions and benefit from the union advantage. All of these factors help explain why unionized workers earn more than non-union workers. Economists calculate this difference as “the union advantage”: the wage premium (the difference between the union and non-union wage for comparable jobs, holding

Change in average total income including capital gains 1982 - 2010 (in constant 2010 Dollars)



Source: CANSIM Table 204-0001

Difference Change

2 Why are they **attacking** our Unions?

constant all of the other factors that determine wages). The wage premium has been generally estimated to be a modest 7% (Fang and Verma 2002). On top of a wage premium, union members generally also have better pensions, other benefit coverage, and more paid time off the job, on top of the other protections of a collective agreement such as job security and access to the grievance and arbitration process.

More than **one in five** full-time Canadian workers are low-paid – or **earning less** than **two-thirds** of the median national full-time wage. This is about **double** the proportion of low-paid workers in many **European countries**.

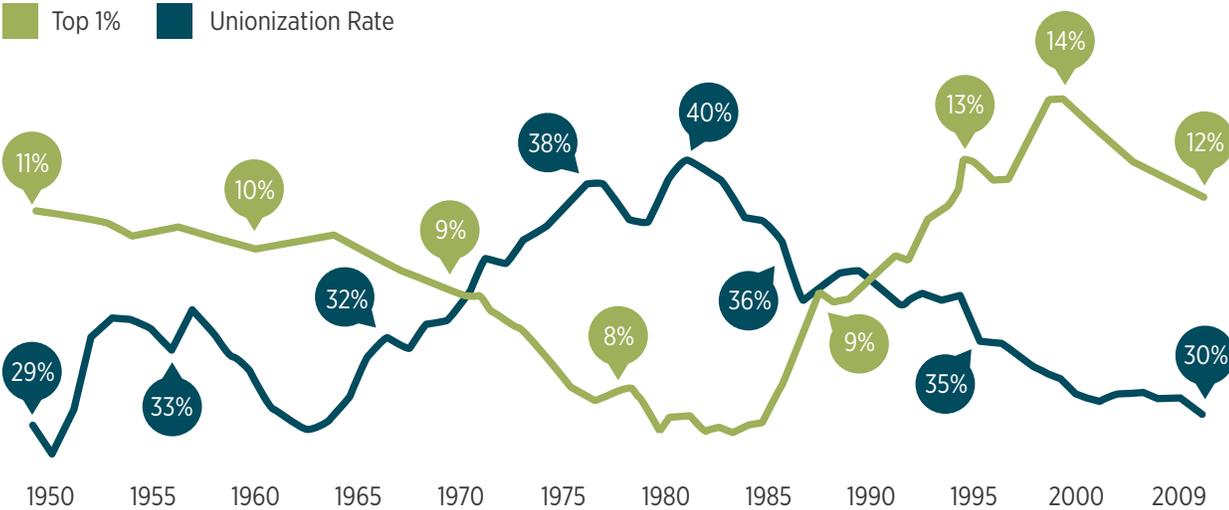
The distribution of wages is significantly more equal in jurisdictions with high union density, and declining unionization has been a significant cause of rapidly rising wage inequality since the 1980s. Research by leading academic economists has shown that Canadian unions significantly reduce wage inequality among men as well as the gender wage gap. Comparing Canada's (higher) union density to that of the United States helps explain why the distribution of wages and household income is more equal north of the border (Card, Lemieux and Riddell, 2004; Lemieux, 1993; Dinardo, 1997). Western and Rosenfeld (2011) recently found that the decline in private sector union density in the United States has caused between one fifth and one third of its increase in the inequality of hourly earnings between 1973 and 2007. Fortin et al (2012) find that 15% of the growth of income inequality in Canada

during the 1980s and 1990s can be attributed to declining unionization. Clearly, income inequality in Canada would increase even further if union density were to fall to very low American levels.

Countries with very high levels of collective bargaining coverage have much less wage inequality than lower union-dense countries, such as the United States, Britain, and Canada. In social democratic Scandinavia and the social-market countries, such as Germany and the Netherlands, collective bargaining coverage is high because of high union membership combined with the legal extension of those agreements to non-union workers on a sector or regional basis. Wage floors set by bargaining thus protect the great majority of non-professional and non-managerial workers. The incidence of low pay and earnings inequality are both much lower in these countries than in Canada (OECD, 2006; Jackson, 2009 Chapter 12). More than one in five full-time Canadian workers are low-paid – or earning less than two-thirds of the median national full-time wage. This is about double the proportion of low-paid workers in many European countries. And the earnings gap between the top and bottom 10% of workers is about three to one in the Scandinavian countries compared to more than four to one in Canada and five to one in the United States. The sharp increase of the 1%'s share of income has been much more pronounced in North America and the United Kingdom than in continental European countries where the labour movement remains much stronger (Hacker and Pierson, 2011). Unions still have an important equalizing impact, notwithstanding the fact that all of the advanced industrial countries are exposed to the forces of globalization and technological and organizational change which have generally reduced labour's bargaining power.

2 Why are they attacking our Unions?

The rate of unionization versus the income share of the top 1%



(“Income share of top 1% from World Incomes Database (<http://topincomes.g-mond.parisschoolofeconomics.eu/#Database>); Unionization rate from Labour Canada series, Union Coverage in Canada (CALURA 1989-1995)”)

2c Unions as a force of progressive community change

Last but not least, the labour movement has been a central part of the wider progressive movement to make Canadian society more democratic both inside and outside the workplace, more secure for working Canadians who are vulnerable to unemployment and low income, and more equal in terms of the distribution of income and economic resources between social classes.

Unions have promoted basic employment rights and standards, including minimum wage legislation, health and safety regulations, and laws limiting working hours which apply to all workers, unionized or not. Unions have been on the front lines of the fight for women’s rights and against racial discrimination by fighting for pay and employment

equity laws and promoting positive change in the workplace. While unions negotiated decent workplace pensions and benefits for their members, the wider labour movement has also championed better public pensions for all workers, including through the creation and recent labour campaign for expansion of the Canada Pension Plan. The labour movement was a major part of the fight for Medicare, and now supports expansion of public health care for all Canadians through coverage of pharmaceutical drugs and a comprehensive system of home and residential care for the elderly.

As noted, unions have made the distribution of wages and salaries significantly more equal than would otherwise be the case through the process of collective bargaining. What’s more, the labour movement has championed income support programs which provide economic security and

2 Why are they attacking our Unions?

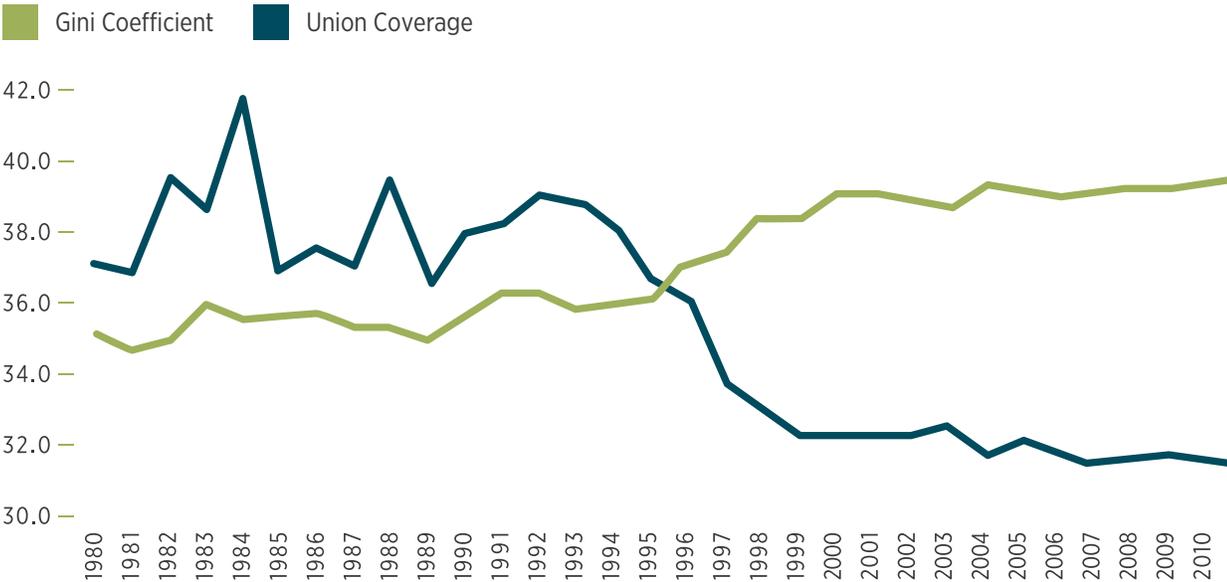
help make the overall distribution of incomes much more equal, notably through employment insurance, public pensions, child benefits, and income tax credits for low-income families. The labour movement has supported a progressive tax system that would fund a generous “social wage” of income support programs and quality public services, most importantly public education, health care, and social services.

The most equal countries in the world – those countries in which there is genuine equality of opportunity and the most limited gaps between rich and poor – are those with strong labour movements committed to working for progressive social change through the democratic political process. Social movement unionism, as opposed to narrow, workplace-focused unionism, has sustained a critical vision

of society and helped build a much more inclusive, equal and democratic society. The agenda of the radical right in attacking unions is to undermine a genuinely democratic political process which speaks for, and responds to, the needs of working people: the great majority.

Union members are more engaged as citizens, including through higher rates of voting in elections. In their important recent study of American politics, Hacker and Pierson (2011) argue that the decline of unions is strongly associated with the decline of progressive politics in the United States and the political and economic ascendancy of corporate elites and the extreme right. If Canada’s union density falls to American levels, we will face the same fate.

Canadian Coverage and Gini Coefficient, 1980 - 2010



Republished with permission from Sran et al., 2013.

3 Debunking the right's attacks on the labour movement

3a Unions are vital to stable economic growth

The right-wing think-tanks that are attempting to import American-style labour laws to Canada argue that strong unions come at the price of lost jobs and lost economic growth, especially in the highly-competitive manufacturing sector. They also argue that public sector unions raise the cost of government services, and thus increase taxes. These claims are wrong and run contrary to widely-accepted economic evidence.

There is no doubt that, for unions and working people, the overall fiscal environment has changed for the worse since the early 1980s. Unions' bargaining power has been greatly reduced by high unemployment, higher levels of precarious employment, increased global competition, deregulation, and privatization. In the post-war era of social democracy, unions' bargaining power underpinned a direct connection between productivity growth and the growth of middle-class wages. It is no exaggeration to say that unions were the prime architects of the middle class and broadly-shared prosperity. By contrast, in the neo-liberal era, the profit share of national income has increased at the expense of wages.

“As RTW legislation may well disrupt Alberta's currently strong and stable labour relations, and as the committee found no evidence of economic advantage to such legislation, it does not recommend RTW legislation for Alberta.”

- Report of the 1995 Alberta Joint Review Committee on “Right to Work” (page v)

“RTW legislation does not in and of itself create a competitive advantage nor would it cure a fundamental competitive disadvantage.”

- Report of the 1995 Alberta Joint Review Committee on “Right to Work” (page 34)

Wage and salary growth has, especially in the US, the UK, and Canada, been concentrated among very high-income earners consisting mainly of senior corporate managers.

The 2012 OECD Employment Outlook (Chapter 3) documents the sharp decline of the workforce's share of national income as well as stagnant wages in advanced industrial countries. In Canada, the workforce's share of total national income fell by at least 6 percentage points between 1990 and the mid-2000s (if one excludes the top 1%'s incomes from the workforce share). Strikingly, Canadian real GDP per person grew by 50% from 1981 to 2011, but the real median hourly wage rose by just 10% over this extended period; almost all of the income gains went to higher-paid workers (Morissette, Picot and Lu, 2012). In the most neo-liberal industrial countries such as the United States and the United Kingdom, which have experienced the largest declines in union density and the most marked stagnation of real wages, growth has become dangerously dependent upon an unsustainable increase in household debt and financial speculation. As middle- and working-class living standards are squeezed and societies become more unequal, the economy becomes much more unstable and crisis-prone (Stiglitz, 2012). Seen from this perspective, declining union strength has severely limited stable economic growth.

3 Debunking the right's attacks on the labour movement

3b Collective bargaining has more positives than negatives

Advocates of anti-union laws such as the Fraser Institute and the Ontario Progressive Conservatives argue that strong unions undermine the economy because we live in a brutally competitive world. They argue that new investment and jobs go to those jurisdictions which have the lowest wages and taxes, especially in sectors where production can be moved quite easily. Indeed, after failing to gain major wage concessions from unionized Canadian workers, some companies such as London's Caterpillar Electro-Motive have moved production to American states which have passed anti-union laws. However, very little evidence exists to suggest that unionization has negative economic or job impacts. This is because unions are not just a cost for employers; union wage settlements also generally reflect the relative bargaining power of the two parties to a collective agreement.

The most authoritative surveys of economic literature on the labour movement conclude that unions' capacity to reduce low pay and inequality do not come at a significant economic price. A major World Bank study finds that there is no relationship between the rate of unionization and national economic or employment performance: "(u) nion density per se has a very weak association, or perhaps no association, with economic performance indicators such as the unemployment rate, inflation, the employment rate, real compensation growth, labor supply, adjustment speed to wage shocks, real wage flexibility, and labor and total factor productivity. There is, however, one significant exception: union density correlates negatively with labor earnings inequality and wage dispersion" (Aidt and

Tzannatos, 2003). A major review of economic studies by the OECD found no valid statistical relationship between trade union membership levels and the economic or employment performance of advanced industrial countries in the 1980s and 1990s (OECD, 1996).

"Employers said it. Chambers of Commerce said it. Unions said it. Even the US National Labour Relations Act says it. Labour stability is a key factor in economic prosperity."

- Report of the 1995 Alberta Joint Review Committee on
"Right to Work" (page v)

At the firm and industry level, while unions do raise wages, employers benefit from significant offsets. Most significantly, unionized firms tend to be more productive. Pressure to pay good wages and benefits may lead them to increase investment in new equipment and technologies more than would otherwise be the case. Good workplace relations can also be a major positive: the important work of Freeman and Medoff (1984) emphasizes the importance to management of a collective union voice which facilitates joint labour/management discussion of workplace problems. As Jackson (2009) argues, this openness is enormously important: productivity is always a social process and not just a technical one. If individual workers are treated with dignity and respect; if workplace rules are perceived as fair; if workers can raise concerns and have them equitably resolved; if workers know that they will share the benefits of workplace change; and if workers have a say in working conditions, training, and health and safety issues, then workers are likely to work co-operatively with management. True labour/management co-operation is much more difficult

3 Debunking the right's attacks on the labour movement

to achieve in non-union environments since workers have no formal voice, and no real power behind any voice. Unionized workplaces also tend to have far lower worker turnover, giving an employer the benefit of experienced workers and an incentive to invest in the skills of employees knowing that they are unlikely to leave the firm. It is easy to see how much, if not all, of the union wage advantage is offset by benefits for employers.

Unions understand that bargaining outcomes have an economic impact and that, if wage increases are pushed too high, job losses could follow. Keeping good jobs is usually a major priority for unions engaged in collective bargaining, which is a major reason why wage increases for unionized workers have actually been extremely modest in recent years. Over the past decade, major union wage settlements have barely exceeded inflation. Consumer prices were 28.9% higher in 2011 than in 2000, while the cumulative increase in wages from major private sector union wage settlements was just 33.2%, and 34.9% in the public sector. Annual wages in the Canadian manufacturing industry increased (in real terms) by just 1.5% over the entire past decade. Workers were forced to hold the line or make concessions to retain jobs as an over-valued Canadian dollar undercut the profitability of employers.

Studies show that anti-union legislation in the United States has had very little, if any, recent impact on decisions by firms on where to invest and produce. Ten years after adopting an anti-union law in 2001, manufacturing employment in Oklahoma had fallen by about one third (Allegretto and Lafer, 2011). Hicks (2011) found no significant link between anti-union laws and manufacturing employment trends (by state) in the United States. North Carolina – which has

“The purpose of the Rand formula is simply to promote industrial peace through the encouragement of collective bargaining.”

- Report of the 1995 Alberta Joint Review Committee on
“Right to Work” (page v)

the lowest unionization rate in the United States at just 4.1% as well as anti-union legislation – lost a third of its manufacturing jobs over the past decade, and in mid-2012 had a well-above-average 9% unemployment rate. Meanwhile, Massachusetts, Vermont and New Hampshire, which have significant high-tech industries, all enjoyed unionization rates well above the American average (15.4%, 13.5% and 12.5%, respectively) and well below-average unemployment rates. None of these states have passed anti-union legislation. Firms seeking very low wages are more likely to move to developing countries than states with such laws in place, while firms seeking highly-skilled and productive workers can generally establish a good working relationship with unions.

Recent experiences in Ontario and Quebec further reinforce the argument that relatively high unionization is not a negative. The unionization rate in Quebec's manufacturing sector was 37.4% in 2010, almost double Ontario's 19.8%. Moreover, since 2000, Quebec's rate has held steady (when it stood at 41.7%) while in Ontario it has fallen sharply from 31.1%. Yet, during that same time period, Ontario lost 301,000 manufacturing jobs (a 28.9% decline) while Quebec lost 120,000 (or 19.9%) of its manufacturing jobs. The high Canadian dollar and the global economic crisis explain the manufacturing jobs crisis, with relative union strength making little difference.

3 Debunking the right's attacks on the labour movement

3c The red herring of blaming unionized public employees for high taxes

The right also argues that unionized public sector workers are overpaid compared to similar private sector workers, and that this wage gap forces increases in private sector wage costs as well as taxes. However, as noted above, public sector union wage increases have more or less matched private sector increases over the past decade. They have barely even matched inflation – despite economic growth. Moreover, the overall public sector pay advantage is very modest, and is almost entirely the product of higher pay for women in lower-paid occupations, and it is significantly offset by lower-than-private sector pay for mainly male workers in senior public sector professional and managerial jobs.

As summarized by leading academic economists Morley Gunderson, Douglas Hyatt, and Craig Riddell (2000),

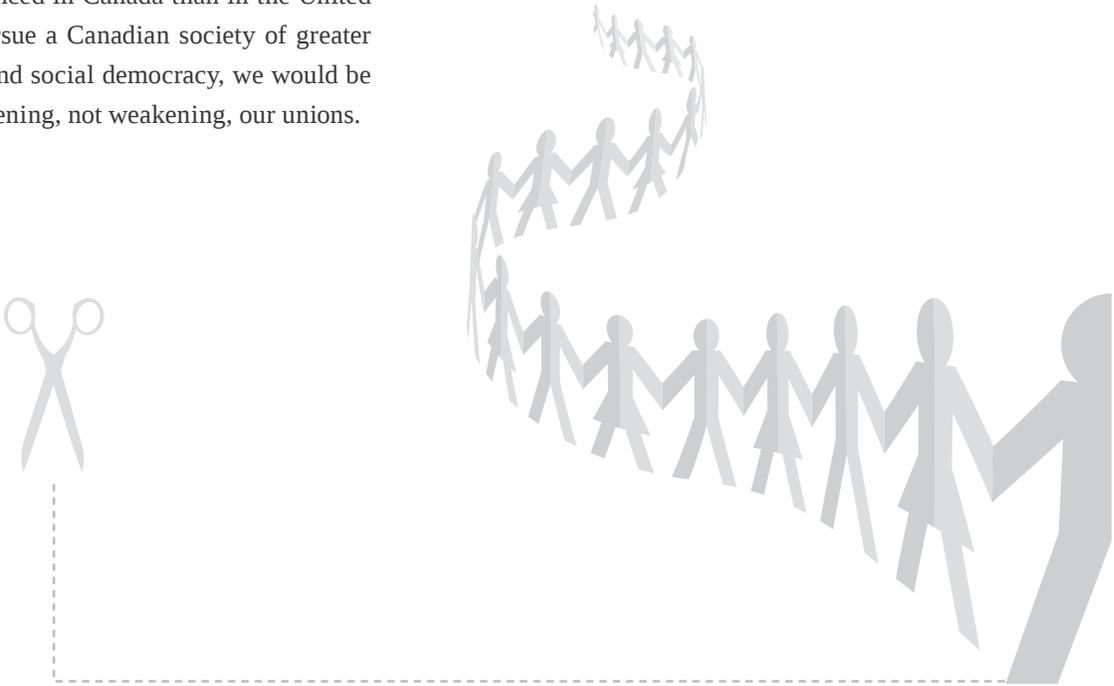
“the answer to the question of whether there is a ‘pay premium’ associated with employment in government is far from a simple one. On the one hand, some groups, such as senior managers and specialized occupational groups, such as information technology workers, are paid less than their private sector counterparts. On the other hand, women in government, especially those employed in service jobs, such as food services, tend to be more highly paid than women in the private sector. It is clear that employment and pay equity policies, coupled with decades of collective bargaining, have narrowed the pay differentials between men and women and between the highest and lowest paid workers.”

Public sector union wage increases have more or less **matched private sector** increases over the **past decade**. They have barely even **matched inflation** – **despite** economic growth.

A 2006 Treasury Board Secretariat report comparing federal public and private sector compensation similarly found that the average federal government pay premium was “small” and existed mainly for lower-paid workers. Other studies (CUPE, 2012; Macdonald for NUPGE, 2012) confirm that, overall, public and private sector pay is comparable, but there is still a significant public sector pay advantage for lower-paid women. Taken together with the fact that pension coverage is higher for lower-paid workers in public services, this means that some private sector employers likely face some upward pressures on wages and working conditions due to public sector unionism. While this helps explain some employers’ hostility to unions, unionization cannot be said to significantly raise total public sector compensation costs, and thus inflate taxes.

4 Conclusion

Strong unions were once rightly seen as a key bulwark of an equal opportunity society and a basis for broadly-shared prosperity. This role was even acknowledged by conservative premiers such as Ontario’s Bill Davis. The recent, highly-organized right-wing campaign to import American-style anti-labour laws to Canada has, however, influenced the current political agenda. Once-extreme ideas have bubbled over to become mainstream policy debate. Notwithstanding claims that weaker unions would be good for the economy, studies show that the union advantage does not come at the price of poorer economic performance. Collective bargaining outcomes reflect economic realities and the desire of unions to maintain good jobs for their members. All evidence suggests that unions have been, and remain, an important defender of human rights and greater economic equality, and a major reason why extreme income inequality is less pronounced in Canada than in the United States. If we want to pursue a Canadian society of greater equality, social justice, and social democracy, we would be better served by strengthening, not weakening, our unions.



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