The Don Wood Lecture in Industrial Relations

Transforming Industrial Relations: A Blueprint for Change

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The Annual Don Wood Lecture in Industrial Relations was established by friends of W. Donald Wood to honour his outstanding contribution to Canadian industrial relations. Dr. Wood was Director of the Industrial Relations Centre from 1960 to 1985 and first Director of the School of Industrial Relations established in 1983.

The Annual Lecture brings to Queen's University ‘distinguished individuals who have made an important contribution to industrial relations in Canada or other countries.’

In his address, Professor Kochan acknowledged Don Wood's major contribution to the field of industrial relations.
Executive Summary

- There is an emerging consensus among public policy, management and labour analysts regarding the challenges facing the Canadian economy and the implications for industrial relations and human resources policies and practices.

- The Canadian labour movement is in a position to promote the workplace innovations necessary for Canada to be competitive at a high standard of living.

- The parties to this transformation in industrial relations must form a 'strategic alliance', i.e. labour, management and government.

- Labour's strategy should include: articulation of a long-term agenda, a high trust relationship with government and employers, policies to support innovation and investment at the establishment level, training for local leadership, and solidarity among North American labour leaders.

- Management's strategy should include: a new 'Code of Managerial Ethics' with respect to labour-management relations, a commitment to fund innovations within the firm, a process to evaluate the innovations, and a 'collective' approach to improve macro-economic and social outcomes.

- Government's strategy should include: a long-term economic policy emphasizing high productivity and highly skilled human resources, a tripartite and consultative relationship with substantive rather than political objectives, and labour law updates that foster innovation, tripartism and trust.

- A team of Canadian industrial relations scholars have suggested that the traditional industrial relations system is not suited to deal with the pressures in today's competitive markets and will lead to a lower standard of living for Canadian workers.

- On the other hand, a 'strategic alliance' path to transformation could enhance efficiency and equity while preserving a stronger role for unions.
Introduction

Industrial relations is a field that thrives on applying theory and empirical research to the critical problems of the day. The challenges facing industrial relations in Canada today are formidable:

The challenges facing the Canadian economy and industrial relations in 1991 make a visitor from south of the border feel right at home.

- Unemployment remains high at slightly over 10 percent.
- Productivity growth in 1990 was only 0.5 percent, well below the average of 1.5 percent of the 1980-89 period and below the rate of productivity growth achieved in five of the six largest industrialized countries in the 1980s. Only the US rate of 0.8 percent was lower.
- Income inequality continues to grow as real wages stagnate or lag behind increases in productivity.
- Recent reports on the Canadian economy argue that the future lies in shifting from reliance on natural resources and low costs as sources of comparative advantage to an economy that capitalizes on high value added strategies but warn that significant economic restructuring and institutional change will be needed to achieve this transition.
- Concern is voiced about the fear of loss of capital investment to short-term speculation or, worse, a flight of new capital investment to the US or to other lower cost or less unionized countries.
- The rate of unionization in the private sector continues to decline as new jobs that are created are predominantly part-time, low wage, service occupations or white-collar, managerial, and professional jobs whose incumbents are not attracted to traditional labour unions.
- Union leaders are split on the appropriate strategic response of the labour movement to the challenges of restructuring the economy and the workplace. While some unions favour a broad program of reforms that would extend beyond traditional collective bargaining, others favour strategies designed to reinforce and update traditional bargaining strategies.
- Management has been slow to accept or introduce innovative joint labour-management strategies for restructuring. Instead, the majority of Canadian firms apparently continue to be dominated by a low cost view of competitive strategy that leaves little room for workplace innovations or union-management partnerships.
• But there is widespread recognition of the need to invest in skill development and training programs as part of any effort to transform Canada from a resource dependent to a high value added economy.

This list of challenges, with a few changes in the numbers, could apply to the malaise that persists in the American economy as well. But, unlike the US, in Canada there appears to be an emerging consensus among scholars and among some public policy, management, and labour union analysts on the need to transform the Canadian economy in ways that would depend on a highly skilled labour force as a source of long term competitive advantage. This type of economy in turn will require similar transformations in industrial relations policies and practice. Designing a strategy for managing this transformation to a new industrial relations system is the critical challenge facing IR in Canada today.

The Canadian industrial relations system is better positioned than the US industrial relations system to make this transformation. Although US firms started experimenting with workplace innovations somewhat earlier and on a broader and more public scale than was the case in Canada, labour, management, and government in Canada are, paradoxically, better situated to learn from and diffuse the lessons from these innovations than are their American counterparts. The primary reason for this is that Canadian unions are in a more powerful position — a force that Canadian firms and policy makers must reckon with if they have any significant hope of achieving widespread changes in economic performance. Indeed, given recent elections, the Canadian labour movement is now in a position to initiate and lead the transformation process.

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Canada has a limited window of opportunity. While labour is in a position of potential influence and leadership, with this new found status and influence comes a responsibility to which it will be held accountable. If it fails to articulate a clear vision for the future and pursue a transformative set of policies and strategies and instead seeks to regain lost ground through traditional legislative and bargaining agendas, its influence is likely to be short-lived and end in another backlash by conservative forces.
The Emerging Consensus


The degree of consensus contained in these two studies is not surprising since they both echo similar analyses and conclusions reached by various study groups and commissions in Canada and the US dating at least as far back as the report of the MacDonald Commission in Canada, the MIT Report *Made in America,* the Cuomo Commission Report, or President Reagan's Council on Competitiveness Report presented to the President in 1985.3

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*Nations such as Canada must follow high productivity, high value added strategies that are driven by product and process innovations, development and creative use of advanced technologies, and continuous investment and improvement in its productive resources.*

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The basic arguments or conclusions shared in these studies can be summarized quite simply:

- Advanced industrialized nations cannot sustain high levels of competitiveness at high standards of living by relying on natural resource advantages or low costs and low wages.

- High value added competitive strategies require a highly educated, skilled, and motivated work force and human resource policies and practices that fully utilize these skills at the workplace.

- To achieve these human resource practices requires significant reforms in traditional, adversarial labour management relations and collective bargaining practices.

- Achieving these innovations in human resource and labour-management practices, in turn, will require effective partnerships among labour, business, and government leaders and policy makers at all levels of the economy ranging from the federal and provincial levels to sectoral or industry settings, and to individual companies and establishments. In their forthcoming book, Chaykowski and Verma describe this as the 'strategic alliance' path of transformation, a term I will adopt here to characterize this approach."
Despite these points of agreement, progress in implementing these shifts in competitive strategies, human resource policies, and labour-management relations has been slowing and halting. Most observers who compare these innovations in Canada and the US agree that US firms have been both more vocal and more aggressive in pressing for some of these changes either with or without the support of unions than has been the case to date in Canada. Yet even in the US, these innovations have yet to diffuse widely. Indeed, the US may be farther away from a consensus over these issues and may suffer from more obstacles to achieving widespread diffusion than is the case in Canada; in the US at this moment in history the predominant view of American management is that unions are on the decline and pose little significant threat to the autonomy of management. Thus, there is little or no incentive or perceived need to bring labour into partnerships with management to design, oversee, or implement the competitive strategies or workplace innovations needed to enhance competitiveness. Only in the few remaining highly unionized industries and/or companies in heavy manufacturing (autos, steel, aerospace, etc.) or in selected communications and transportation industries or companies have employers felt the need to actively encourage unions to join in partnership arrangements to address these challenges. In other settings, management has chosen to act on its own or compete on whatever basis it felt was appropriate.

Unions, in turn, have been unable to forge a consensus within their own ranks to produce a visible and shared vision for the future of American industrial relations and union strategies. While individual union leaders in US auto, steel, telecommunications, clothing and textile, and other unions have been articulate advocates for innovative labour and industrial relations strategies, their advocacy has not produced a new American labour strategy or agenda for the future. Instead, American unions are engaged in a defensive battle for legitimacy and survival in a business and political environment that fails to recognize the social and economic costs of a growing void in worker representation. Thus, the will and capacity to innovate based on shared partnerships between labour and management are eroding in the US.

The US federal government has been unwilling to act to break this stalemate in industrial relations. Rather, the government has been content to ignore labour and human resource policy for over a decade, preferring to watch over the slow but continual decline of the traditional system of industrial relations in the US without making an effort to replace it with more effective forms.

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*Unions remain a more potent force in political, social, and economic affairs in Canada than in the US.*

The current situation in Canada is very different. Although private sector unionization is failing in Canada as in the US (albeit not at as steep a rate of decline), unions remain a more potent force in political, social, and economic
affairs in Canada. The election of New Democratic Party (NDP) governments in Saskatchewan, Ontario, and British Columbia means that labour's party now governs the majority of the people in Canada at the provincial level. Moreover, higher union density rates, especially in the key export sectors of the Canadian economy, along with the different social and political values of Canadian society, have kept Canadian managers from adopting as aggressive anti-union strategies as their American counterparts. In short, the achievement of significant human resource or workplace innovations without the involvement or support of Canadian unions is not a practical option for the majority of Canadian managers.

This implies that Canadians must achieve their innovations through more joint efforts - either through normal collective bargaining, or through some other forms of interaction. If the industry studies contained in the forthcoming Chaykowski and Verma volume are accurate, the parties have chosen slow incremental or evolutionary change strategies within the general framework of existing collective bargaining structures. Innovations that have gone beyond collective bargaining have largely been at the sectoral or government policy levels, such as the Canadian Steel Trade and Employment Congress (CSTEC), rather than at the workplace or corporate strategy level. Moreover in weak union settings, as in the US, Canadian employers have pursued either a non-union option or a management dominance model of implementing change without involving union leaders. What then do the parties need to do to meet these economic challenges and achieve human-resource-led competitive advantage?

**Labour's Strategies and Responsibilities**

By virtue of its potential influence in three key NDP governments, labour is now in a key position to initiate and guide a more aggressive transformation strategy than at any time in its recent history. The labour component of a strategic alliance transformation strategy includes the following key elements:

**Articulation of a clear vision and long term agenda and strategy for the economy and for labour's role as a partner in the transformation process.**

The recent Steelworkers' report is the clearest and most comprehensive vision and strategy document to be published to date by any union in North America — The Canadian Auto Workers have published a counterpart document 'Competitiveness: What's the Real Agenda? What's Our Alternative'; however, it remains more critical of government policy and joint efforts than the Steelworkers' report.

These are important first steps toward a clear, convincing, and positive vision for the economy and labour's role. However, they don't speak for the labour movement as a whole nor are they in agreement on several key points, e.g. the extent to which labour should seek a partnership role in strategic decision-making and governance arrangements in Canadian firms. Thus, the Canadian labour movement still must develop a national agenda or vision for the future that is understood and well received by its own officers and members, by the Canadian
public, by elected officials, or by Canadian employers. Such a vision and widely publicized agenda are necessary to send a clear and convincing signal to the Canadian public and to Canadian employers that labour not only understand the current economic challenges and choices available to the nation but has a positive program for addressing them. The critical next step, therefore, is to push this initial vision to a consensus within the labour movement and publicize it widely. The 1987 report of the Australian Confederation of Trade Unions, *Australia Reconstructed* might be examined as a model for how another labour movement has taken this approach and thereby shaped the national agenda on economic restructuring.

**A convincing political agenda emphasizing the long-run objectives of a transformation in industrial relations and building a high trust relationship with government and employers.**

A rebounding of union power and influence and/or tripartitism without high trust will not be a viable solution for the long run. Management and government officials, if not the public as well, may be skeptical of labour's intentions in settings where labour has regained significant political influence. The dominant view will be that labour will simply attempt to use its new-found leverage to re-establish the prior status quo balance of power and will focus on a limited agenda of reforms of union certification procedures, improvements in wages and fringe benefits and union security arrangements and result in a return to what was perceived to be an earlier 'strike prone' and inflationary bargaining era. If labour is simply perceived as 'reverting to prior form' its window of opportunity is likely to close quickly and result in perhaps an even worse political backlash that further deteriorates its membership ranks and its ability to pursue a long run strategic agenda. Thus, labour must put this long run agenda and vision at the top of its political agenda and not get sidetracked into prolonged debates over narrower labour law concerns.

**Support for new funding mechanisms, governance structures, and ongoing processes to implement an alliance strategy within individual firms and establishments that supplements public policy and sectoral strategies.**

As the Steelworkers' document points out, fundamental reforms in organizational governance and strategic decision-making processes are needed at the level of the firm if broader public policy and sectoral adjustment strategies are to have any significant effects. A deeper and more widespread commitment to investing in human resource development, indeed the creation of a 'training culture' within and among firms, is needed to support the development of a high skill strategy. Moreover, changes in the organization of production are needed to encourage and utilize broader and deeper skills at the workplace. New on-going joint forums are needed as well to transform collective bargaining from a process of periodic negotiations to one of continuous consultation. Thus, the sectoral labour-management structures and joint processes that have sprung up in various industries and the tripartite training boards established at the federal and provincial levels need to be supplemented with similar joint efforts within individual establishments and corporations. Labour must serve as the consistent
voice that champions and sustains support for these innovations and investments within the firm and insists on a role in their design and implementation.

**A convincing leadership development and training program to build the talent needed to facilitate transformational strategies at all levels of the labour movement.**

Building competence in managing transformational change is necessary to insure that the vision and broad strategy is both shared throughout the local leadership and shop steward ranks and produces meaningful and constructive change in the organizational culture of local unions and in the day-to-day labour-management interactions at the workplace. Too often these middle and lower ranks of union leadership lack a clear understanding of their new roles or the skills needed to perform them. A massive, ongoing investment in leadership training and development will be needed to carry through on a strategic alliance transformation path.

**A new International Solidarity among North American union leaders to sustain this innovative, strategic alliance path over time.**

In the past two decades the US and Canadian labour movements have drifted apart in organizational structures, outlooks and strategies. While this has been healthy in promoting experimentation with new visions and constructive competition between US and Canadian union leaders, cross border solidarity will be essential if the worst fears of the Canadian union leaders regarding the Free Trade Agreement are to be avoided. Only if Canadian employers see an equally determined and committed labour movement in the US ready to impose the same requirements for strategic partnerships if they chose to invest south of the border will the option of capital flight lose its attractiveness. Similarly, only through the unified efforts of Canadian, US and Mexican unions can there by any hope of incorporating a social dimension into any Free Trade Agreement involving these three countries. Thus, now is the time for new initiatives in international solidarity similar to the recent efforts of the coalition of unions from Canada, the US, and around the world that deal with Northern Telecom.

**Management's Strategies and Responsibilities**

While labour may be in a position to serve as catalyst for action, in the long run employers will remain the critical controllers of corporate strategy, business values and ethics, and the economic resources needed to fund and sustain human resource investments and labour-management initiatives. Thus, management too must make some visible choices and changes in practices to make a strategic alliance approach successful. The key components of a management strategy are as follows:

**A new Social Charter or Code of Managerial Ethics with respect to labour-management relations that commits the business community to promoting joint partnerships with labour and value added competitive strategies.**
For years many of us have argued that management can't have it both ways — it can't request labour's cooperation in establishments where unions are present and at the same time sustain a rhetoric that it 'doesn't need the intervention of a "third party"' in new establishments. This rhetoric needs to be replaced by an equally public and visible recognition that business can't implement a high value added strategy 'without the full commitment of our workers and their representatives.'

Management commitment of the resources and support needed to fund and implement strategic alliance efforts within their firms.

Just as unions must convey their support for a strategic alliance vision and strategy down through their leadership ranks so too must Canadian management. Middle management has been a strong force resisting innovations that empower those below them, for good and understandable reasons. The needs and concerns of middle managers must be acknowledged and accommodated in ways that sustain the innovation process and develop the leadership and managerial skills needed to carry it forward. Moreover, the role of human resources in corporate strategy making and governance needs to be upgraded significantly either through direct worker representation and consultation and the strengthening of the human resource professionals within the firm. The political nature of organizational decision-making and the contest for scarce economic resources and power need to be recognized and dealt with if the diffusion of innovations is to succeed.

Development of a clear, substantive agenda and body of data to track and evaluate the performance of innovations, the sharing of these data with other parties to the change process, and use of them to take corrective action where necessary.

Management must be the conscience of the change process. Too often labour-management change efforts are satisfied with results such as 'improved relationships' or attitudes. This is not enough. There must be hard evidence of improved productivity, quality, and economic performance or commitment of the parties will wane over time and resources will be devoted to the wrong priorities.

Efforts to change the collective ethics and strategies of corporate leaders to achieve a transformation of significant magnitude to improve macro-economic and social outcomes.

Corporate leaders in both the US and Canada have jealously guarded their independence and organizational autonomy. When they have banded together it has largely been to protect the status quo or preserve their right to manage free of the influence of labour or other groups. Too few US and Canadian managers have been willing to break ranks by urging their more conservative colleagues to accept labour as a legitimate partner in the transformational process. Yet to make strategic alliance work requires a more collective consensus on the part of business leaders that this path is in the best interests of the Canadian economy, society, and their individual enterprises. Industry associations, human resource management professional groups, management education and consulting services, and the various leadership forums in which top executives interact need to
become more vocal and supportive advocates of a new management culture that embraces the partnership approach.

**Government's Role and Responsibilities**

Although labour and management are the actors to bring about change, governments have to be an active participant in the change process.

**Like their business and labour counterparts, Canadian public officials (at the provincial and federal levels) must accept and implement a long-term economic policy that emphasizes a value added, high productivity, high skills strategy.**

Despite the various reports arguing the need for a macro-economic and social policy that emphasizes these objectives, the present Canadian government has yet to visibly and convincingly accept this diagnosis or its strategic implications for macro-economic policy. Cost-based competitiveness still reigns supreme in macro-economic circles in both Canada and the US. Neither is there any serious recognition, beyond the formation of various task forces and study commissions, of the need to integrate labour, human resource, and macro-economic policy initiatives. Such a recognition and the corresponding structures and funding commitments in tax, trade, monetary and fiscal policy are the starting points for a viable government policy that is serious about promoting a strategic alliance approach to economic restructuring and long-term competitiveness.

**Government leaders must make tripartitism and labour-management consultation work and must keep the parties focused on the long-term substantive goals and policy instruments most likely to achieve these goals.**

Too often, tripartite structures and processes are chosen to serve symbolic political purposes rather than to achieve real substantive objectives. If this is the standard, the strategic alliance track for transformation is doomed to fail. Government representatives must keep these consultative or alliance forums focused on the tough policy issues and goals and must develop the informational infrastructure needed to monitor progress and correct deficiencies as they are identified.

**If changes in labour laws are made, it is critical that these be changes that transform not simply reform current legal doctrines and practices.**

They must not simply reinforce or better enforce a balance of power between adversarial forces but create a legal environment that fosters human resource innovation, strategic alliances, and high trust at the workplace. Transformative updating in labour law would recognize the need to go beyond traditional collective bargaining. Collective bargaining is too limited and blunt an instrument to serve as the centerpiece of a strategic alliance approach to innovation. Collective bargaining will remain an important component in a broader system of workplace participation and governance and should be available as a minimum.
right for workers in settings where management is not yet prepared to embrace the broader strategy. A more positive approach to promoting and supporting diffusion of a strategic alliance approach might include such things as:

- tax incentives or matching credits for training programs funded and administered jointly by labour and management
- the requirement or support for human resource advisory councils made up of the full range of occupations and groups employed in establishments with rights to share information and participate in the development and administration of human resource strategies and plans
- incentives to introduce more employee ownership and/or other forms of contingent compensation that are linked to meaningful forms of employee participation and representation in the governance structures of firms.

In short, mere tinkering with the traditional instruments of labour law will only serve to recreate the prior status quo adversarialism that no longer well serves the Canadian economy or its workforce. Instead a transformative labour policy is needed that takes as its guiding objective the creation of national level incentives and supports for diffusing innovations in human resource practices through strategic alliances of labour and management.

**Summary: What's Really at Stake Here?**

The above prescriptions are not new or revolutionary. But they represent the hard choices needed to break out of a slow evolutionary approach, to avoid acceptance of the status quo, or a hardening of divergent positions among labour, management, and government leaders. What's at stake? The propositions implied in the summary chapter of the recent ten industry analysis of *Industrial Relations in Canadian Industry* by Richard Chaykowski and Anil Verma point out quite clearly what is at stake:

> The strategic alliance path to transformation will enhance efficiency and equity while preserving a stronger role for union and worker representation.

- The traditional industrial relations system is not well suited to the contemporary economy of Canada. Adherence to traditional practices and principles will result in declining economic performance. But because competitive pressures will continue to build, the slow evolutionary pace of change will continue to erode union strength and membership. Failure of the parties to take more conscious and aggressive action to transform industrial relations' practices will lead to a continuation of a slow and uneven evolution away from many features of the traditional industrial
relations system but will not be sufficient to produce the fundamental changes in the system needed to enhance competitiveness.

- In environments where unions are weak, a 'management dominance' path of transformation will not only continue but, if competitive pressures increase, escalate. This path of transformation may enhance the competitiveness of individual firms by lowering costs. However, this strategy will come at the expense of union membership and will ultimately reduce the standard of living of Canadian workers. Thus, the management dominance model predicts potential efficiency gains at the cost of reduced equity.

- The strategic alliance path to transformation, however, will enhance efficiency and equity while preserving a stronger role for union and worker representation. But for this path to be viable, a more proactive and public vision and strategy on the part of labour leaders and government policy makers is required. These are indeed strong predictions. Which of them comes true depends on which path of transformation dominates in Canada in the years ahead and this, in turn, will depend on how much individual and collective leadership is forthcoming from Canadian leaders in the Canadian labour, business, and government communities and in the institutions that bind them together.

Notes


5 See Pradeep Kumar, 'Industrial Relations in Canada and the United States: From Uniformity to Divergence,' Queen's Papers in Industrial Relations No. 1991-2 (Kingston, Ont: Industrial Relations Centre, Queen's University, 1991). See also,


