



**CURRENT ISSUES SERIES**

# **Is There a Future for the Canadian Labour Movement?**

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## Executive Summary

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The labour movement in Canada has been under tremendous pressure in recent years. Intense global competition, economic integration and restructuring, trade liberalization initiatives such as the Canada-US Free Trade Agreement, rapid and pervasive technological change, the growing service economy and dramatic changes in the growth and composition of the workforce have ushered in a drastically altered economic, labour market and public policy environment within which unions operate.

There is speculation that Canadian unions will not be able to rise above these challenges, that they are becoming weaker, their future is jeopardized and they are destined to follow the same path as their counterparts in the United States, where there have been significant declines in union membership levels and density.

On the other hand, others feel confident that, despite enormous pressures, the Canadian labour movement has shown remarkable resilience and adaptiveness. Based on a broader approach embodied in its active social unionism strategy, it is felt that unions in Canada are destined to remain dynamic and will therefore continue to diverge from the fate that has befallen American unions.

This report examines the Canadian labour movement

- The decline in union density by sector and industry.
- The reasons given to explain the decline — the new economic, labour market and public policy environments.
- The new forms of work organization to respond to the changing business environment.
- The effect of the 'new human resource management' on Canada's unions.
- The two divergent views on the future of the Canadian labour movement.

## Introduction

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At first glance, all seems well with the Canadian labour movement and the prognosis looks good. Four million Canadians belong to labour unions, a record high. Except for a short plateau in the early sixties and a decline in 1982-83, union membership in Canada has increased steadily each year and since the 1981-82 recession, union ranks have increased by one-half million members. During the past decade, membership growth has averaged almost two percent per year. Currently, over one-third (36.3 percent) of the total non-agricultural paid workforce in the country is unionized. Those who have studied the Canadian union movement have commented that:

... the Canadian labour movement remains strong, exhibiting a remarkable resiliency in the face of a difficult and unfavourable economic, social and political environment. (Kumar 1991, 1)

... the strength and vitality of the Canadian labour movement has been reflected in greater organizing activity and success, widespread rejection of concession bargaining, and prowess in achieving legislative goals. (Chaison and Rose 1990, 596)

Canadian union leaders, as expected, also appear confident about the health of their labour movement:<sup>1</sup>

... we continue to grow, and have credibility. I think we have an exciting labour movement. *Shirley Carr, President, Canadian Labour Congress*

... I think we're holding our own. In some places we're moving ahead, in other places we're being forced onto the defensive, but we'll be around for a long time to come. *Jeff Rose, Past President, Canadian Union of Public Employees*

I think the percentage of organized non-agricultural people in Canada will continue to grow in the next 10 years. I think that the Canadian Labour Movement, in total, is healthy. *Cliff Evans, International Vice-President, United Food and Commercial Workers Union*

... I think that generally the labour movement is alive and well and fighting back. I think the future of the labour movement is not at all down, I think it can be up ... the future for the labour movement is one in which the labour movement is going to continue to fight back and we'll continue to grow. *Bob White, National President, Canadian Auto Workers.*

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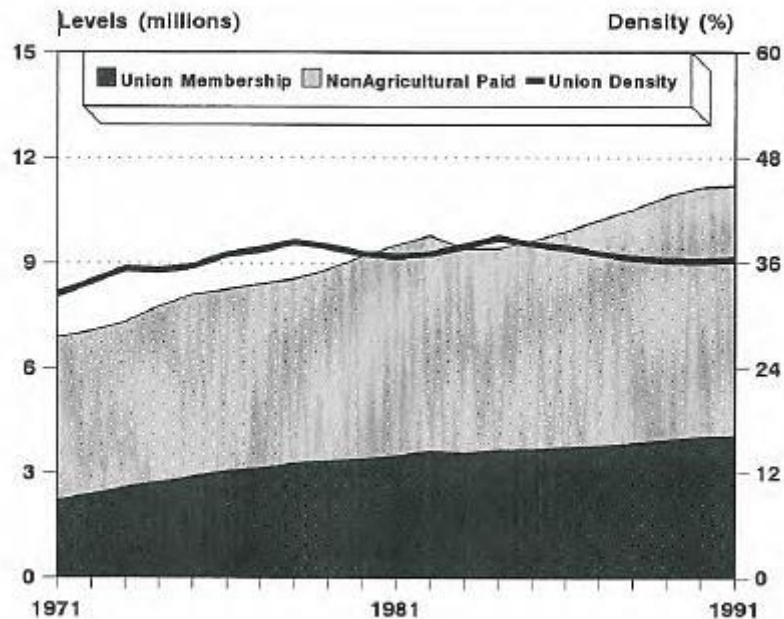
<sup>1</sup> Based on interviews conducted by Pradeep Kumar and Dennis Ryan with prominent labour leaders (Kumar and Ryan 1988).

## Declining Union Growth?

By international standards, unions in Canada have not suffered the steep membership losses that the United Kingdom, France and the United States have experienced during the 1980s (Visser 1991). Compared with the United States, the degree of unionization in Canada is twice as high.

However, there are indications that all is not well. Despite steady increases in union membership, union growth in Canada has certainly not been as robust in recent years as it was in the 1960s and 1970s. Furthermore, membership growth has failed to keep pace with the rise in the non-agricultural paid workforce and, as a result, union density, which hovered around 38 percent in the early 1980s, has declined to 36 percent in recent years (Chart 1). While some would argue that this pattern indicates 'stability' in union penetration, others brand it 'stagnation' or 'decline.'

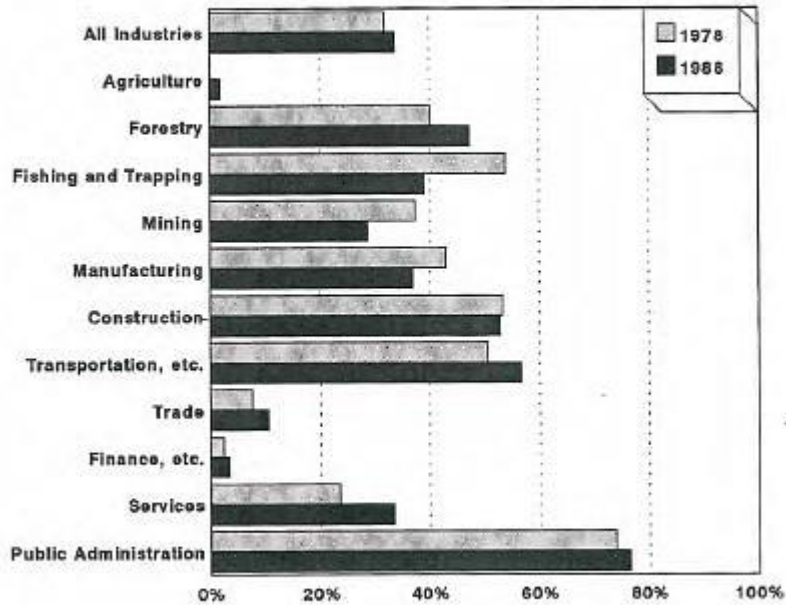
CHART 1  
Union Membership and Density, Canada 1971-1991



Source: Labour Canada, Bureau of Labour Information.

CHART 2

Percentage of Paid Workers Unionized by Industry, Canada 1978 and 1988



Source: Statistics Canada, CALURA, Part II – Labour Unions.

There is even more cause to ponder the future of union activity in Canada when one moves beyond the aggregate measures to look at what has been happening in the private and public sectors and across industries (Charts 2 and 3). Two major concerns include the decline in private sector unionization and the union presence, or lack thereof, in the faster growing segments of the Canadian workforce.

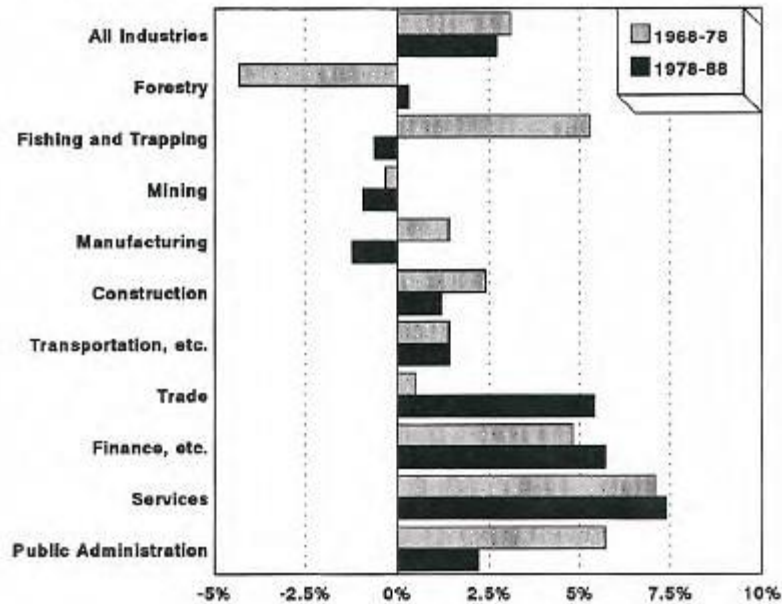
In the traditionally strong sectors of unionization such as mining and manufacturing, union membership growth has fallen over the past ten years. In forestry, union growth has been marginal in the 1980s although healthier than it was in the 1970s while in construction it has slowed compared to the previous decade. In transportation, communications and utilities, union growth has been steady but not robust.

As a proportion of paid employment, union membership in forestry, mining and manufacturing has declined substantially over the past two decades. Over one-half of the paid workforce in construction and in transportation, communication and utilities remain unionized, roughly the same proportions as twenty years ago.



CHART 3

Union Membership Growth by Industry, Canada 1968-1988



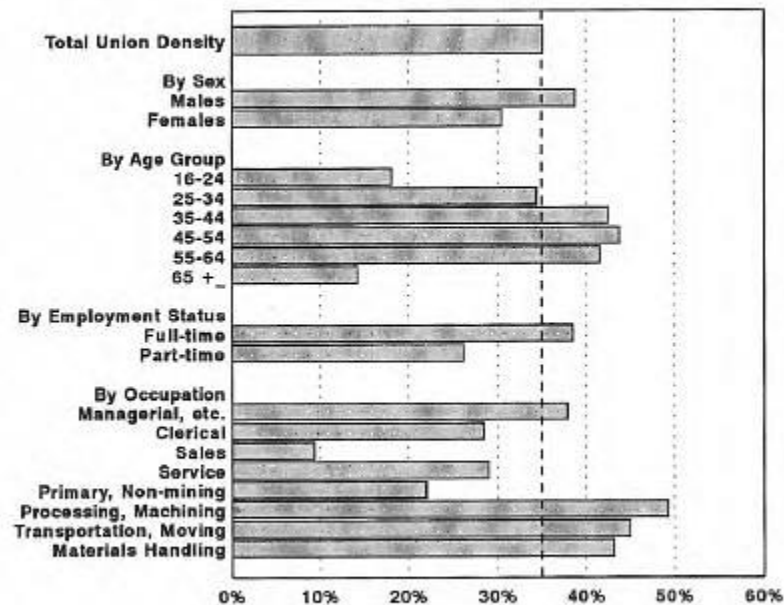
On the other hand, over four-fifths of the overall increase in union membership during the past decade had been in the service industries and public administration, evidence that unions have been expanding into new and growing areas of the economy. Nevertheless, the majority of workers in the service industries, trade and finance, insurance and real estate remain non-unionized. With three-quarters of employees organized in public administration, there is concern that unionization is at or near its saturation level in this sector. By occupation, density is less than average in professional occupations outside of teaching and medicine and health, in clerical and related occupations, sales occupations, service occupations such as food and accommodation and personal services, and wood, rubber, plastic and other product fabricating, assembling and repairing occupations (Chart 4).

### Why the Decline?

Numerous reasons have been given to explain the decline or stagnation in unionization in the private sector and the relatively low levels of union representation in growing sectors: structural shifts in the economy, labour legislation and public policy that restricts organizing and collective bargaining, employer hostility to unions, and unfavourable public opinion. The 1981-82 recession appears to have marked a turning point for organized labour during the 1980s. The severe economic downturn had a deleterious impact on employment in

#### CHART 4

##### A Profile of Unionization, Canada 1988



Source: Statistics Canada, Labour Market Activity Survey.

the goods-producing industries and blue-collar occupations, traditional strongholds of union strength.

For the first time in recorded history, there was an actual reduction in the number of union members and many unions, faced with losses in their dues-paying memberships, were also forced to rationalize union administrative structures and cutback on staffing and servicing the membership. Union bargaining power was also weakened as many unions came face to face with concession bargaining (including wage cuts and freezes, wage settlements below the rate of inflation, lump-sum payments in lieu of wage increases, reductions in employee benefits and modified work rules) as well as public sector wage restraint legislation and restrictions on the right to strike.

Moreover, on the heels of the recession came massive corporate restructuring, rationalization and consolidation in response to international competitive pressures which meant continued losses in jobs, many permanent, and related employment upheaval, particularly in the unionized sectors of manufacturing and the resource-based industries. Against the background of plant closures and relocation, privatization, deregulation, fallout from the Canada-US Free Trade Agreement, technological change, and contracting-out, the union's ability to bargain improved wages, benefits and working conditions and provide employment and income security has been severely hampered. Several of the larger private sector unions, such

as the United Steelworkers, Carpenters, International Brotherhood of Electrical Workers, Machinists, Woodworkers and several construction unions have therefore been unable to regain the membership lost during the recession.

With unionization rates declining or stagnating in those areas where membership had traditionally been concentrated, unions are also facing the labour market realities of a new workforce — a workforce with diverse interests from traditional rank and file members, one that unions have historically found more difficult to organize and where existing union structures, policies and practices have often been inadequate in reflecting some of the concerns of these new groups of workers. For example, women comprise 45 percent of the labour force but only 30 percent of employed women are union members and the proportion of Canadian women members elected to union executive boards remains relatively low. The rate of unionization tends to be relatively low among part-time workers (26.2 percent) who have accounted for over one-quarter of net employment creation in Canada in the 1980s (Economic Council of Canada 1991, 72). About two-thirds of the net employment growth in the 1980s was in managerial and professional occupations and the demand for highly skilled workers, particularly in managerial and administrative occupations, is expected to rise dramatically (Employment and Immigration Canada 1989). Many managerial and professional workers are not legally eligible to unionize at the present time and some of these groups consider themselves to be outside the mainstream of the trade union movement. Almost 90 percent of the net employment creation since the 1950s has taken place in the service sector (Economic Council of Canada 1991, 1), which tends to be characterized by high turnover, either very large employers (eg, banks, department stores) or small-sized firms, and a high proportion of women, part-time workers, professionals and youth — factors which have made union organizing more difficult.

Unions have also contended that labour legislation and labour board policy, while successful in extending collective bargaining to workers in the resource and manufacturing sectors, has not been conducive to organizing either part-time workers or workers in the growing finance and service industries (Partnership 1991, 3). Unions have also had problems making inroads in the private service sector because there tends to be more contact between the worker and the consumer which creates an incentive for employers to adopt human resource strategies that reinforce this identification (Betcherman 1989).

## **New Forms of Work Organization**

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This points up another area of concern for the future of the labour movement — increased employer demands for new forms of work organization, that is, alternative approaches to how work is organized and managed. In attempting to become more responsive to changing business conditions and to cope with a fiercely competitive environment, management is placing greater emphasis on flexibility in production methods as well as compensation and working arrangements. Employers have been flattening management structures by eliminating layers of management, pushing for fewer or broader job classifications and multiskilling, looking to more variable compensation schemes (e.g., lump-sum or cash bonus payments, two-tier wage systems, pay for knowledge and pay for performance, productivity gain sharing, incentive pay, employee stock ownership plans and profit-sharing) and making greater use of part-time and temporary employees and contracting-out.

With an erosion in the effectiveness of traditional competitive tools such as technology, product innovation, financial resources and access to raw materials, organizations are beginning to discover that their human resources represent a 'fundamental source of competitive advantage' and a 'significant force in achieving organizational effectiveness' (Benimadhu 1989). Many organizations feel a growing need to become more directly involved with employees, foster greater worker commitment and cooperation and make their human resources more involved in managing change and improving competitiveness. Quality circles, team concepts, quality of worklife, and other initiatives aimed at increasing worker participation and employee involvement are receiving increased attention. A recent survey of over 400 public and private sector organizations found that 'companies appear to be more active in responding to changing worker values and in building a new management style than in any other area' (Towers Perrin 1991, 19). For example, more than 50 percent of the survey group have introduced, or plan to introduce, a quality management or improvement program involving employees while almost 50 percent have adopted other types of programs that focus on greater productivity or morale enhancement. In terms of organizational strategy, over 40 percent of the companies had undertaken strategic changes ranging from the design of communication processes to help build employee commitment to business objectives, the reorganization of work tasks or activities to create greater labour efficiencies, programs to encourage innovation and productivity at the operating level, and the development of a more supportive 'culture' to reduce turnover and enhance productivity.

## Unionism and the New HRM

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The implementation of alternate forms of work organization has important implications for labour unions not only in unionized settings but also in terms of nonunionized workplaces where the desire for and ability to unionize may be thwarted by such schemes. Some of these issues were explored in a recent paper which examined the compatibility of strong unionism with alternate forms of human resource management (Wells 1991). Although some argue that the effectiveness of such human resource management strategies depends on the presence of strong unions, Wells' study of some of the alleged 'successful' experiments (eg, Shell, Eldorado Resources, Xerox, Dominion Stores and Willet Foods) points out that the 'new human resource management' leads to weak unions or the absence of unions.

### **Dangers of the 'New HRM' to Unions**

- substitution of management-controlled teams for solidarity within bargaining units;
- substitution of conflict resolution mechanisms for the grievance and arbitration procedure;
- expansion of collaboration between managers and workers that circumvent union communication channels;
- wage and fringe benefits that are equal to or better than those in comparable workplaces, thus undermining the union's wage-bargaining role;
- the division of workers into core and peripheral workforces where the job security and multiple skills of the core workers depend on the job insecurity, low pay and lack of skills of part-time and temporary workers.

Source: Wells (1991).

## The Canada/US Debate

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Evidence that private sector unionization has been declining in Canada in recent years has led to a controversial debate on whether the path of Canadian unions is paralleling that of unions in the United States. In the United States, membership levels have steadily declined since 1975 and union density has fallen from a peak of 32.5 percent in 1953 to 16.1 percent in 1990, more than one-half the current Canadian rate (See Chart 5). Two contrasting views have emerged in this debate raising some startling and critical issues for the future direction of the Canadian labour movement.

CHART 5

A Comparison of Unionization, Canada and the United States 1971-1990



Source: Labour Canada, *Directory of Labour Organizations*; Leo Troy and Neil Shefling, *Union Sourcebook: Membership, Finances, Structure, Directory*; US Bureau of Labor Statistics, *Employment and Earnings*.

The conventional view is that although unionization in the United States has been 'dying on the vine', Canadian unionism has been 'thriving' and that, given the close economic and institutional relationship between Canada and the United States, the United States has been unique with respect to this deunionization. More recently, however, this mainstream view has been challenged by the counterclaim that not only has declining unionization in the United States not been unique but the experience of private sector industrial relations in the US indicates that the size and strength of Canadian private unionism will be reduced (Troy 1991b).

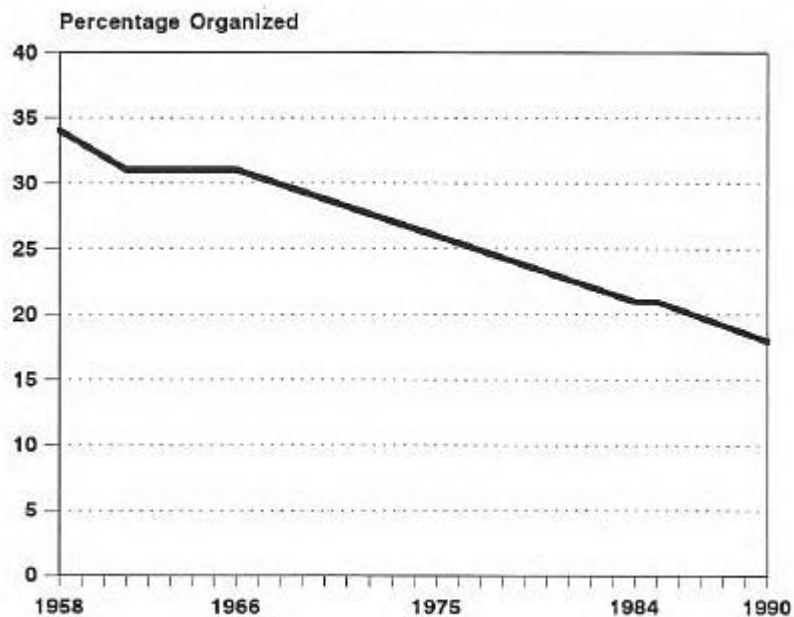
Leo Troy, Distinguished Professor of Economics at Rutgers University in New Jersey, has taken strong exception to the comparisons made between the 'robust' and 'vibrant' Canadian labour movement and the 'flabby' American one and any suggestions that American labour relations policy emulate the Canadian model. Troy has long held the opinion that the conventional view of divergent trends in Canadian and US unionization, which relied on aggregate measures of union membership levels and density, misdiagnosed

the invulnerability of Canada's private sector union movement because it failed to distinguish private from public sector markets, union movements, and industrial relations systems.<sup>2</sup> Therefore, instead of diverging, trends in private sector density have been similar in Canada and the United States except that the US 'led the way'. Troy (1991a) estimates Canadian private sector union density at 18 percent in 1990 compared to its peak of 34 percent in 1958 (Chart 6); US private sector density is estimated to be 12 percent compared to a peak of 35.7 percent in 1953. According to Troy, this lead should not be surprising given the US lead in economic and labour market change-overs and the relative openness of its markets to foreign competition (Troy 1991b).

Troy believes that the robustness of Canadian unionism applies to the public not the private sector. Moreover, he argues that public sector unionism owes its strength to favourable government intervention which, unlike unions in the private sector, sheltered public sector unions from market forces and blunted the impact of

**CHART 6**

**Private Density in Canada 1958-1990**



Source: Troy (1991a).

<sup>2</sup> Troy's arguments have been presented in a number of papers: Troy (1990s, 1990b, 1991a, and 1991b).

competitive pressures. However, he feels that the economic costs of unionism in the public sector will encourage more privatization and public management will be under increased pressure to reduce negotiated wage increases in the public sector. Given the role that public policy and legislation has played in giving 'instant unionism' to the public sector, Troy questions whether public sector unions have the 'allegiance' of their members. The growth of public sector unionism 'ran out of steam' during the 1980s and was unable to offset the decline in private, and therefore, overall union density. Over time, the Free Trade Agreement, privatization, technological change, public resistance and the growing weakness of private sector unions will mean that public sector unions will no longer be able to remain immune to the erosion taking place in private sector unions and Troy expects stagnation in Canadian public unionism (Troy 1990a and 1991a). In the private sector, Troy believes that as 'the Canadian labor market get[s] swept into the vortex of the more competitive North American free trade economy, Canadian private sector unionism, already in a state of decline, will become more vulnerable to the "American disease" ' (Troy 1991b).

Troy dismisses many of the conventional explanations for the divergence between Canadian and American trade unionism such as differences in organizing strength, employer opposition to unions, stands against concession bargaining, and the willingness of unions to engage in 'strategic decision-making'. Instead, he focuses on the quantitative aspects of unionization in the two countries and concludes that if the Canadian model cannot protect private sector union decline 'in its own backyard', why should it be able to do so in a more competitive US economy?

Pradeep Kumar, Associate Director of the School of Industrial Relations at Queen's University in Kingston, Ontario also acknowledges that public sector unions in Canada have outperformed those in the United States and that private sector unionism has declined in both countries but debates whether the size of the decline is similar (Kumar 1991). In his paper, he carries the debate further to examine the more qualitative measures of the extent and influence of unionism. The difference in union strategies and approaches, he states, is what accounts for the growing divergence between the labour movements in Canada and the United States. In his analysis, Kumar transcends some of the 'gloom and doom' scenarios and offers a more optimistic outlook for the Canadian labour movement by focussing on the strategic role that unions have assumed in organizing, collective bargaining and in their political and social approaches.

According to Kumar, it is the broader 'social' concept of unionism in Canada which accounts for the strength of the labour movement in this country. In particular, he distinguishes between the Canadian unions' emphasis on social and political strategies compared to the American reliance on collective bargaining as a key factor in the divergence. This divergence is manifested in the more active and aggressive organizing efforts by Canadian unions, their opposition to concession bargaining and



resistance to contingent compensation and employee involvement/participation programs, the negotiation of social issues (eg, pay and employment equity, child care, human rights, etc), legislative lobbying, coalition-building with various groups outside the labour movement, and the bilateral consultation and consensus-building initiatives with employers at the national and sectoral level (eg, the Canadian Labour Market and Productivity Centre, Canadian Steel Trade and Employment Congress ).

## **Conclusion**

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Despite the various strategies and approaches taken by the labour movement, unions are still faced with the grim reality that unionization in the private sector has declined, remains relatively low among the faster growing segments of the Canadian workforce, and is near saturation in the public sector. Furthermore, there is no indication of any 'wave' of new organizing on the horizon. These developments raise serious questions about how the labour movement is preparing for the future and whether a transformation is taking place in Canadian industrial relations — issues which will be examined in two forthcoming papers.

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