



Labour

Collective bargaining trends in Canada, 1984-2014

Introduction

This report presents some of the major trends over the last three decades in collective bargaining in Canada, including the number of collective agreements, the duration of contracts, and the number of work stoppages. The analysis is based on data collected by the Workplace Information and Research Division of the Labour Program.

Number of Agreements

Between 1984 and 2014, a total of 12,799 major collective agreements¹ were settled, of which 10.9% were reached in the federal jurisdiction.² Over the past 30 years, the number of settled agreements per year trended downwards, dropping from a high of 575 agreements in 1984 to 324 agreements in 2014 (Figure 1).³ This trend is visible across both the public and private sectors.

Three major factors may explain the decrease in the number of settlements in Canada:

- The decreasing rate of unionization—from 39.6%⁴ in 1984, the unionization rate of employed individuals had dropped to 31.5%⁵ in 2014.
- Mergers between unions—in 1990, there were 1,016 unions⁶ and in 2014, there were 770.⁷
- Longer contract durations.

Contract Duration

The duration of agreements has increased since 1984 (Figure 1). The average duration was 19.6 months in 1984, and by 2014, it had doubled (40.0 months). Several factors have influenced this

¹ Major collective agreements cover 500 or more employees across Canada.

² Federally regulated businesses and industries are defined by the *Canada Labour Code*. Employees under federal jurisdiction account for six per cent of all Canadian workers. Firms not subject to the *Canada Labour Code* are regulated by their respective provincial or territorial ministry of labour. For a full definition, see "[Federally Regulated Businesses and Industries](#)," Labour Program, ESDC.

³ All data presented in this report are moving 3-year averages. Each calculated annual value (number of contracts, wage adjustment, duration, etc.) is obtained by averaging the current annual value and values of the two previous years. Because collective bargaining data varies greatly year to year, the moving 3-year average provides a better picture of overall trends, while still displaying some of the variation.

⁴ Labour Program, ESDC, *Directory of Labour Organizations in Canada, 1984*, xxvi.

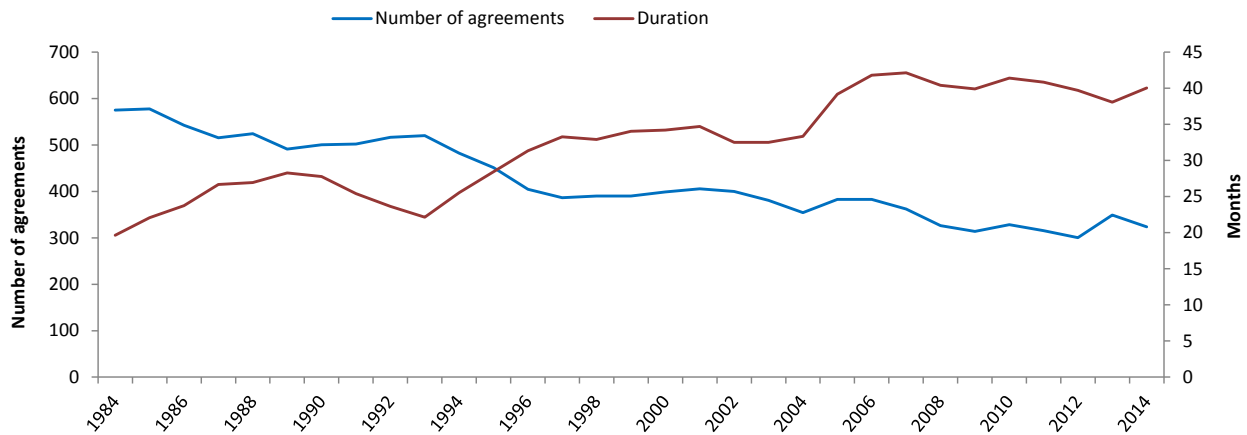
⁵ Labour Program, ESDC.

⁶ Labour Program, ESDC, *Directory of Labour Organizations in Canada, 1990/91*, xiv.

⁷ Labour Program, ESDC.

increase, including the desire (on the part of both employers and unions) to control the costs associated with frequent bargaining, and a business and legislative climate that encourages longer contracts. For example, in an attempt to create a more investment-friendly environment in Quebec, in 1994, the province eliminated (except in the case of a first agreement) the three year limitation on collective agreements, aligning itself with other Canadian jurisdictions.

FIGURE 1: Number and duration of agreements



Wage Adjustments⁸

Wage Adjustments and Inflation

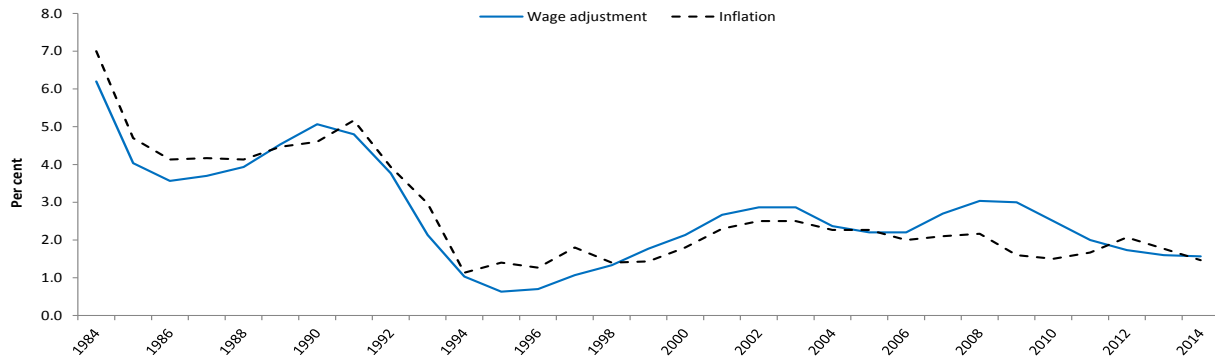
The rate of inflation plays an important role in collectively bargained wage settlements. Unions are concerned with catching wage adjustments up to the prevailing inflation rate and always wish to ensure that wage adjustments do not fall behind the anticipated rate of inflation over the length of their contracts (Dodge and Fray, 2003, 2).

Wage changes, therefore, tend to follow a similar pattern to that of inflation, measured by the consumer price index (CPI)⁹ (Figure 2). Higher inflation in the late 1980s and the early 1990s was accompanied by higher wage increases recorded in collective bargaining settlements across Canada. Similarly, between 1992 and 1994, the rate of inflation experienced a significant drop, and so did the average wage gains.

⁸ Average annual base-rate wage adjustment over the duration of the contract. The base wage rate is the lowest paid classification used for qualified employees in the bargaining unit.

⁹ Statistics Canada, "[Consumer Price Index](#)." To allow comparisons between trends in collective bargaining and CPI data, inflation was also calculated as a moving 3-year average.

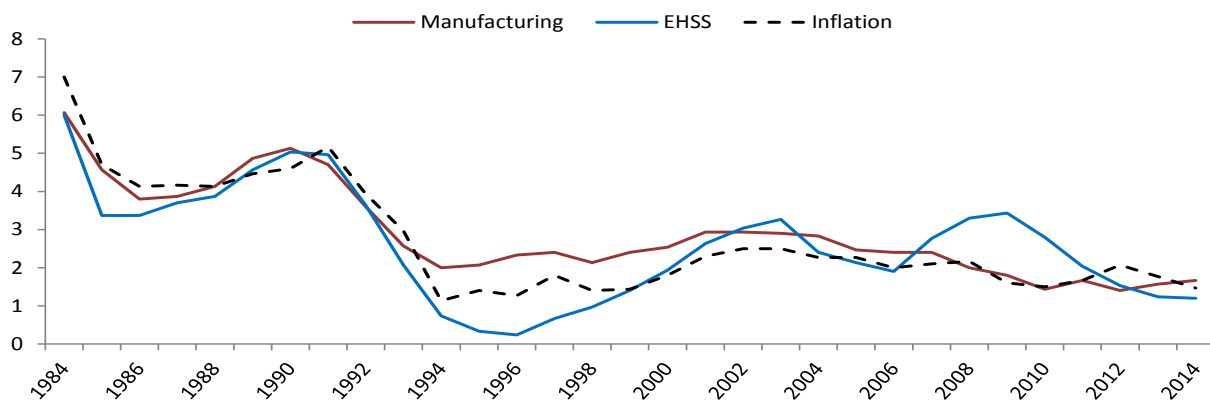
FIGURE 2: Average wage adjustment and inflation



Between 1984 and the late 1990s, inflation was higher than the average wage adjustments (except for a period in the late 1980s). During this time, workers experienced a decrease in their real wages. In comparison, starting in 1998, wage adjustments were higher or equal to inflation.

There is significant disparity in wage adjustments across industries. However, the average annual wage adjustments across industries tended to be higher in periods of high inflation, and to be lower in periods of low inflation. For example, this pattern can be seen in the wage changes in the manufacturing, and education, health, and social services industries¹⁰ (EHSS) (Figure 3).

FIGURE 3: Average wage adjustment—by industry, and inflation



From the mid-1990s to 2008, unionized employees in the manufacturing industry received wage adjustments that were higher than inflation, representing real wage gains. Wage adjustments fell below the rate of inflation during the 2008-2009 recession, but started to grow faster than inflation over the last few years. In contrast, the wage adjustments in the EHSS industry experienced more variation and followed a pattern much closer to the overall average wage adjustment.

¹⁰ Agreements settled in the manufacturing and education, health, and social services represent 55% of the all the contracts settled between 1984-2014.

Figures 4 (a) and (b) display wage adjustments settled in major¹¹ jurisdictions over the last 30 years. Several trends are identifiable:

- Wage adjustments in Ontario were higher than inflation, with the exception of the mid-1990s and since 2011. Employees in the federal jurisdiction and Quebec experienced wage increases below inflation more often than those in Ontario.
- Since the late 1990s, employees in Alberta have received higher wage settlements than in other jurisdictions. This is predominantly attributable to Alberta’s successful oil and gas industry.
- Although employees in British Columbia received some of the highest wage gains in the early 1990s, they received lower wage gains than those in the other jurisdictions between the late 1990s and 2008. These wage gains were also often lower than the rate of inflation, representing real wage declines for many employees in British Columbia.

FIGURE 4 (a): Average wage adjustment—by jurisdiction, and inflation

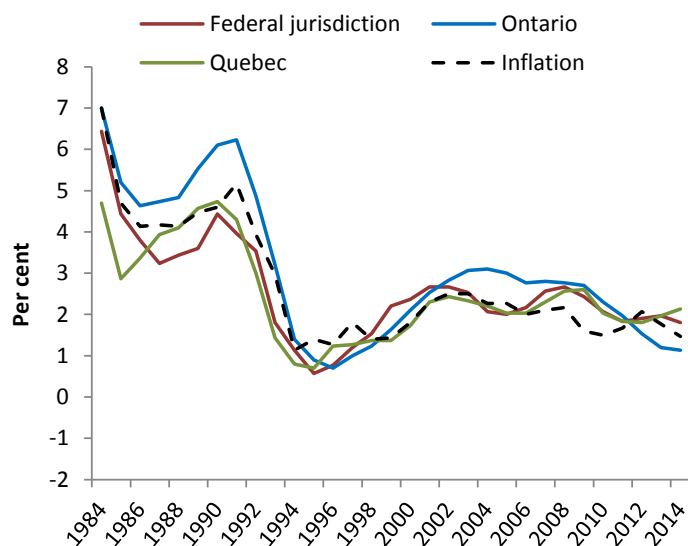
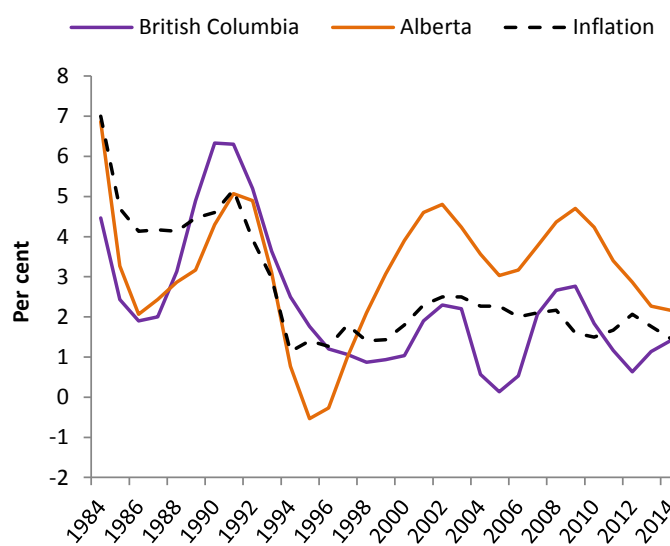


FIGURE 4 (b): Average wage adjustment—by jurisdiction, and inflation

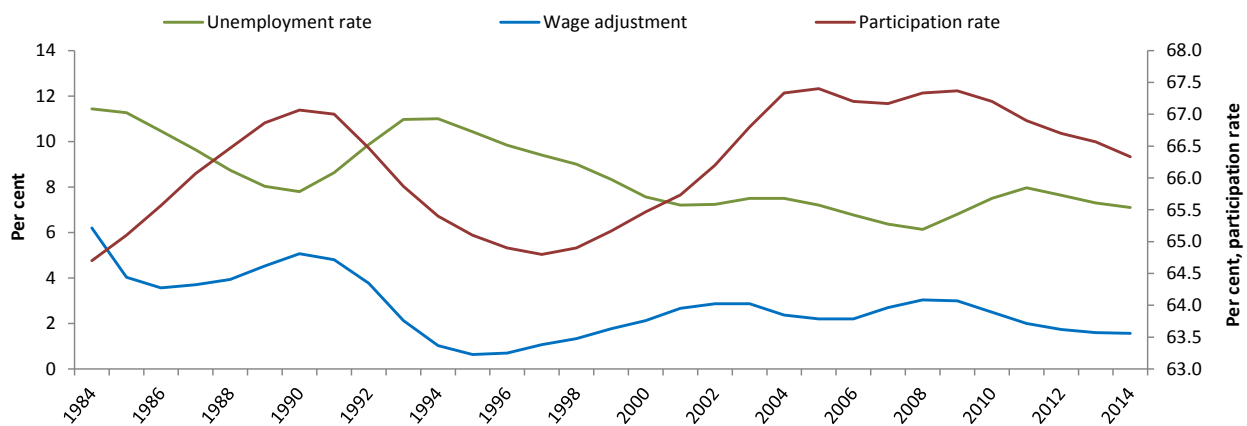


Wage Adjustments, Unemployment Rate, and Participation Rate

When we compare wage adjustment data against two key labour market indicators—the unemployment rate and the participation rate—further patterns emerge (Figure 5). As unemployment rose and participation rates decreased, wage adjustments decreased. When unemployment decreased and participation increased, wage gains were higher. Unionized employees appear to have additional bargaining power when their labour is in higher demand and, therefore, have leverage to negotiate higher wages.

¹¹ For this analysis, major jurisdictions include the federal jurisdiction, Ontario, Quebec, Alberta, and British Columbia, which collectively represent 85% of all settlements in the last 30 years.

FIGURE 5: Average wage adjustment and labour market conditions¹²



Work Stoppages

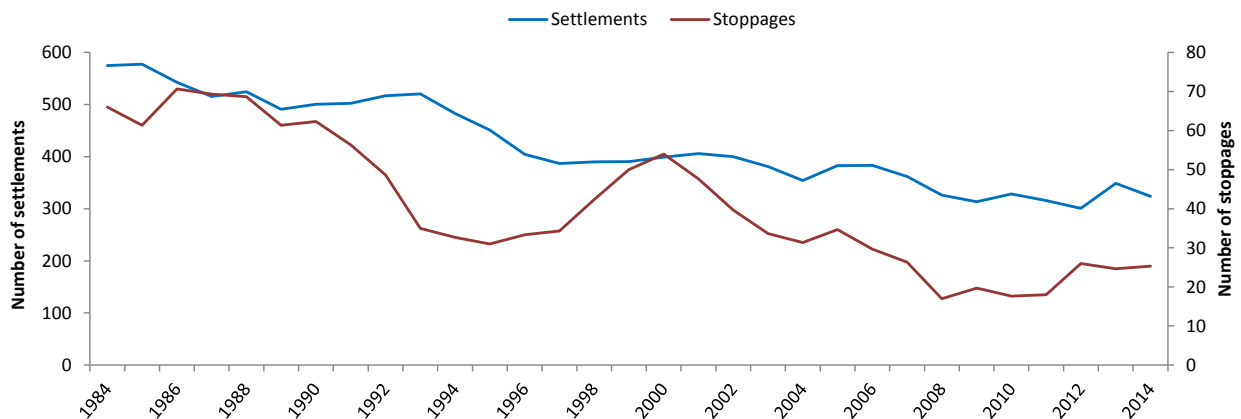
There are at least four ways to assess the magnitude of labour disputes:

- number of work stoppages;
- average number of stoppages per settled agreement;
- duration of stoppages; and
- person days not worked (PDNW).

Number of Stoppages

As the number of settlements has trended downwards since the mid-1980s, the number of work stoppages has followed a similar trend, although with significant annual variations (Figure 6). Because work stoppages most frequently happen during periods of bargaining, it is not surprising that in an environment of fewer settlements, there have been fewer work stoppages.

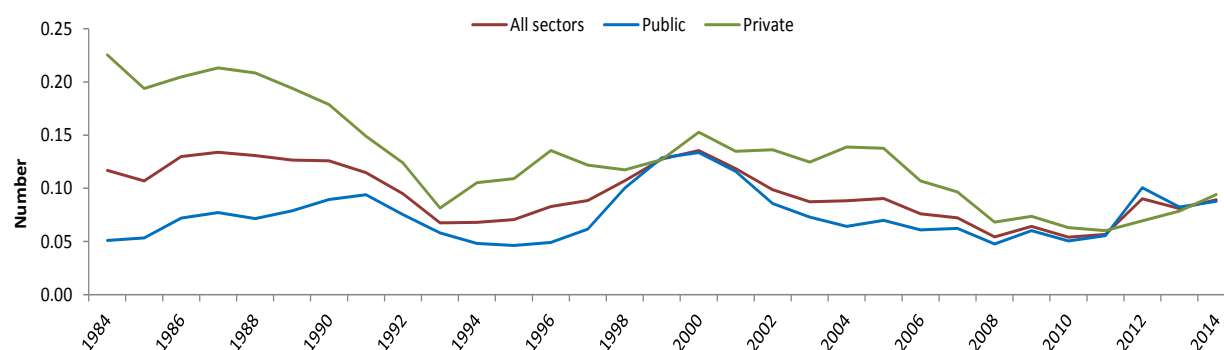
Figure 6: Number of settlements and work stoppages, all sectors



¹² Statistics Canada, “[Labour force survey estimates.](#)” To allow comparisons between trends in collective bargaining and labour market data, the unemployment and participation rates were also calculated as moving 3-year averages.

The number of work stoppages per settlement across all sectors has trended downwards since 1984 (Figure 7). Although there was yearly variation, the number of stoppages per settlement remained fairly stable in the public sector, but trended downward in the private sector. For most of the past 30 years, the average has been higher in the private sector. This discrepancy between the two sectors declined recently and the number of work stoppages per settled agreement is now at a similar level.

Figure 7: Number of work stoppages per settled agreement¹³



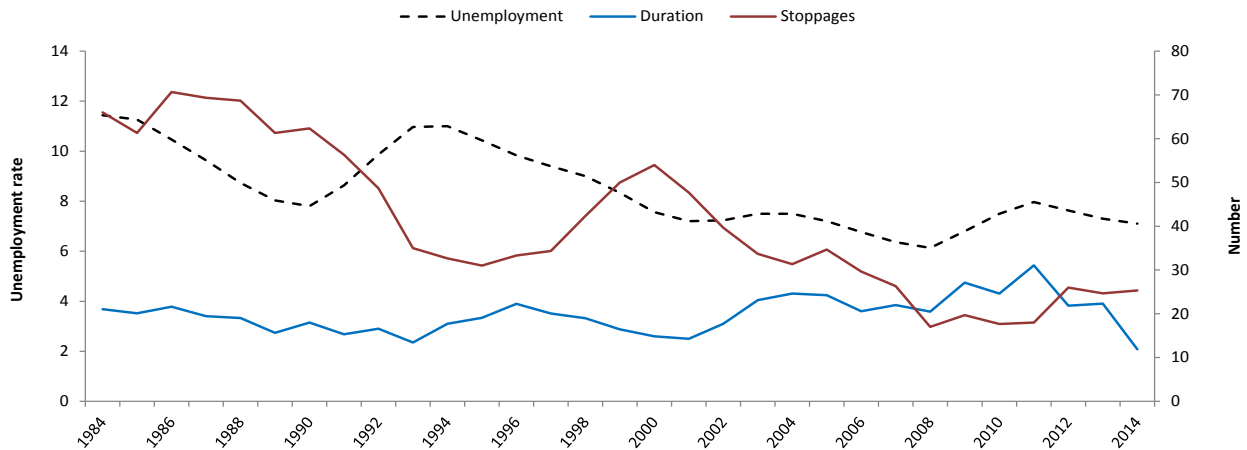
Duration of Stoppages

Economists have argued that work stoppages tend to be longer during economic downturns than during boom periods (Brym et al, 2013, 230). During economic downturns, employers do not have an incentive to end a work stoppage. When the market is poor for a firm’s goods and services, management may not be in a position to increase wages and instead decide to wait out the union’s demands. In good economic times, employers are in a position to grant higher wages and also wish to avoid a lengthy strike when their products are in high demand.

The number of work stoppages tended to be pro-cyclical, while the average duration of work stoppages tended to be counter-cyclical. Canada experienced a recession in the early 1990s, and subsequently, the unemployment rate rose and remained elevated through the first half of the decade. During this period, the number of stoppages decreased, but the duration of stoppages *increased* (Figure 8). After the 2008-2009 recession, when unemployment rose again, the duration of work stoppages also increased. In contrast, during good economic times, workers were in higher demand and, therefore, had increased bargaining power. In such an environment, stoppages could be more costly, and as a result, their duration tended to be shorter.

¹³ The number of work stoppages per settled agreement is calculated by dividing the annual number of stoppages by the number of settlements.

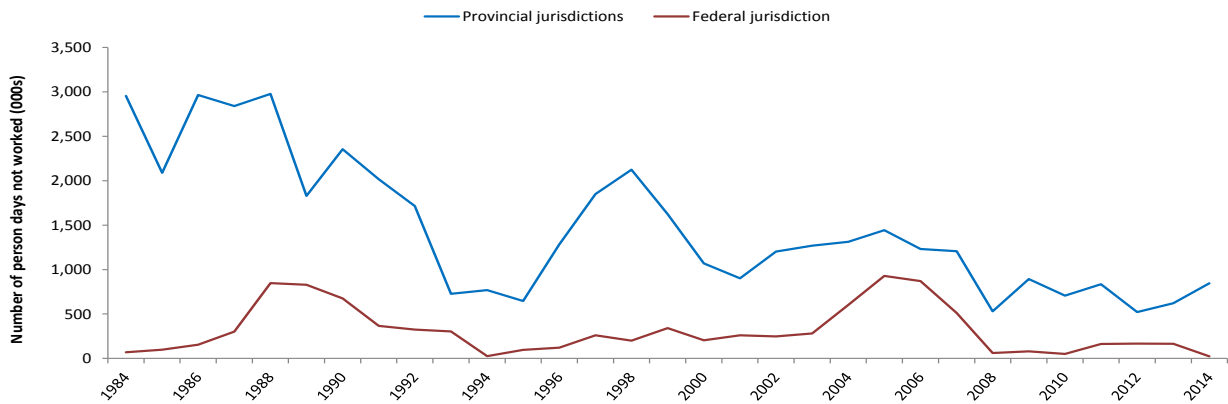
Figure 8: Average work stoppage duration and unemployment rate



Person Days Not Worked (PDNW)

Over the past 30 years, although the number of PDNW¹⁴ was trending downwards, there have been several periods of time when PDNW were elevated among employers covered by provincial jurisdictions. In contrast, in the federal jurisdiction PDNW remained fairly stable, with the exception of the years 1987–1992 and 2004–2008 (Figure 9).

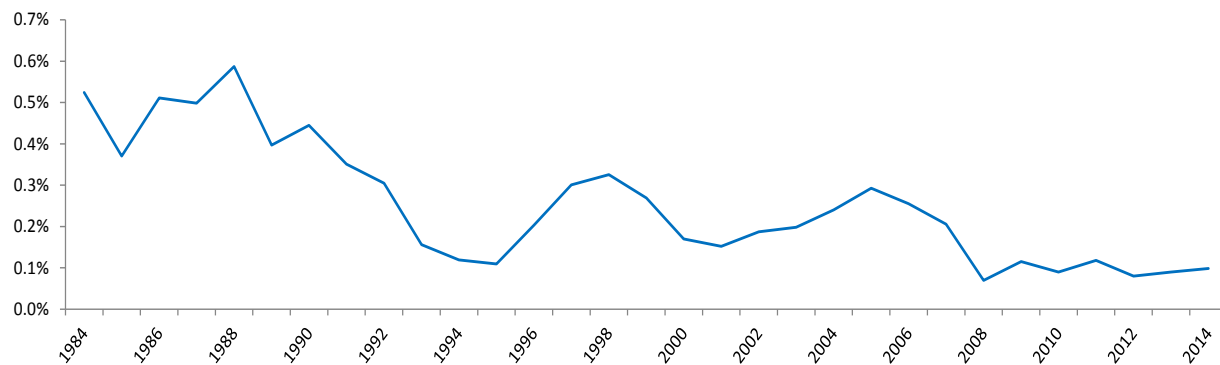
Figure 9: Person days not worked, by jurisdiction



Since 1984, PDNW as a percentage of the total days worked remained at or below 0.6% and trended downwards (Figure 10). The percentage was highest in the late 1980s and has hovered around 0.1% since 2008.

¹⁴ PDNW is calculated by multiplying the duration of the strike (in days) by the number of workers involved in the stoppage.

Figure 10: Person days not worked as a percentage of total days worked¹⁵



Key Observations

- The number of collective agreements settled per year decreased steadily since 1984. Three factors may explain this decrease: a decreasing rate of unionization; mergers between unions; and longer contract durations.
- Between 1984 and 2014 the average duration of contracts increased from less than two years to over 3.5 years. Factors influencing contract duration include efforts to control costs associated with frequent bargaining and a legislative climate that encourages longer contracts.
- When inflation was high, wage gains tended to increase and vice versa. Unions negotiate wage adjustments both to catch up to increases in inflation and to ensure that wages do not fall behind the rate of inflation over the length of their contracts.
- During periods of high participation rates and low unemployment, wage adjustments tended to be higher, reflecting increased bargaining power when workers are in greater demand.
- The number of work stoppages per year trended slightly downward since 1984, due primarily to the decreasing number of settlements.
- The number of work stoppages tended to be pro-cyclical while the duration of work stoppages was counter-cyclical.
- The number of person days not worked trended downwards since 1984, while in the federal jurisdiction, it remained fairly stable.
- As a percentage of total days worked, person days not worked ranged from a high of 0.6% in the late 1980s to a low of 0.1% over the past seven years.

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www.bankofcanada.ca/wp-content/uploads/2010/01/sp03-16.pdf (accessed April 10, 2015).

¹⁵ Statistics Canada, "[Labour force survey estimates, actual hours worked](#)." A total day is considered to be eight hours and was calculated by dividing the annual sum of total hours worked by eight.

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