
Labour-Management Cooperation in Canada

PC.



LIBR-00210



This is Volume 15 in the series of studies commissioned as part of the research program of the Royal Commission on the Economic Union and Development Prospects for Canada.

The studies contained in this volume reflect the views of their authors and do not imply endorsement by the Chairman or Commissioners.

W. CRAIG RIDDELL, Research Coordinator

Labour-Management Cooperation in Canada



Labour-Management Cooperation in Canada

W. CRAIG RIDDELL
Research Coordinator

*Published by the University of Toronto Press in cooperation
with the Royal Commission on the Economic Union and
Development Prospects for Canada and the Canadian
Government Publishing Centre, Supply and Services Canada*

University of Toronto Press
Toronto Buffalo London

Grateful acknowledgment is made to the following for permission to reprint previously published and unpublished material: McClelland and Stewart Ltd.; Japan Productivity Center.

©Minister of Supply and Services Canada 1986

Printed in Canada
ISBN 0-8020-7257-7
ISSN 0829-2396
Cat. No. Z1-1983/1-41-15E

CANADIAN CATALOGUING IN PUBLICATION DATA

Main entry under title:
Labour-management cooperation in Canada

(The Collected research studies / Royal Commission on the Economic Union and Development Prospects for Canada,
ISSN 0829-2396 ; 15)
Includes bibliographical references.
ISBN 0-8020-7257-7

I. Industrial relations — Canada — Addresses, essays, lectures. I. Riddell, Craig.
II. Royal Commission on the Economic Union and Development Prospects for Canada.
III. Series: The Collected research studies (Royal Commission on the Economic Union and Development Prospects for Canada) ; 15.

HD8106.5.L33 1985 331'.0971 C85-099624-4

PUBLISHING COORDINATION: Ampersand Communications Services Inc.
COVER DESIGN: Will Rueter
INTERIOR DESIGN: Brant Cowie/Artplus Limited

CONTENTS



FOREWORD vii

INTRODUCTION ix

PREFACE xiii

ACKNOWLEDGMENTS xv

1. **Labour-Management Cooperation in Canada: An Overview** 1
W. Craig Riddell
The Changing Labour Relations Environment 3
Institutional Mechanisms for Labour-Management Cooperation 6
Conclusions 46
Notes 49
Bibliography 52
2. **Ontario Initiatives with Respect to Preventive Mediation
and Quality of Working Life** 57
Ontario Ministry of Labour
Preventive Mediation Program 57
Ontario Quality of Working Life Centre 62
3. **Quality of Working Life in Canada: A Survey** 73
Keith Newton
The QWL Concept 74
The Evolution of QWL 77
Relating QWL to Some Economic Issues 80
Concluding Comments 83
Notes 85
Bibliography 85

4. **Two Policy Approaches to Labour-Management Decision Making at the Level of the Enterprise** 87

R.J. Adams

Establishment Procedures 90

Bargaining Agents 94

Bargaining Process 97

A Program for Action 104

Notes 106

Bibliography 107

5. **The Japanese Labour Relations System: Lessons for Canada** 111
Joseph M. Weiler

The Japanese Labour Relations Setting 114

Labour-Management Cooperation 122

The Japan Productivity Center 139

Conclusions 142

APPENDIX A: Memorandum on Introduction of New Technology 143

APPENDIX B: Labour-Management Joint Consultation Systems at the Industry Level 144

APPENDIX C: Government Advisory Councils 146

Notes 147

✱ 6. **The Evolution of Labour-Government Consultation on Economic Policy** 151

K.G. Waldie

Introduction 151

The Origins of Labour-Government Consultation 154

Formal Consultation 158

Consultation on Incomes Policies 167

The Sectoral/Task Force Approach to Consultation 178

The Future of Labour-Government Consultation 193

Notes 200

APPENDIX: List of Participants

Research Symposium on

Labour-Management Cooperation in Canada 202

ABOUT THE CONTRIBUTORS 205



When the members of the Rowell-Sirois Commission began their collective task in 1937, very little was known about the evolution of the Canadian economy. What was known, moreover, had not been extensively analyzed by the slender cadre of social scientists of the day.

When we set out upon our task nearly 50 years later, we enjoyed a substantial advantage over our predecessors; we had a wealth of information. We inherited the work of scholars at universities across Canada and we had the benefit of the work of experts from private research institutes and publicly sponsored organizations such as the Ontario Economic Council and the Economic Council of Canada. Although there were still important gaps, our problem was not a shortage of information; it was to interrelate and integrate — to synthesize — the results of much of the information we already had.

The mandate of this Commission is unusually broad. It encompasses many of the fundamental policy issues expected to confront the people of Canada and their governments for the next several decades. The nature of the mandate also identified, in advance, the subject matter for much of the research and suggested the scope of enquiry and the need for vigorous efforts to interrelate and integrate the research disciplines. The resulting research program, therefore, is particularly noteworthy in three respects: along with original research studies, it includes survey papers which synthesize work already done in specialized fields; it avoids duplication of work which, in the judgment of the Canadian research community, has already been well done; and, considered as a whole, it is the most thorough examination of the Canadian economic, political and legal systems ever undertaken by an independent agency.

The Commission's research program was carried out under the joint

direction of three prominent and highly respected Canadian scholars: Dr. Ivan Bernier (*Law and Constitutional Issues*), Dr. Alan Cairns (*Politics and Institutions of Government*) and Dr. David C. Smith (*Economics*).

Dr. Ivan Bernier is Dean of the Faculty of Law at Laval University. Dr. Alan Cairns is former Head of the Department of Political Science at the University of British Columbia and, prior to joining the Commission, was William Lyon Mackenzie King Visiting Professor of Canadian Studies at Harvard University. Dr. David C. Smith, former Head of the Department of Economics at Queen's University in Kingston, is now Principal of that University. When Dr. Smith assumed his new responsibilities at Queen's in September 1984, he was succeeded by Dr. Kenneth Norrie of the University of Alberta and John Sargent of the federal Department of Finance, who together acted as Co-directors of Research for the concluding phase of the Economics research program.

I am confident that the efforts of the Research Directors, research coordinators and authors whose work appears in this and other volumes, have provided the community of Canadian scholars and policy makers with a series of publications that will continue to be of value for many years to come. And I hope that the value of the research program to Canadian scholarship will be enhanced by the fact that Commission research is being made available to interested readers in both English and French.

I extend my personal thanks, and that of my fellow Commissioners, to the Research Directors and those immediately associated with them in the Commission's research program. I also want to thank the members of the many research advisory groups whose counsel contributed so substantially to this undertaking.

DONALD S. MACDONALD



At its most general level, the Royal Commission's research program has examined how the Canadian political economy can better adapt to change. As a basis of enquiry, this question reflects our belief that the future will always take us partly by surprise. Our political, legal and economic institutions should therefore be flexible enough to accommodate surprises and yet solid enough to ensure that they help us meet our future goals. This theme of an adaptive political economy led us to explore the interdependencies between political, legal and economic systems and drew our research efforts in an interdisciplinary direction.

The sheer magnitude of the research output (more than 280 separate studies in 70+ volumes) as well as its disciplinary and ideological diversity have, however, made complete integration impossible and, we have concluded, undesirable. The research output as a whole brings varying perspectives and methodologies to the study of common problems and we therefore urge readers to look beyond their particular field of interest and to explore topics across disciplines.

The three research areas, — *Law and Constitutional Issues*, under Ivan Bernier; *Politics and Institutions of Government*, under Alan Cairns; and *Economics*, under David C. Smith (co-directed with Kenneth Norrie and John Sargent for the concluding phase of the research program) — were further divided into 19 sections headed by research coordinators.

The area *Law and Constitutional Issues* has been organized into five major sections headed by the research coordinators identified below.

- Law, Society and the Economy — *Ivan Bernier and Andrée Lajoie*
- The International Legal Environment — *John J. Quinn*
- The Canadian Economic Union — *Mark Krasnick*

- Harmonization of Laws in Canada — *Ronald C.C. Cuming*
- Institutional and Constitutional Arrangements — *Clare F. Beckton and A. Wayne MacKay*

Since law in its numerous manifestations is the most fundamental means of implementing state policy, it was necessary to investigate how and when law could be mobilized most effectively to address the problems raised by the Commission's mandate. Adopting a broad perspective, researchers examined Canada's legal system from the standpoint of how law evolves as a result of social, economic and political changes and how, in turn, law brings about changes in our social, economic and political conduct.

Within *Politics and Institutions of Government*, research has been organized into seven major sections.

- Canada and the International Political Economy — *Denis Stairs and Gilbert Winham*
- State and Society in the Modern Era — *Keith Banting*
- Constitutionalism, Citizenship and Society — *Alan Cairns and Cynthia Williams*
- The Politics of Canadian Federalism — *Richard Simeon*
- Representative Institutions — *Peter Aucoin*
- The Politics of Economic Policy — *G. Bruce Doern*
- Industrial Policy — *André Blais*

This area examines a number of developments which have led Canadians to question their ability to govern themselves wisely and effectively. Many of these developments are not unique to Canada and a number of comparative studies canvass and assess how others have coped with similar problems. Within the context of the Canadian heritage of parliamentary government, federalism, a mixed economy, and a bilingual and multicultural society, the research also explores ways of rearranging the relationships of power and influence among institutions to restore and enhance the fundamental democratic principles of representativeness, responsiveness and accountability.

Economics research was organized into seven major sections.

- Macroeconomics — *John Sargent*
- Federalism and the Economic Union — *Kenneth Norrie*
- Industrial Structure — *Donald G. McFetridge*
- International Trade — *John Whalley*
- Income Distribution and Economic Security — *François Vaillancourt*
- Labour Markets and Labour Relations — *Craig Riddell*
- Economic Ideas and Social Issues — *David Laidler*

Economics research examines the allocation of Canada's human and other resources, the ways in which institutions and policies affect this

allocation, and the distribution of the gains from their use. It also considers the nature of economic development, the forces that shape our regional and industrial structure, and our economic interdependence with other countries. The thrust of the research in economics is to increase our comprehension of what determines our economic potential and how instruments of economic policy may move us closer to our future goals.

One section from each of the three research areas — The Canadian Economic Union, The Politics of Canadian Federalism, and Federalism and the Economic Union — have been blended into one unified research effort. Consequently, the volumes on Federalism and the Economic Union as well as the volume on The North are the results of an interdisciplinary research effort.

We owe a special debt to the research coordinators. Not only did they organize, assemble and analyze the many research studies and combine their major findings in overviews, but they also made substantial contributions to the Final Report. We wish to thank them for their performance, often under heavy pressure.

Unfortunately, space does not permit us to thank all members of the Commission staff individually. However, we are particularly grateful to the Chairman, The Hon. Donald S. Macdonald; the Commission's Executive Director, J. Gerald Godsoe; and the Director of Policy, Alan Nymark, all of whom were closely involved with the Research Program and played key roles in the contribution of Research to the Final Report. We wish to express our appreciation to the Commission's Administrative Advisor, Harry Stewart, for his guidance and advice, and to the Director of Publishing, Ed Matheson, who managed the research publication process. A special thanks to Jamie Benidickson, Policy Coordinator and Special Assistant to the Chairman, who played a valuable liaison role between Research and the Chairman and Commissioners. We are also grateful to our office administrator, Donna Stebbing, and to our secretarial staff, Monique Carpentier, Barbara Cowtan, Tina DeLuca, Françoise Guilbault and Marilyn Sheldon.

Finally, a well deserved thank you to our closest assistants: Jacques J.M. Shore, *Law and Constitutional Issues*; Cynthia Williams and her successor Karen Jackson, *Politics and Institutions of Government*; and I. Lilla Connidis, *Economics*. We appreciate not only their individual contribution to each research area, but also their cooperative contribution to the research program and the Commission.

IVAN BERNIER
ALAN CAIRNS
DAVID C. SMITH



Volumes 15–18 of the Collected Research Studies represent the product of the Commission's research program in labour markets and labour relations. The primary objective of these 22 papers is to assess the state of knowledge of key aspects of labour market and labour relations behaviour and to examine the policy implications of this knowledge.

A wide range of topics was addressed in the labour research program, a reflection of the Commission's extraordinarily broad mandate and the importance of labour-related issues to economic and social performance. In addition, the program was influenced by an advisory group from the disciplines of economics, industrial relations, and labour law. Given the broad scope of labour issues, and the integrated and cross-disciplinary approach taken, the division of the research papers into four separate volumes is as unfortunate as it is inevitable. Although the division chosen is a fairly natural one, some issues receive only brief attention here because they are covered more thoroughly elsewhere.

This volume examines the potential role of innovative and non-adversarial approaches to industrial relations. The topic of labour-management cooperation is not new. Schemes designed to improve labour-management relations, increase employee participation in planning and decision making, and improve the quality of the work environment have been advocated, and in some cases adopted, several times in the past. These issues are attracting considerable attention again today.

Renewed interest in this subject reflects several factors. One is the severe recession of the early 1980s following a decade of rather poor economic performance, at least by the standards of earlier decades. When the economy appears to be not working well there is a tendency to search for alternative ways of doing things. A second important factor is

a growing perception, strongly influenced by the spectacular success of the Japanese economy, that we as a society do not utilize our human resources very effectively. A third factor is a perception that labour-management relations in Canada are poor and require, if not massive surgery, at least some fixing up.

The mandate of the Commission included a request to examine and report on "the appropriate institutional and constitutional arrangements to promote the liberty and well-being of individual Canadians and the maintenance of a strong and competitive economy including consideration of . . . means for improving relations between governments, business, labour and other groups in Canadian society." A research symposium on Labour-Management Cooperation was held in June 1984, and a number of the papers prepared for the symposium are included in this volume.

W. CRAIG RIDDELL

ACKNOWLEDGMENTS



Many people contributed to the Commission's research program in labour markets and labour relations and their assistance is gratefully acknowledged. The members of the labour research advisory group — Jean-Michel Cousineau (Université de Montréal), David Dodge (Department of Finance), James Frank (Conference Board of Canada), Morley Gunderson (University of Toronto), Robert Jenness (Economic Council of Canada), Stephan Kaliski (Queen's University), Thomas Kochan (Massachusetts Institute of Technology), Pradeep Kumar (Queen's University), Robert Lacroix (Université de Montréal), Glenn MacDonald (University of Western Ontario), Keith Newton (Economic Council of Canada), Ray Protti (Labour Canada), Frank Reid (University of Toronto), John Vanderkamp (University of Guelph) and Paul Weiler (Harvard University) — provided valuable advice on the research program and commented usefully on various drafts of the papers.

Special thanks are due to Rod Hill, who helped organize the symposium at which these papers were discussed, Keith Banting, who provided insights on labour-management-government cooperation from the perspective of the political scientist, W. Don Wood for his opening remarks, and Thomas Kochan, who acted as rapporteur.

I also wish to acknowledge the assistance received from members of the Commission's research staff, especially Dr. Lilla Connidis, Barbara Cowtan, Caroline Digby, Joyce Martin and Donna Stebbing. David C. Smith, Director of Research (Economics), provided valuable advice and encouragement, as did fellow research coordinators, espe-

cially John Sargent. Beth Ediger and Rosemary Shipton skilfully edited the papers.

I particularly want to thank my wife Rosemarie and son Chris for their support and patience.

W.C.R.



Labour-Management Cooperation in Canada

An Overview

W. CRAIG RIDDELL

There is a widespread view that Canada's labour relations system is too adversarial in nature and that we should move toward a more cooperative system marked by stronger emphasis on problem solving, consultation, and mutual respect and trust. This view has been expressed by individuals and groups from a wide variety of backgrounds, both those involved in collective bargaining and those who study the process. Proposals for reform include joint consultation, increased participation by employees in workplace planning and decision making, gain-sharing compensation arrangements, and changes in attitudes.

The subject of labour-management cooperation is not new. As stated two decades ago by W.D. Wood (1964, p. 1):

The phrase "labour-management cooperation" has long been entrenched in the vocabulary of Canadian industrial relations, not because it has ever been the characteristic feature of labour-management relations in this country, but rather because it has been represented over the years as a sort of ideal relationship to which both labour and management should aspire.

Schemes designed to make labour relations less discordant have been advocated, and in some cases adopted, at various times in the past with varying degrees of success. Any objective assessment of future prospects must take this history into account.

At present, in Canada and elsewhere, there is considerable interest in and experimentation with various forms of employer-employee interaction that depart from the traditional authoritarian and adversarial mould. Some of this concern is undoubtedly a result of the recent severe recession and subsequent pressures for adjustment, since interest in improving the general climate of industrial relations seems to increase in

times of economic stress. It appears, however, that some pressures are more permanent in nature.

The purpose of this volume is to examine the current state of labour-management cooperation and assess the view that increased consultation and cooperation between labour and management should be an objective of Canada's labour relations policy, as well as of employers and employees generally. Proponents of this view argue that, although there will always be some adversarial aspects to labour-management relations, there has been too strong a concentration on "dividing up the pie" and too little concern about the "size of the pie."

Labour-management cooperation is advocated not for its own sake but because it may yield tangible returns, both to those involved in labour relations and to society more generally. Increased cooperation, employee involvement in planning and decision making, and consultation, although not without some costs, can yield higher levels of job satisfaction and a more enjoyable work environment for employees. Greater employee involvement in planning and decision making may also result in improved productivity, better product quality and more competitiveness. Each of these improvements can benefit both employers and employees by producing higher profits *and* job satisfaction and wages, as well as more employment opportunities. In addition, the need for flexibility and adaptability in our economy is more likely to be met in an open labour relations environment. Finally, reductions in labour-management conflict, expressed through strikes, lockouts, grievances, absenteeism and so on, could also occur.

The alternative view is that employee involvement in decision making will be very costly to enterprise efficiency and to the best use of our human, capital and other resources. The implication is not necessarily that employee involvement should be discouraged, but simply that there are substantial costs associated with this option. More generally, skeptics wonder why labour-management cooperation is not more common if both employers and employees are likely to benefit from it. To these skeptics, the proponents of labour-management cooperation are unrealistic idealists with an inflated view of the benefits and too little appreciation of the costs of consultation, employee involvement, and other non-adversarial approaches to labour-management relations.

To examine the potential benefits, related costs, and prospects for bringing about a less discordant labour relations climate, we must consider the incentives for, and obstacles to, increased cooperation and consultation, the role of government in labour relations, and institutional mechanisms for dealing with these issues. To set the stage, we review some of the main labour relations developments of the last two decades, the current situation, and the pressures for change. The remainder of this overview paper discusses the various mechanisms that have been advocated, beginning with those that operate at the level of the individual

work group, plant or firm, and proceeding to broader consultative mechanisms among business, labour, and government at the provincial and national levels.

The Changing Labour Relations Environment

In the past two decades there have been significant changes affecting Canadian labour relations. To put issues relating to labour management cooperation in a broader context, a skeletal sketch of the more salient developments is worthwhile.¹

The composition of the labour force has changed significantly: women and youth accounted for a larger proportion and adult men a much smaller proportion because of the attainment of working age by the "baby-boom" generation and the dramatic increase in female labour force participation, especially that of married women. Simultaneous with and connected to these trends, employment grew rapidly and its industrial composition changed, with rapid growth in the service sector, and slower or negative growth in agriculture, primary industries and manufacturing.

The importance and extent of unions and collective bargaining in the economy grew substantially. In 1965, union density (union membership as a proportion of all non-agricultural paid workers) was the same as in 1946, slightly under 30 percent. By 1983 it had climbed to 40 percent. The growth of the labour force was rapid by historical standards, but union membership grew more rapidly by both historical and international standards (Kumar, 1985). As a result, by 1983 about 46 to 47 percent of non-agricultural paid workers were covered by collective agreements.² In enterprises of 20 or more employees, about 60 percent were covered by collective agreements.

Much of the growth in unions and collective bargaining was in the public sector, which was also an area of rapid employment growth. Legislative initiatives taken by the federal and most provincial jurisdictions beginning in the mid-1960s encouraged union formation and collective bargaining among government employees and employees in education, health and related services.

Collective bargaining disputes increased markedly in Canada beginning in the mid-1960s. Working time lost owing to strikes and lockouts doubled from 0.17 percent of working time over the 1946–65 period to 0.34 percent of working time over the 1966–83 period. Their increased incidence beginning in the mid-1960s occurred in other countries, but was often larger in Canada so that in international comparisons of strikes and lockouts our relative position changed. In recent periods Canada stands as one of the countries most prone to disputes.³

Relative to the previous two decades, the period since the mid-1960s has also been characterized by high and variable inflation rates and by

increases in the average unemployment rate. Wage increases rose to very high levels in 1974–75, leading to the introduction in October 1975 of the Anti-Inflation Program (AIP), the most massive peace-time intervention in collective bargaining in Canada's history. More recently, beginning in 1982, the federal and several provincial governments introduced wage control programs affecting public sector employees.

Indeed, increased government intervention in the process and outcome of collective bargaining has been another characteristic of the past two decades. In addition to the 1975–78 AIP and the recent public sector wage restraint programs, there has been increased intervention in specific disputes. The number of instances of back-to-work legislation has grown from 5 during 1955–64, to 23 during 1965–74, to 41 during the most recent decade, 1975–84 (Riddell, 1985a, Table 1-1). Many of these interventions were in the public sector; most in the private sector involved the transportation industry.

In addition to increased intervention in collective bargaining, the policy environment appears to have become more legalistic,⁴ a trend that has not been unique to labour relations.⁵ Another important trend in the legal framework has been the gradual movement from the courts to administrative tribunals (usually called labour relations boards) as the forum for dealing with labour relations issues. This development reflects governments' continuing search for solutions to contentious labour relations issues. It also somewhat offsets the trend toward a more legalistic system, because those administrative tribunals are more concerned with finding workable solutions to problems than with applying abstract legal principles. Governments have also experimented more with labour legislation in the past two decades. For example, there have been experiments with centralized bargaining structures in British Columbia and Quebec, and in the construction industry in several jurisdictions. The complexity of collective bargaining has also increased. Collective agreements now cover a much broader range of issues than in the past.

The final development to be noted is the decline in productivity growth. This began not in the mid-1960s, like many of the above developments, but in the early 1970s. The causes of this change are still not fully understood (Denny, 1985), but its implications for labour relations and society generally are extremely significant. Since real wages and real income grow at the trend rate of productivity increase (assuming labour's share of total income is constant), a decline in productivity growth implies a decline in real wage growth.

Many of these developments are interrelated. In combination, they yield a picture of a somewhat turbulent era. Although there were important achievements, there were also notable difficulties. The extent to which the labour relations system was responsible for these difficulties, as opposed to being merely the mechanism through which the problems

were manifested, is a matter of considerable uncertainty. Whatever the truth, the outcome has been considerable controversy over labour relations issues. Perhaps the area of greatest controversy has been that of labour relations in the public sector, where issues relating to compensation and the use of the strike weapon by public sector employees have been at the forefront of policy debates.

During this turbulent era Canadians' attitudes toward unions became less favourable. When the Gallup Poll asked respondents whether they thought unions were good or bad for the country, in the 1950–58 period between 12 and 20 percent answered "bad" and between 60 and 69 percent "good";⁶ however, in the 1976–82 period, between 30 to 42 percent answered "bad" and between 42 and 54 percent "good."

The performance of the economy during the last two decades has been poor relative to the 1945–64 period, which now appears as somewhat of a "golden era." High and variable inflation, rising unemployment and reduced growth in productivity and real income have been the most evident signs of the deterioration in performance. In addition, there have been signs of less than satisfactory performance in labour relations; in particular, the increased government intervention in collective bargaining and the increased incidence of strikes and lockouts. Each of these outcomes may have explanations which lie outside the collective bargaining process or the labour market. Nonetheless, given this observed performance, it is perhaps not surprising that many people feel "there must be a better way." Often the better way that is suggested is some form of labour-management cooperation.

The severe recession of 1982–83 and the anticipated slow recovery have forced major adjustments in labour-management relations. Wage and benefit concessions began in earnest in 1983, and the size of wage settlements has declined dramatically. The emphasis in negotiations has shifted from wages and fringe benefits to job security. The external economic environment for tradeable goods appears to be becoming more competitive. This has increased employee concern about job security and employer concern about product-market competitiveness. New forms of compensation, such as two-tier wage systems and profit-sharing plans, have emerged, especially in the United States.

There have also been major technological changes with implications for the nature of production and the location of economic activity. Innovations such as those associated with microprocessors and microcomputers, information and data-handling systems, robots and automated production processes, and telecommunications are predicted by some to transform the nature of many workplaces, although there is much uncertainty as to how quickly these changes will occur (Riddell, 1985c).

Significant changes in labour relations in the United States, our major trading partner, represent another pressure on the Canadian labour relations system. The U.S. decline in unionization, combined with substantial

deregulation, may lead to labour market pressures in Canada. Finally, there is an emerging view that we as a society, and management in particular, have failed to utilize the skills, talents and knowledge of many members of the labour force. This view is partly due to the dramatic success of the Japanese economy in the postwar period. It also results from examination of successful corporations, as popularized by books such as Peters and Waterman's *In Search of Excellence* (1984).

In summary, the performance of the economy and of labour relations over the past two decades, together with the pressures for adjustment arising from the current economic situation, have placed issues relating to labour-management cooperation at the top of the agenda. At the outset, it is probably worthwhile cautioning that "miracle cures" are unlikely, especially if those cures have been discussed for many years and implemented in numerous cases. Nonetheless, an economic environment with features that differ from the past may also call for novel institutional arrangements.

Institutional Mechanisms for Labour-Management Cooperation

There is a variety of mechanisms for achieving a less adversarial labour relations environment. We turn now to a consideration of some of these mechanisms, the first of which involves the use of neutral third parties.

Third-party intervention in labour disputes has long been a feature of Canadian industrial relations policy, beginning with the compulsory conciliation provisions of the Industrial Disputes Investigation Act of 1907. Since 1944, most jurisdictions have prohibited mid-contract work stoppages and require grievance arbitration (or some other peaceful method) for resolving disputes arising out of the interpretation or application of the collective agreement. The use of interest arbitration has increased recently, with the growth of public sector unions. These traditional uses of neutral third parties are restricted to collective bargaining impasses, what might be termed a "putting out fires" approach. Recent approaches utilize third parties on a continuing basis and concentrate more on prevention than resolution of disputes. Grievance mediation and preventive mediation programs are the prominent examples of this shift in focus.

***Grievance Mediation*⁷**

Grievance arbitration was intended to provide a quick, inexpensive and informal mechanism for the resolution of disagreements about the interpretation or application of the collective agreement. Although required by law in most jurisdictions, evidence from the United States (where it is not required) indicates that the parties employ this method of mid-contract dispute resolution in the vast majority of cases.⁸

The objective — to provide a quick, inexpensive and informal mechanism for dispute resolution — has increasingly not been met. As summarized by Kochan (1981, p. 179):

The formal negotiations and grievance arbitration processes no longer are the effective “problem solving” and flexible instruments that scholars of an earlier generation believed them to be. Grievance arbitration is unduly legalistic, slow, cumbersome, expensive, and conservative. It is less a vehicle for developing a “common law of the shop,” and adjusting the contract to fit unexpected circumstances, than a procedure for transferring income from workers and their employers to arbitrators and labour lawyers.

This outcome reflects a number of factors, including the growing complexity of collective agreements and labour policy, which implies the need for experienced arbitrators, usually lawyers in short supply; the tendency for both sides to employ lawyers, lessening the participation of the affected parties; and judicial review of arbitrators’ decisions, which can limit arbitrators’ ability to innovate.

With grievance mediation, the third party listens to the stories of the two sides in an informal setting and tries to bring about an agreement. Experience with this procedure in British Columbia and Ontario (where the services of a labour relations officer is provided to the parties) indicates that the officer is able to fashion a settlement in 80 to 90 percent of the cases (Weiler, 1985b). The costs are significantly lower than with conventional grievance arbitration.⁹ Similar results have been reported in the U.S. bituminous coal mining industry (Goldberg and Brett, 1983). In this case the use of grievance mediation was agreed to privately. Various forms of expedited arbitration, in which the two parties agree to dispense with briefs, transcripts or even lawyers or in which an arbitrator is “on call” to dispense rapid judgments, are also being used in both Canada and the United States.

These mechanisms are in part simply a lower-cost method of achieving the desired resolution of differences. Since many grievances do not involve important legal issues of contract interpretation, the substitution of lower-cost methods which result in a speedier resolution is in the interests of both parties. However, there may be a more fundamental aspect to these mechanisms as well. As stated by Weiler (1985b):

The touchstone of all these alternative methods of dispute resolution is that they involve the direct participation of the people who must live with the outcome. In the formal adjudication process, whether in court or in conventional arbitration, the parties often feel alienated from the process because of abstract legal rules or the procedures involved or because lawyers decide and conduct the cases. With these informal techniques the parties control the process, the hearing often takes place right at the premises, and the outcome is known almost immediately. . . . A significant benefit of this process is that the parties who get used to settling their grievances with the assistance of a mediator, often develop a certain mindset, a compromising attitude, which can be carried over into other joint

union-management committees dealing with safety, job evaluation, productivity, redundancy, and technological change. In short, the process of grievance mediation may make a positive contribution to the parties' overall relational goals.

This use of neutral third parties to go beyond the immediate dispute and contribute to a lasting improvement in the relationship between the two parties is the primary objective of preventive mediation programs.

Preventive Mediation Programs

Conciliation officers and mediators, who are assigned to assist parties involved in collective bargaining disputes, see numerous instances of poor relations among representatives of labour and management. Preventive mediation programs draw on this rich source of information and attempt to improve relations between union and management representatives. When poor relations are noted, the conciliation officer may recommend that the two groups take part in a preventive mediation program, or the parties themselves may make the request, in an attempt to help achieve a more mature and constructive relationship.

The Ontario Ministry of Labour's Preventive Mediation Program, described in more detail in their paper in this volume, has three components: establishment of joint action committees, made up of representatives of labour and management, to improve communication between the two groups; a relationship improvement program to develop the attitudes necessary for the rebuilding of strained relationships; and a joint training program to provide stewards and supervisors with improved methods for maintaining better relations. The components can be employed separately or together, depending on their suitability for the work setting.

A key feature of these programs is that the process takes place in the absence of the pressures involved in negotiating a particular contract. Furthermore, the joint committees are understood to complement, rather than to substitute for, the grievance procedure. These characteristics are intended to narrow the focus of the committees and provide an environment more conducive to greater understanding. The relationship improvement program (or "Relationships By Objectives Program") is the most formal and comprehensive component and is implemented only when the two parties demonstrate a commitment to improving their relationship.

Preventive mediation programs have been introduced in several Canadian jurisdictions in the past decade¹⁰ and in the United States are provided by the Federal Mediation Service. Thus far, experience with preventive mediation is limited, and the degree of success is difficult to measure. Because of the lack of relevant statistics, there have not been

any comprehensive evaluations of preventive mediation programs. Generally, however, the participants in and administrators of the programs consider them effective, and as elaborated in the Ontario Ministry of Labour (1985) paper, there have been some notable successes.

Some might agree that preventive mediation can be effective, but wonder why these programs should be provided at public expense. After all, marriage counselling can improve personal relationships but is not provided by the state. However, a case for government provision can be advanced: collective bargaining disputes affect not only the two parties directly involved but also other members of the public; and more fundamentally, a society which values the institution of collective bargaining highly may wish to make investments which enhance its survival.

Experience to date indicates that preventive mediation can contribute to improved labour-management relations and may help to reduce collective bargaining disputes. Opening new channels of communication may also improve productivity and organizational efficiency. These programs, as is also true of grievance mediation, do not involve fundamental changes in the structure of labour relations. Rather, they attempt to improve the operation of the existing system. However, they may also create the conditions needed for adoption of more innovative approaches to improving labour-management relations and the quality of the workplace.

Joint Labour-Management Committees

Most proposals for change in the workplace involve increased consultation between employees and management and increased employee involvement in decision making. Joint labour-management committees represent an institutional mechanism for achieving these outcomes on a continuing basis. Their use in preventive mediation programs was discussed above; however, they have a wider application. Joint committees can vary considerably in their makeup, purpose, authority, and the level in the organization at which they operate. This section will focus primarily on committees operating at the plant or firm level and on the results of their use in Canada. Wider consultation among labour, business and government representatives is discussed subsequently, as are joint consultation mechanisms employed in Europe and Japan.

Joint committees have a long history in Canada.¹¹ In 1919 a royal commission on industrial relations was established by the Dominion government, which at that time was generally presumed to have legislative authority over labour relations matters. The commission was created primarily because of concern about industrial unrest and work stoppages during World War I. In its report, the commission stated that "there is an urgent necessity for greater cooperation between employer and employed" and recommended the establishment of joint industrial

councils and works committees in order to promote this cooperation. A national industrial conference held the following year, in part to consider the commission's proposals, supported this recommendation. No particular form or structure was suggested, and a variety of labour-management committees (known as employee-representation plans, joint councils, works councils or works committees) was employed, primarily in large enterprises.

Most of these employee-representation plans died out with the growth of unions in the interwar period. During this period, a number of cooperative programs were developed in industries of union strength — notably in the railroad, clothing, construction, and pulp and paper industries. Although several of these arrangements survive in some form today, the majority of attempts at labour-management cooperation during this period did not last. Wood (1964, p. 13) summarizes the results of this phase:

For the most part, the various experiments in cooperation during this period were short lived — in some cases because they merely tried to fill a void created by the absence of a union, and so became redundant with the growth of trade unionism; in other cases, because the functions of the joint committees became included in the ever-expanding scope of collective bargaining; and in other cases again because, in the opinion of one side or the other, they failed to achieve the purposes for which they were set up. By the 1930s, in fact, much of the enthusiasm for cooperation had waned and it was not until the beginning of World War II that it again received widespread attention.

Labour-management cooperation during World War II focussed on the attainment of maximum production for the war effort. A number of labour-management production committees were set up, primarily in industries essential to the war such as coal, iron and steel, aircraft, ordinance, and shipbuilding and repair. Establishment of such committees was encouraged by government, through agencies such as the National War Labour Board and later the Industrial Production Cooperation Board. By the end of the war approximately 250 to 300 committees were operating. There were similar developments in the United States and the United Kingdom.

Following the war, the federal Department of Labour assumed responsibility for the policy of encouraging the growth of labour-management committees and set up the Labour-Management Cooperation Service (LMCS) in 1947. Supported by the two major central labour federations, the program continued for the next two decades. Initially the focus remained on production committees, but subsequently became the promotion of more harmonious labour-management relations and safety, health, and the quality of the work environment.

The LMCS remained in place until 1965. The number of committees registered as being in operation continued to increase, to about 1,800 in

1965, although the number of workers covered by these committees (about 500,000 by 1965) grew only marginally.¹² Increasingly, the committees were predominant only in smaller enterprises.¹³ The wider scope of collective agreements appears to be the primary cause of the declining significance of the LMCS program. Committees recognized by the LMCS were confined to dealing with subjects outside the scope of collective bargaining. As the scope of collective agreements broadened, especially in larger bargaining units, to cover areas such as health and safety, the committees' responsibilities withered. In effect, the functions carried out by active labour-management committees were transferred to committees operating under the collective agreement. Today, about half of all collective agreements provide for labour-management committees (see Waldie, 1985). Another reason for the decline was that similar programs were not implemented by the provincial governments. The LMCS was a federal program in an area of primarily provincial jurisdiction.

Thus, both the wars led to increased interest in labour-management cooperation as a means of aiding war production. The policy of promoting joint committees in order to encourage cooperation continued after each war, but eventually died out. In both cases the functions of the committees were gradually taken over by collective bargaining, after World War I primarily because of union organization, and after World War II primarily because of the expanding scope of collective agreements.

In the past decade a new Canadian policy with respect to labour-management committees may have begun to take shape. Roy Adams's paper in this volume outlines this new approach and discusses the role it may play in the future (Adams, 1985). This new approach to joint committees differs in several important ways from the earlier policy phases discussed above. Indeed, as Adams notes, these committees have features similar to the statutory works councils operating in several European countries, and they are therefore discussed in this context.

Statutory Works Councils

This new approach to joint committees began with policy initiatives in the area of occupational health and safety. In 1972 the Saskatchewan government introduced legislation which emphasized the contribution of worker participation to the prevention of workplace injuries and illnesses. This model, now often called the "internal responsibility system," confers three rights on employees:

- the right to have joint labour-management health and safety committees;
- the right to refuse hazardous work without penalty; and
- the right to information, as it becomes available, about the hazards of employment.

The internal responsibility system emphasizes the pre-eminence of the joint committee in dealing with workplace safety and health, including playing an active role in refusal-to-work cases and in the transmission of information relating to workplace hazards. The agency administering the law plays a secondary role, usually as a court of appeal when the internal mechanism reaches an impasse. The Saskatchewan model has been adopted, although in a modified form, in most other jurisdictions.¹⁴ Although little is known about how active these committees have been or what impact they have had, statutory committees are now an established part of Canadian policy with respect to occupational health and safety. Indeed, several recent policy analyses call for an expanded role for these committees.¹⁵

Adams notes a number of other policy initiatives which require some form of joint decision making and which provide for joint committees as the decision-making mechanism. These include policies with respect to plant shutdowns, employment sharing, pension management, profit sharing, technological change, and training and education. He suggests that a new model of employee participation in these and possibly other important decisions may be emerging in Canada. Key features of this model are:

- Joint decision making is required by law rather than negotiated or provided at the initiative and pleasure of management.
- The law applies to both unionized and non-union firms. In the organized sector, the union acts as the representative of employee interests for the purposes of the policy. (This feature differs from the European statutory works councils, which typically coexist with the union in organized firms.)
- A procedure for resolving impasses, usually some form of arbitration, is provided for.

Although legislation requiring health and safety committees with most of these features¹⁶ appears to be well established, it is not yet clear if a general model along these lines is emerging. Most examples (profit sharing, pension management, technological change, and training and education) are only proposals and may not be implemented.¹⁷ Those that have been implemented (plant shutdowns and employment sharing) apply only to issues that arise infrequently in most enterprises, rather than those of a continual nature such as safety and health. In addition, the requirement that the employer negotiate the terms of a plant shutdown with the union or an elected employee committee holds only in the federal jurisdiction. Although employment sharing is available to all employees covered by unemployment insurance, that program would become redundant if the financing of unemployment insurance were experience rated as recommended, for example, by Kesselman (1983) and Riddell (1985b). For these reasons, we could argue that statutory

joint committees will play a minimal role other than in the prevention and regulation of occupational hazards. Even in that area, their role may be smaller than would be inferred from reading the legislation.

At the same time, the fact that joint committees with decision-making powers have been proposed, if not established, to deal with a variety of workplace issues is a striking development. The combination of increasing reliance on health and safety committees and implementation of several of these proposals in various jurisdictions would indeed imply not only a new approach to each of the specific issues but also a new general model of employee representation and workplace democracy in Canada. Adams's provocative paper, after pointing out that this new model may be emerging, proceeds to assess this statutory works council (SWC) approach and compare it with the traditional (since World War II) Canadian model of union representation and collective bargaining. The latter he terms the "Wagner Act Model," in recognition of the influence of the U.S. National Labor Relations Act (the Wagner Act) of 1935 on its evolution in Canada.

Adams argues that the SWC approach should be preferred to the Wagner approach. He therefore feels that the new model which may be emerging should be encouraged to develop further. His criticism of the traditional approach, in which unions and collective bargaining are the primary vehicle for providing workers with a collective voice in the determination of conditions important to their well-being, involves the following central points:

- Only a fraction of the labour force (about half of all non-agricultural paid workers) is represented by unions. If employee participation in decision making is desirable (either because democratic participation is believed to be an inherently good thing, or because participation yields higher levels of job satisfaction and/or productivity), then it ought to be compelled by law in all workplaces, not just those in which the employees are represented by a union.
- Collective bargaining puts too much emphasis on wages and benefits and not enough on issues like health and safety, technological change, training and education. Because of this failing, statutory joint committees with the responsibility and authority to co-decide specific issues are required even in unionized enterprises.

Adams's view that the SWC approach should be Canada's preferred option is a controversial one. It is also, in my opinion, a position that deserves careful consideration and debate. A full examination of the central issues in that debate would require a lengthy digression; all that is possible here is a brief discussion of some key considerations.

Perhaps the key issue is that of voluntarism versus compulsion. A fundamental building block of our current system of industrial relations is choice. Workers can choose whether or not to be represented by a

union. Although employers are not expected to welcome union representation with open arms, they are constrained by labour legislation in their ability to oppose the employees' choice. Some employers have doubtless acted against the spirit, if not the letter, of the law. Nonetheless, a significant proportion of establishments are non-union because a majority of their employees prefers this arrangement.

Unions offer a number of potential benefits for workers. They provide a collective voice for negotiating working conditions such as safety, cleanliness and lighting conditions, training and leave policy, and protection from arbitrary treatment by management. Such conditions are important to employees, but may be difficult to determine optimally without a collective-choice mechanism because they have characteristics of public goods.¹⁸ Unions also provide workers with increased bargaining power through the use of collective action (backed by the threat of striking) rather than individual action (backed by the threat of quitting). They thus generally enable employees to achieve higher wages and benefits and improved working conditions. In addition to these effects on the outcome, unions also allow a form of democratic participation in the process by which the outcome is determined. The value of this participation is stressed by Adams.

In choosing whether or not to be represented by a union, employees will compare potential benefits to the expected costs.¹⁹ The value of net benefits (benefits minus costs) will differ across workers and organizations. There is more need for a collective voice in large than in small enterprises. Low wages, poor working conditions, and unfair and arbitrary treatment by supervisors will generally result in employees' perceiving positive net benefits from union representation. The employee's expected tenure with the firm will also matter. The benefits of union representation typically rise with longer employment.

A decision in favour of a union is more likely in large organizations, in organizations in which employment is long term in nature, and in organizations with relatively poor wages and working conditions. In small enterprises, enterprises with high turnover and short-term jobs, and firms which provide attractive wages and working conditions, the demand for union representation will be lower. According to this perspective, the fact that only about half the eligible labour force is covered by collective agreements does not represent a failure of the Wagner model but, rather, reflects the diverse opinions that exist in the population about the net benefits of union representation and the democratic participation associated with it.²⁰

The second criticism of the Wagner model involves the contents of collective agreements in the organized sector. Again, choice is a salient feature of the existing Canadian system. Unions and firms can usually bargain over whatever they wish. If workplace health and safety or notification of planned technological change or plant shutdown are

important issues to the union membership, unions can push hard on these aspects, trading them off against others. Management will also trade off wages, benefits and other provisions, primarily if not entirely, according to their potential effect on profits. In general, bargaining will lead to an outcome which, from the perspective of the two parties, is optimal in the Pareto sense — that is, there will be no unexploited “gains from trade.”²¹ From this viewpoint, the absence of particular provisions from the collective agreement reflects not the failure of the collective bargaining process but, rather, the fact that the cost to one side of obtaining the provision (i.e., what they would have to give up) was viewed as being too high.

In the non-union sector, wages and working conditions are subject to market forces and are largely determined unilaterally by management. However, firms have an incentive to offer a package of wages, benefits and working conditions which is attractive to the majority of employees or potential employees, otherwise they will be forced to pay a wage premium to attract and keep employees. If workers are mobile and are informed about the working conditions associated with different firms, competitive market forces will produce a Pareto optimal combination of wages and working conditions (Rosen, 1974).

In the Canadian version of the statutory works council model outlined and advocated by Adams, specific enterprise policies and working conditions would be co-determined, with arbitration as the impasse procedure. Each policy or working condition would be co-determined separately. The opportunity for making mutually beneficial tradeoffs would be reduced. The resulting combination of wages, benefits and working conditions would likely be inefficient in the Pareto sense. That is, it would be possible to find other combinations of wages and working conditions which both the employer and employees (or the majority of employees) would prefer.

The case for statutory works councils depends in part on the presumption that the enterprise policies and working conditions determined by collective bargaining and market forces are socially suboptimal. This presumption may be correct in specific cases. For example, it is believed by many analysts that, primarily because of imperfect and asymmetric information, workplace health and safety requires additional intervention, which takes the form of government regulation and, as noted above, the SWC approach or internal responsibility system. (For an examination of mechanisms for improving occupational health and safety see Digby and Riddell, 1985). However, it is much less clear that market forces and collective bargaining fail in general to yield socially optimal outcomes. Thus, the use of statutory works councils may be restricted largely to clear cases of market failure.

Evaluation of the SWC and Wagner models is complex, and depends in large part on value judgments. If a high value is attached to the process of

employee participation in decision making, then the SWC approach has clear advantages. Employee participation in decision making would be enhanced in unionized workplaces and substantially increased in non-union firms. Conversely, if we emphasize the outcome of employer-employee interaction (i.e., the package of wages, benefits and working conditions), then the existing system would probably be preferable. Finally, those who put a high value on individual freedom and decentralized choice would oppose the state and third-party intervention associated with the SWC approach.

Evaluation of the SWC approach also depends critically on whether state-imposed employee participation in decision making would increase or decrease enterprise efficiency. Views on the probable effects differ considerably. Adams notes that the West German experience suggests that enterprise efficiency was not noticeably reduced. Recent research by Cable and Fitzroy (1980) on a sample of 42 West German firms with varying degrees of employee participation provides the strongest available evidence that productive efficiency is positively related to employee participation.

The SWC model represents a major departure from past attempts by Canadian policy makers to encourage the use of labour-management committees. Whether it will emerge as a general model is uncertain, and may turn on whether it is deemed successful in the regulation of health and safety, an area in which its use is being encouraged. Certainly, careful examination of the costs and benefits of statutory health and safety committees in various Canadian jurisdictions would make a valuable contribution in determining the potential for a more widespread use of the works council approach.

The SWC concept has thus far been focussed on issues in which there has been pressure for increased public policy intervention. However, the works council would also provide an institutional mechanism for dealing with employer-employee interaction regarding the organization of work. It is to these considerations that we now turn.

Quality of Working Life Programs

Quality of Working Life (QWL) programs are devoted to the increased humanization of work. They involve employer-employee interaction in the planning and structure of the workplace and the work process. Two papers in this volume deal with aspects of QWL in the Canadian setting. Keith Newton (1985) provides an overview of QWL developments in Canada, and discusses the relationship between QWL and certain dimensions of economic performance. The Ontario Ministry of Labour (1985) paper reports on the experience of the Ontario QWL Centre in disseminating information and providing expertise and advice on innovative approaches to organization in the workplace.

As Newton notes, QWL programs have two central elements: workplace design (or "sociotechnical design") and industrial democracy. The first has to do with the way tasks and jobs are organized, and typically involves employees' learning and using a greater variety of skills and assuming greater responsibility for the organization and flow of work. The second implies some form of employee involvement in decision making. Both elements of QWL programs involve changes in organizational structure and in management attitudes and practices, away from an authoritarian style and toward a consultative and advisory role.

Industrial democracy is a large and complex subject which cannot be examined in detail here. The extent to which hierarchical forms of work organization are superior to alternatives on economic efficiency grounds remains a subject of debate. Many of the central issues in that debate are discussed by Williamson (1980) and Putterman (1984).

A variety of terms in addition to QWL are used to describe worker participation schemes, including quality circles, employee involvement, work redesign, and labour-management participation teams. These schemes have elements in common, in particular, employee involvement in the organization of work, usually through small groups. They differ in the breadth of their agenda for organizational change and in the autonomy of the work group. Some writers distinguish between "pseudo" and "genuine" participation schemes. Similarly, others would not include under the QWL rubric worker participation schemes tightly controlled by management. However, no attempt will be made here to distinguish between these various programs because, as explained in the Ontario Ministry of Labour paper, QWL programs vary according to the needs of the specific setting, and are better described by their adherence to general principles rather than by a set of operational procedures.

The primary purpose of QWL programs is to improve job satisfaction by enabling employees to achieve more variety, scope and autonomy in carrying out their tasks. In addition, it is generally anticipated that increased employee involvement in decision making and greater identification with the ultimate product will result in higher levels of motivation and productivity. QWL programs focus on employer-employee interaction, rather than on interaction between union and management representatives. They represent one strategy for achieving worker participation at the level of the individual or small group, and for extending collective bargaining beyond the traditional interaction of union leader and management representative. Furthermore, they are primarily intended not to improve labour-management relations, although they may also have this effect, but to engage employees and supervisors or other managers in efforts to improve job satisfaction and total organizational effectiveness.

Newton summarizes the recent growth of the QWL movement in Canada and elsewhere. Some governments have encouraged this growth

and development. The Ontario Ministry of Labour paper describes in detail the steps taken by Ontario's Quality of Working Life Centre to foster innovative work arrangements in the province, to provide consultation, education, information, and networking services, and to conduct research.

Labour Canada, through its QWL division, supports initiatives, disseminates information, and sponsors conferences and studies. Newton also notes the close association between organizational change and technological change. The prospect of significant innovations in methods of production, discussed in Allen (1985) and Riddell (1985c), may be an additional spur to QWL programs.

There are a number of outstanding examples of particular QWL projects in Canada. The Shell Canada Limited chemicals plant in Sarnia is probably the most famous example.²² This plant has been operating for approximately seven years with a non-traditional organizational structure in which employees have substantial freedom and responsibility, help design their jobs, and collectively regulate the work environment. The union was involved from the outset in the process of bringing about this organizational structure. The results to date have been excellent. Employee satisfaction, productivity and organizational effectiveness are high; grievances and absenteeism are low. The plant stands as a model of what can be achieved, evidently on a continuing basis — though some might argue that the experiment is still too young to be judged a permanent success — through the QWL approach.

While several QWL programs have been sustained and have produced successful results, others have not. Overall measures of the longevity of these programs are not available, but the experience of Ontario's Quality of Working Life Centre suggests that the attrition rate is high, probably about 50 percent. The success of QWL programs is even more difficult to measure. Programs which no longer exist may well have achieved some lasting positive results, such as changes in labour-management communications and attitudes. However, diffusion is slow, suggesting either that there are few circumstances in which these programs are likely to give successful results, or that there are obstacles to the adoption of QWL programs. The main obstacles appear to be skepticism on the part of management, together with a reluctance to deviate sharply from traditional methods of organization and decision making, and concern on the part of organized labour that QWL programs may be an attempt to discourage unionization in a non-union setting.

QWL and related programs involve both challenges and opportunities for management, unions and workers. For management the opportunities include improved productivity and product quality, and more satisfied, less alienated employees. In addition, the introduction of new technology may be facilitated. However, some modification of traditional decision making and organizational structure, especially the role

of first-line supervisors, is a necessary part of these programs. Management may fear that the long-term consequence of shared decision making may be reduced flexibility to act in what they view as the organization's best interests. For workers, the potential benefits include higher levels of job satisfaction, exposure to a wider range of tasks and thus acquisition of more skills, and probably less vulnerability to technological change. In addition, employment security will generally be enhanced if organizational effectiveness is increased. The additional responsibility may be an enjoyable challenge to some, but others will regard it as a cost. For these reasons, there is considerable employee interest in QWL processes (Kochan, Katz and Mower, 1984).

The QWL movement poses a number of important challenges for unions. On the one hand, it presents an opportunity for increasing both union and employee influence at the plant level. As noted, union members display considerable interest in this form of participation. Furthermore, if alternative forms of work organization do enhance productivity and organizational efficiency, blocking their introduction would put unionized firms at a competitive disadvantage. On the other hand, the types of innovations normally brought about in QWL programs, such as more flexible forms of work organization and emphasis on employee involvement and communication, are also characteristic of management strategies to deter unionization adopted by some firms, especially in the United States.²³ Although it is probably true that, as stated by Kochan and Piore (1985, p. 4), "the more flexible forms of work organization found in the newer non-union systems have a logic that goes considerably deeper than the union avoidance motive," the association makes unions understandably reticent. A related fear is that increasing employee involvement and identification with the enterprise and blurring the distinction between supervisors and workers will undermine the role of the union in the eyes of union members.²⁴

QWL programs, because they restructure the work process, may also lead to conflicts with provisions in existing collective agreements — in particular, those involving seniority, promotion, the transfer of workers between jobs, and compensation. More generally, they involve a movement away from traditional "job control unionism," according to which unions negotiate detailed collective agreements specifying the rights and duties of management and workers and monitor managements' actions under the agreement, to a role involving joint consultation and planning, and collective agreements which focus on general principles rather than on detailed rules governing the workplace.

For these reasons, there has been a substantial debate within the organized labour movement over QWL and related processes. Although this debate continues and some union leaders remain skeptical, the number of unions actively involved in QWL programs in Canada and the United States continues to grow. In their study of U.S. unions and QWL

programs, Kochan, Katz and Mower (1984) concluded that there was no single best strategy for the labour movement. In their opinion, necessary conditions for the program to be in the interests of the union and its members are employer acceptance of unions, deep managerial commitment to the worker-participation process, and a viable economic context. Because of the ambivalent feelings of organized labour toward the QWL movement, the Ontario QWL Centre has concentrated its long-term consultation on unionized enterprises.

QWL processes represent long-term changes in organizational structures and workplace arrangements. They are, however, susceptible to short-term pressures. The 1982–83 recession and related layoffs, plant closings and concession bargaining have not provided an environment conducive either to the establishment of new or the survival of existing QWL programs.²⁵

A certain amount of skepticism and reluctance to alter traditional roles and methods is natural, and probably even desirable, in an uncertain world. Nonetheless, the evidence to date, while limited, suggests that QWL programs can help to improve employee morale and job satisfaction, and promote organizational effectiveness and productivity. It follows that these programs should come into wider use, since employers and employees will find them to their common benefit. Since information about new and possibly more efficient institutional arrangements has a public goods nature, governments can play a useful supportive role, through institutions like Ontario's Quality of Working Life Centre, providing information on the likelihood of implementation and success of these programs.

Part of the expanding interest in QWL processes is due to the evidently successful consequences of worker involvement and alternative forms of work organization in Japan. These and related issues are examined next.

Japanese Human Resource and Management Practices

The remarkable performance of the Japanese economy, especially with respect to productivity and real wage growth, has drawn attention to various features of the Japanese economic system, including human resource and management practices. Compared to North American ways, these practices emphasize achieving consensus within an organization and much more consultation with employees and union representatives at all levels within a firm in advance of key decisions affecting the well-being of employees. Numerous observers believe that the Japanese industrial relations system has played a major role in Japan's economic performance. Joseph Weiler's paper in this volume outlines the key features of Japanese industrial relations, describes how these evolved, and assesses lessons for Canada (Weiler, 1985a).

In addition to extensive use of joint consultation, the Japanese labour

market and labour relations system has a number of unique features which appear to have contributed to its remarkable performance. These include lifetime employment for a significant proportion (about one-third) of the labour force, the seniority wage system, extensive use of bonus payments, enterprise unionism, and synchronized annual wage bargaining. These features are important and have numerous consequences. Although attention here will primarily be devoted to the extensive use of consultation between employers and employees in Japan, it is important to keep in mind that these other institutional features interact with and generally support the widespread use of consultation and consensus.

Weiler explains how enterprise unionism, lifetime employment for regular employees, and the seniority wage system — often called the “three pillars” of the Japanese industrial relations system — have several important consequences for labour-management relations. The combination of enterprise unionism and lifetime employment results in employees and union leaders identifying more with the enterprise than is typically the case in North America.²⁶ The commitment to lifetime employment for regular employees provides strong incentives for investment in human capital. As a result, Japanese employers appear to provide more on-the-job training and employ job rotation to a greater extent than their North American counterparts. Rotating employees through the various parts of the enterprise strengthens identification with the firm and provides employees with a view of how the various parts interact and the importance of each to the firm’s products and markets.

The “three pillars” have significant implications for adapting to technological and economic change. Because of enterprise unionism and the various joint-consultation mechanisms discussed below, workers are very receptive to improving product quality and productive efficiency in order to improve the firm’s market prospects. Lifetime employment and seniority-based wages imply that changes in production technology and organizational structure do not adversely affect the earnings or employment prospects of workers. Thus, a key difference between the Japanese and North American labour markets is that in Japan technological and economic changes are adjusted to within the enterprise, rather than via the external labour market. Additional consequences of these features, and the way they interact with and support the joint consultation processes, are discussed below.

These three fundamental characteristics of the Japanese labour market emerged in the post-World War II period. Weiler stresses that they originated from a combination of historical accident, principally the labour law regime imposed by the Allied Occupational Forces following the war, and economic incentives. In his view the role of cultural factors in the emergence of these features was small.²⁷

Certain other features, such as the extensive use of bonus payments

and annual synchronized wage negotiations, are important to macroeconomic performance, especially with respect to inflation, unemployment and adjustment to aggregate economic disturbances.²⁸ Although little will be said here about these aspects, their importance should nonetheless be kept in mind. It is also important to note that other aspects of the Japanese economic system, such as industrial policy, have contributed to their enviable performance.²⁹

As described in more detail by Weiler, mechanisms for achieving cooperation through consultation exist at various levels of the Japanese economy. At the shop floor level are quality control circles. At the plant level are union-management consultations, collective bargaining procedures, and grievance-handling mechanisms which do not rely on third parties. In addition, joint labour-management consultation is common in non-union firms. At the industry level, industrial union federations and employer federations for that industry meet regularly to exchange information and views, and to engage in annual wage negotiations. At the national level, unions, employers and government engage in tripartite consultations. Union and management representatives jointly operate the Japan Productivity Center.

Quality control circles are informal discussion sessions in which small groups of workers (usually eight to ten employees along with the relevant supervisor) make suggestions for improving the organization of work, the production process, the product line, and so on. These circles thus share important features with the QWL processes discussed previously; indeed, they are generally considered in this context. The point is to engage employee-employer interaction at the small working group level and promote discussion of ways to improve the organization of work for the benefit of both employees and employers.

Joint consultation is widely used in both unionized and non-union firms. In unionized firms, this practice complements and overlaps with collective bargaining. Matters such as the health of the enterprise, investment plans, the introduction of new technology, changes in organization, mergers and subcontracting are not usually covered by collective bargaining, but will be dealt with under joint consultation if they significantly affect the workplace and working rules. Regular joint consultation between top management and union leaders on strategic enterprise decisions is a common feature in larger firms. Japanese employees thus operate in an environment in which they will be informed and consulted about matters which may materially affect their well-being. By way of contrast, in Canada most employers are considerably less open with their employees and union leaders.

These various consultative mechanisms enable a regular exchange of views among management, employees and union leaders on matters of mutual concern. This exchange of information and views is carried out in an environment in which management, shareholders and employees are

seen as partners in the enterprise. Although their interests are not perceived as being identical, there is considerable mutual respect and trust between employers and employees. The attitudes of management, employees and union representatives to each other are possibly as important to the outcome as the consultative mechanisms themselves. Nonetheless, the joint consultation procedures and the way the parties deal with the information received are critical to maintaining attitudes of mutual trust.

The development of Japan's joint consultation system is worth reviewing. Joint councils were set up by the Allied Occupational Forces following World War II, as part of an attempt to democratize Japanese enterprises and encourage unions and collective bargaining. Unions within the joint council structure pressed for an equal role in the running of the enterprise, and a number of significant strikes took place over this issue. The result of these and later legislative changes was the emergence of a system of "management rights" similar to those common in North America; that is, management retained responsibility for decisions about the introduction of new technology, production and employment matters, and other strategic issues. Joint labour-management committees were retained for consultation on these and other issues outside of collective bargaining, but did not, however, engage in joint decision making.

At this point, the Japanese industrial relations system might well have begun to evolve along the adversarial lines of the North American system, the system on which the Allied Occupational Forces had partly modelled it. However, beginning in the mid-1950s with the initiation of the "productivity movement" by government and the formation of the Japan Productivity Center (JPC) by moderate labour and management leaders, joint labour-management consultation entered a phase of substantial growth and development. The JPC played an important part in this development by promoting joint consultation in order to bring about the cooperation between labour and management to facilitate the introduction of new technology to the workplace.

In the mid-1950s the initial efforts at joint consultation concentrated on attempts to modernize Japanese industry. In those years there were numerous, often violent, labour disputes because unions considered the issues to be threats to job security, and employers held them to be production matters within their own discretion. Nonetheless, labour-management consultation became more widespread and broadened in scope to include detailed discussion of corporate operations, medium- and long-range plans, recruitment and personnel practices, and many other aspects of working life.

While joint consultation is conducted within a framework wherein the employer is assumed to have the final power of decision over matters that are not incorporated into a written collective agreement, in the majority

of instances there is considerable effort to achieve consensus before any significant change is implemented. If agreement is not reached, the issue may become the subject of collective bargaining. In addition, as Weiler discusses in more detail, surveys indicate that few firms act unilaterally when management and labour fail to reach consensus.

The JPC has played an important role in improving labour-management cooperation in Japan over the past three decades. Initial funding for the JPC was provided by government, but the centre was to be run by labour and management representatives, along with prominent academics. The JPC's activities were to focus not only on the improvement of technical and management efficiency, but also, and primarily, on the improvement of labour-management relations in Japan. Initially some unions were reluctant to participate in the JPC and to join the productivity movement, fearing loss of jobs because of the rationalization of plants and being apprehensive that increased productivity simply meant working harder and faster for the benefit of the owners and managers of the firm. Other unions, however, foresaw long-term benefits in the productivity movement and agreed to participate when it became clear that the union movement could have great influence on the centre's beliefs and operation. The formal statement of these guiding principles was instrumental in overcoming the suspicions of unions and persuading almost all private sector unions to participate actively in the productivity movement. The centre stressed the importance of long-term employment gains from increased productivity and the need to minimize any short-term employment consequences; the need for cooperation about and consultation in the introduction of measures to increase productivity; and the advantage of making a fair distribution of the fruits of improved productivity among management, labour and consumers.

The JPC promoted technical exchanges between Japan and the United States, educated management about ways of increasing productivity, and championed the development of joint consultation as a means of improving labour relations. The last contribution may well have been its most important. Joint consultation now exists in approximately 95 percent of Japanese firms employing over 300 workers.

Joint consultation represents only one aspect of the Japanese labour relations system, and it is difficult to assess its effect, independent of other aspects, on Japan's economic performance. Nonetheless, most observers believe that the joint consultation system and the Japan Productivity Center have made an important contribution to Japan's post-war economic success, especially in facilitating the process of technological innovation. Lifetime employment and seniority-based wages, as noted earlier, are also believed to be important factors.

There are several parallels between the JPC and the recently established Canadian Labour Market and Productivity Centre (CLMPC). The funding of the CLMPC is provided by government, but the institution will

be run by representatives of business and labour. At first the organized labour movement was reluctant to participate, especially if the centre's primary focus was to be on productivity. Several union leaders remain reluctant. Nevertheless, the CLMPC has survived the difficulties of birth and is now capable of contributing to improvement in Canadian labour-management relations to the benefit of employers, employees and consumers.

There are different views about the extent to which Japanese human-resource and labour-relations practices can be implemented with similar success in other countries. At issue is the extent to which Japan's success depends on cultural factors, in comparison to the nature and structure of the policies themselves. An examination of the development of Japan's industrial relations system in the postwar period suggests that the importance of cultural factors for Japan's success may have been overstated. A study team representing the Organization for Economic Co-operation and Development (OECD), while placing considerable emphasis on cultural differences between Japan and Western countries, concluded:

This is not to say that other countries cannot learn from the Japanese experience. In this respect perhaps the most important observation is to appreciate what can be accomplished towards both national prosperity and improvement in workers' conditions by the singleminded co-operation of labour and management within the enterprise. Coupled with this, at least in the best Japanese enterprises, is the confidence that important decisions, even if they do not satisfy everyone, will be reached by consensus and are not likely to result from management using a strategically powerful position to achieve something at the expense of the workers, or workers using their power to make management accept a policy which may be detrimental to efficiency. (OECD, 1977, p. 40)

In his assessment, Weiler reaches a similar conclusion about the potential benefits of these aspects of the Japanese approach. He also argues that earlier analyses may well have over-emphasized the importance of cultural factors in the development of key features of the Japanese system.

A study by Jain (1984) of the industrial relations practices of subsidiaries of Japanese multinationals operating in Canada provides additional insights into the potential for the successful adoption of these practices in Canada. His study found that Japanese subsidiaries adopted some of their parent companies' practices, but in other respects behaved like Canadian companies:³⁰

Some of the principles in the Japanese industrial relations system can be equally applied to the Canadian scene. These include better management of human resources, managers' willingness to learn from workers, an extensive system of education and training for all employees and a relationship of trust between labour and management. Another noteworthy feature of the

Japanese system which deserves serious consideration on the part of Canadian managers is the joint consultation mechanism. . . . (p. 31)

In assessing the possibility of implementing features of the Japanese labour relations system in Canada, observers should keep two additional considerations in mind. First, an important structural feature of the Japanese economy is enterprise unionism. Enterprise unions are better suited for focussing concerns and issues at the level of the individual firm. Second, joint consultation is only one part of an integrated system. It is unlikely that Canadian employers could use quality control circles to obtain results such as improved productivity and product quality without also adopting some other features of the Japanese system. These features include a more open and communicative management style, greater attention to employment stability and other aspects of employee well-being, more sharing of information, and plant-wide bonuses. As summarized by Weiler (1985a):

Perhaps the prime reason for the success of Japanese management is the recognition that the enterprise *is* its people, that workers and their union representatives are the partners of management and the shareholders in the enterprise. . . . Only with a similar recognition of the role of workers and the unions within Canadian firms can any success in using Japanese labour-management techniques be expected.

Other features of the Japanese economy are ones which we would not want to replicate in Canada. Japan appears to be characterized by a more pronounced "dual labour market" than North America, with high wages and substantial employment security in the primary market and the opposite conditions in the secondary market. The labour market opportunities available to Japanese women, who are often employed in the secondary labour market, appear poor compared to those of Canadian women and Japanese men. In addition, the lifetime employment system has some undesirable effects: there is very little labour market mobility; furthermore, the competition for the desirable jobs, which are typically obtained by those graduating from the best universities, produces considerable competition among students at the secondary and even elementary school levels.

It appears that there is considerable potential for, and a great deal to be gained from, more widespread use of some features (such as joint consultation) of the Japanese system in Canada. These features will, of course, need to be adapted. The Canadian Labour Market and Productivity Centre may be the institution best fitted to encourage the continued growth of these innovations.

Gain-Sharing Compensation Arrangements

Gain sharing refers to contingent payment schemes which relate compensation to the economic performance of a plant, firm or industry.

Profit sharing, in which employees receive a share of the firm's profits in addition to a fixed-wage income, is probably the most widely known form.

There are a variety of reasons for gain sharing. Some see it as a way of bringing together the interests of employers and employees, which would lead to more cooperative labour-management relations. It has also been advocated as a means of achieving more effective work incentives, greater employee commitment and morale, and improved productivity. In this context, some observers see it as an important part of a package that includes a more open and participatory style of management. Finally, gain sharing has recently begun to receive attention from some economists who see it as a way of achieving greater macroeconomic stability in the face of aggregate economic disturbances. These rationales for gain sharing are discussed in more detail below.

As noted in the previous section, a distinguishing feature of the Japanese economy is the extensive use of gain sharing in the form of semi-annual bonuses. These bonuses are negotiated *ex post*, rather than being determined by a specific formula agreed to *ex ante*. Bonuses represent a substantial proportion of Japanese employees' total income (about 25 percent, according to Hashimoto, 1979). This is one form of gain sharing; in North America it is generally presumed that these arrangements would involve a specific formula according to which the employees' share would be determined.

Three main types of gain-sharing plans have been used in Canada: profit-sharing, productivity-sharing, and employee stock-ownership plans. Profit-sharing arrangements may be further divided into current distribution and deferred distribution plans. Current distribution plans require a cash (or other liquid asset) payment shortly after profits are determined, while deferred payment plans involve a payment into a trust fund. Distribution usually occurs on retirement or termination of employment. Some plans combine current and deferred distribution.

Although considerable attention is being devoted at present to gain sharing, plans of this sort are by no means new. In 1887 Procter & Gamble established one of the first profit-sharing plans in the United States. Companies which followed their lead included Eastman Kodak and Sears Roebuck and Company. By 1906, about 60 profit-sharing plans existed in manufacturing, banking, utilities and other industries. The Scanlon Plan, a productivity-sharing arrangement which also emphasizes employee participation, was begun in the Depression as a means to save financially troubled companies and maintain employee earnings, but it became much more widely known when it was successfully applied to a profitable company in 1945. Profit-sharing is now a fairly widespread practice in the United States. At present, there are about 285,000 deferred distribution plans and approximately 80,000 current distribution plans. According to the Profit Sharing Research Foundation, as many as 20 percent of private, non-farm employees are covered by some

form of profit sharing. However, in many of the deferred distribution plans the employer's contribution is discretionary; such plans "are really ersatz *pension* plans that escape the regulations imposed on more formal pension arrangements" (Mitchell, 1982a).

In Canada, profit-sharing plans are less common, though they are employed in a number of well-known firms, such as Canadian Tire, Supreme Aluminum, Procter & Gamble, Dominion Foundries and Steel. The number of broadly based profit-sharing plans (those in which the majority of employees participate) has been estimated at fewer than 1,000 (Nightingale, 1984). Over 25,000 deferred profit-sharing plans were registered with Revenue Canada in 1981. However, the vast majority of these paid benefits only to the principal shareholders of the corporation,³¹ and many are probably inactive following removal of this tax shelter in the November 1981 budget.

Productivity-sharing plans involve measuring the productivity of a plant or firm and then sharing the benefits of any productivity gains among participating employees and the firm according to some prearranged formula. The three commonly used productivity-sharing plans are Scanlon, Rucker and Improshare. Scanlon and Rucker both involve, in addition to the financial incentive, an active committee system through which employees participate in the business. Improshare differs from the other two plans in linking employee bonuses to gains in physical output per person-hour, rather than to some measure of dollar savings, and in operating without an employee-participation system. These productivity-sharing plans are in use in a few firms in the United States (approximately 300) and Canada (25 to 30).

The third type of gain-sharing scheme is the employee stock ownership plan. These plans can take a variety of forms. Most employee stock-ownership plans (ESOPs) involve either stock bonus plans or options that allow employees to buy company stock at current prices at some future date. Stock-bonus plans are similar to profit-sharing plans, except that benefits are distributed in the form of company stock. Most of the interest in ESOPs exists in the United States, where tax incentives, enacted since 1970, have resulted in considerable development of these plans. In Canada, no tax incentives exist for ESOPs, and the extent of employee stock ownership is believed to be small.

The Case for Gain-Sharing Compensation

Gain sharing has been advocated from several different, though not mutually exclusive, perspectives. Some see these arrangements as a way of creating or increasing common interests between employers and employees. By giving employees a greater financial stake in the enterprise and an opportunity for benefiting directly from its performance, the adversarial nature of labour-management relations may be replaced by a more cooperative, problem-solving approach. It has also been advo-

cated as a means of achieving increased levels of employee motivation, leading to higher productivity and organizational effectiveness and thus greater income to be shared by employers and employees. As stated above, gain sharing has recently also received attention as a means of improving the economy's macroeconomic performance, particularly with respect to inflation and unemployment (Mitchell, 1982b; Weitzman, 1984). These and other authors suggest that the increased wage and price flexibility brought about by gain-sharing compensation arrangements can contribute, perhaps significantly, to greater stability in employment and output in the face of economic disturbances.

The macroeconomic performance argument for flexible compensation systems is, in my view, very important. It may provide a rationale for public policy to encourage this form of compensation arrangement, as benefits in the form of greater stability in employment and output accrue to society as a whole and not just to the parties choosing a compensation system.³² However important this aspect may be, it lies outside the scope of this paper.³³ The focus here will be on the potential benefits at the micro level; that is, the possible improvements in labour-management relations, productivity, organizational effectiveness and employee income and well-being. These benefits, to the extent that they occur, accrue to the employer and employee. Thus, they do not provide a similar rationale for policy intervention (e.g., tax incentives) to encourage gain-sharing compensation systems. However, if significant benefits do result from these arrangements, government may have a role to play in disseminating information.

Proponents of gain sharing have argued for many years that these schemes should be more widely used. For example, a 1939 U.S. Senate report concluded that:

The committee finds that profit-sharing, in one form or another, has been and can be eminently successful, when properly established, in creating employer-employee relations that make for peace, equity, efficiency, and commitment. We believe it to be essential to the ultimate maintenance of the capitalistic system. We have found veritable industrial islands of "peace, equity, efficiency, and contentment," and likewise prosperity, dotting an otherwise . . . relatively turbulent industrial map, all the way across the continent. This fact is too significant of profit-sharing's possibilities to be ignored or depreciated in our national quest for greater stability and greater democracy in industry.³⁴

Skeptics, however, have suggested that if firms and their employees would jointly benefit from gain sharing, then this form of compensation arrangement would be more widely used.³⁵ To assess these alternative views requires an examination of the costs and benefits of alternative compensation systems, and the empirical evidence relating to these costs and benefits.

Group incentive plans such as profit sharing represent one general

form of employee compensation. The two other primary forms are time payment, in which employees are paid for the amount of time worked, and individual incentive plans or piece-rate schemes, in which employees are paid according to output produced. The latter includes payment on a commission basis. A wide variety of compensation systems are observed in practice, some of which are "pure" compensation forms, while others are combinations.

Each of these compensation schemes has advantages and disadvantages.³⁶ Time payment involves little or no risk of income fluctuations owing to random factors affecting output produced. Time payment thus shifts the risk from the employee to the capital market (via the shareholder), where it can be more readily diversified.³⁷ At the same time, time payment systems generally require costly supervision to ensure that employees work diligently.

By tying income to output produced, piece rates, commissions and similar payment schemes provide strong work incentives. However, they require measurement of output produced and are unsuitable if production occurs on a team rather than an individual basis. They also involve greater risk of income fluctuations, for output or sales can vary for reasons not related to employee time and effort. Piece rates also provide an incentive to work quickly and thus may require monitoring of product quality and of the treatment and maintenance of machinery and equipment.

Group incentive compensation schemes also involve some risk, as corporate profits (or other bases for payment) can vary for reasons not related to employee effort, such as management blunders, weather, and international developments, or because of changes in the effort of other employees and management. They do provide some work incentives, however, and are suitable for production processes in which the output cannot be identified with a single individual. If based on a performance measure such as profits, rather than, say, output, additional monitoring of product quality or equipment maintenance should not be required.

It has been pointed out that the productivity effects of group incentive schemes may be small (Alchian and Demsetz, 1972). Since each member of the group receives only a fraction of the benefit from working harder (the increase in profits divided by the number of participants) yet bears all the cost of the extra effort, the incentive to work hard may not be as strong as with individual incentive schemes. This is the classic "free rider" problem: if any one individual works less diligently, all participants must share the reduced output and, consequently, the reduced profits. The free rider problem can result in the effort level of each participant being suboptimal, both from the point of view of the employer and the employees as a group. That is, in equilibrium each employee would like to work harder (and earn extra income), but would only be willing to do so with the assurance that other employees would do likewise.

This difficulty with group incentive schemes can be offset if, rather than acting independently, the employees behave cooperatively to reduce shirking. Such "collusive" behaviour may involve employees monitoring each other,³⁸ or may involve management or group leaders instilling "team spirit" and loyalty. In Japan, quality circles and other forms of employee involvement appear to interact with group incentive pay to achieve this result. Weiler (1985a) summarizes these effects as follows:

The incentives that are implicit in the bonus system create significant peer pressure in the workplace. Absenteeism and sloppy work by fellow employees reduce the output and/or quality of production of the work group and ultimately reduce the company's profitability. Workers who are interested in the bonus keep an eye on the work habits of fellow employees and admonish any worker who is not carrying his weight. This phenomenon reduces the need for the costly and authoritarian supervisory mechanisms that exist in many North American firms.

While such horizontal monitoring of work effort and attempts to create and sustain team spirit are viewed by some as exploitive, they may, for reasons outlined above, be in the interests of the employees, assuming that they share sufficiently in the extra income so generated.

Evidence of the free rider effect was found in studies of profit sharing by doctors in group medical practices (Bailey, 1970; Newhouse, 1973). Relative to sole practitioners, doctors who share profits work less. Hours of work decline with the number of members in the group practice, suggesting that the effectiveness of horizontal monitoring declines with group size. Newhouse also finds that overhead costs per visit were much larger for practices which share costs than for those without cost sharing. In their study of profit sharing in legal partnerships, Leibowitz and Tollison (1980) find that law firms have evolved mechanisms for offsetting free riding. Sharing profits according to measures of partner productivity such as billable hours is one such mechanism. This compensation system has both individual- and group-incentive elements.

The free rider effect suggests that gain sharing *alone* may have little effect on productivity and profitability, especially in larger enterprises. Whether these intended outcomes occur may depend on the presence of other factors, such as horizontal monitoring in small groups and enterprise loyalty and team spirit.

In summary, a variety of factors help determine the compensation system which is jointly most beneficial to the employer and employees. These include the degree of employee risk aversion with respect to income fluctuations, employee preferences for income versus work effort, monitoring and supervisory costs (with respect to output produced, product quality and work effort), and the extent of team production. In general there are strong incentives for the two parties to choose the payment system which is (privately) optimal (that is, which maximizes the joint welfare of the two parties, taking into account their

preferences for profits, income, effort and risk, given the circumstances they face). If a suboptimal system is employed, both parties could be made better off by changing to a different system.

Proponents of gain sharing, in particular those writing from an organizational behaviour and management perspective (and who emphasize potential benefits such as improved labour-management relations and higher levels of productivity, profitability and employee income), are skeptical that existing compensation arrangements reflect rational, joint optimization by firms, unions and workers.³⁹ Nightingale and Long (1984) and Nightingale (1984) provide good examples of this perspective in the Canadian situation. A central theme of these writers is that gain-sharing compensation is unlikely to be effective unless combined with an open and participatory management style, meaningful employee involvement in decision making, and regular communication and exchange of information between management and employees on productivity, profitability and related aspects of enterprise performance. Nightingale and Long (1984, p. 45) express this theme as follows:

It should be emphasized that these plans will achieve their full potential only if they are embedded in a broader management and organizational philosophy which recognizes that employees can and should contribute more fully to organizational decision making processes, and that through the satisfaction of a broad range of human needs on the job both employees and the organization can benefit. If management does not embrace these values and beliefs, then the simple implementation of gain and equity sharing systems will have relatively little value.

An important part of this theme is the hypothesis that meaningful employee participation in enterprise decision making is a necessary condition for the success of gain-sharing compensation plans. I will refer to this as the "participation hypothesis." A related hypothesis is that in enterprises with meaningful employee participation and access to information, gain sharing will generally contribute to productivity and organizational effectiveness, what might be called the "incremental contribution" hypothesis.

These hypotheses stress the strong interdependence between gain sharing, information sharing, employee participation in decision making and organizational effectiveness. One factor which may account for this interdependence is the free rider effect discussed above. Other factors include the likelihood of employees cooperating, first, to maximize the joint wealth produced by the enterprise if they receive an equitable share of that wealth, and, second, to increase organizational effectiveness if they regularly receive sufficient information to appreciate the contribution their effort makes to that objective.

A number of empirical studies have examined the effects of gain sharing.⁴⁰ Generally, these studies conclude that firms with gain-sharing plans are characterized by better labour-management relations and higher pro-

ductivity, profitability and other aspects of enterprise performance. Firms with gain sharing also tend to have more employee participation and more open, communicative and cooperative relationships among management, supervisors and other workers. Together these findings provide some support for the above hypotheses. The participation hypothesis, in particular, receives fairly strong support (White, 1979).

Unfortunately, it is difficult to reach firmer conclusions about the impact of gain sharing from existing studies for several reasons. Many are case studies, and the extent to which they generalize is unclear. Some studies of gain sharing are carried out and written from partisan viewpoints and therefore lack objectivity. Perhaps most important, studies which compare gain-sharing and non-gain-sharing enterprises are generally unable to control for other factors which differ between the two groups and which may affect their performance. Firms with gain-sharing plans tend, as noted above, to be characterized by more employee participation and easier access to information, as well as a more innovative management style. If these variables also affect performance, it is difficult to determine the incremental contribution of gain sharing.

The strongest evidence relating to the participation and incremental-contribution hypotheses comes from an econometric study of 42 West German firms. Cable and Fitzroy (1980) are able to isolate the separate effects of the degree of worker participation and profit sharing. They conclude that both productive efficiency and profitability are positively related to the extent of worker participation. With respect to group-incentive mechanisms, they find that profit sharing has a significant additional effect on productive efficiency in participatory firms, but no effect in firms with low levels of participation.

In summary, there is tentative support for the view that gain-sharing compensation arrangements can result in higher productivity and enterprise efficiency and thus greater income to be shared between employers and employees. These beneficial effects appear most likely to occur and be sustained in an environment in which there is meaningful worker participation in management decision making and access to information about enterprise performance.

These research findings may help to explain why gain-sharing compensation arrangements are not more common in Canada, despite various studies suggesting that firms employing these arrangements may exhibit superior performance. The obstacles to successful implementation of gain sharing may be the same as the obstacles to greater sharing of information between employers and employees and to more meaningful participation of employees in enterprise plans and decisions.

Labour-Business-Government Consultation

The discussion of non-adversarial approaches to labour-management

relations has thus far been focussed at the level of the plant or firm. This final section examines mechanisms for promoting cooperation and the exchange of information and views at more aggregate levels.

Consultation between government and representatives of business and labour — and, indeed, other interest groups — can take a variety of forms. The objectives can range from a discussion of views to attainment of consensus. Consultation may be informal — perhaps no more than a series of telephone conversations — or may involve formal structures and institutional arrangements. These processes may be continuing or sporadic; their focus may be narrow or broad; and they may occur at the industrial, provincial or national level.

Two papers in this volume discuss aspects of consultation among labour, business and government. Weiler (1985a) outlines the consultative mechanisms which operate at various levels of the Japanese economy and the way these interact with and support other non-adversarial approaches to labour-management issues. Waldie (1985) traces the evolution of consultation between labour and the federal government on economic policy in Canada. He also discusses conditions for sustaining consultative mechanisms and assesses the future of labour-government consultation in Canada.

Consultation between the state and economic interests is also examined in detail in papers by Coleman, Fournier, Martin, McRae and Panitch in Banting (1985). Coleman's paper, which discusses the relationship between business and the state in Canada, usefully complements Waldie's analysis of labour-government consultation. Fournier's paper deals with "la concertation" in Canada and the conditions under which this process is likely to be sustained. Martin, McRae and Panitch each examine aspects of the European experience with tripartism. Although this section will draw on these papers to a limited extent, the interested reader is referred to Banting's more detailed overview and synthesis and, of course, to the papers themselves.

Costs and Benefits of Consultation

For each of the parties involved, there are costs and benefits associated with consultation. Continued participation by each party will depend on its estimate of whether over the long run the benefits received will exceed the costs. From the perspective of society as a whole, several benefits may flow from a continued dialogue among business, labour and government: increased social harmony and reduced conflict, improved effectiveness of public policies, and attainment of economic and social outcomes that would not have been possible if each group acted independently. These benefits are discussed in turn.

The prospect of social harmony has long been viewed as an ideal to which collaboration among business, labour and government could contribute. The corporatist approach involving a close integration of

representatives of employers and employees with those of the state is widely accepted as inappropriate in Canada's pluralistic society. However, it is generally believed that intergroup conflict will be reduced if those affected by public policies understand their purposes, participate in their design, and share a commitment to their success. The importance of participatory reform is stressed by Weiler (1985b) in his review of the role of law in labour relations:

An important consideration in understanding the role of law in labour relations is the extent to which the process of law reform has a bearing on the degree of voluntary compliance to the law that is attainable. Laws are not self-executing. Rather, they describe goals that the private or public law-makers want to achieve. In the area of labour-management relations, where so many potentially conflicting individual and group interests abound, the attainment of legal goals is dependent upon a positive approach to the legislation by all those who are to be governed by it. The lessons of the history of labour law reform show that the process which is used to produce the law has a powerful influence on the willingness of the parties to subscribe to the dictates of that law. Good law making requires consideration of when and how the law should be developed quite apart from the relative merits of the substance.

Though this advice is particularly relevant to the contentious area of labour law, it has more general applicability. Participation in design is especially important when the affected parties play a role in the implementation of the policy.

In addition to contributing to social harmony, a continuing dialogue may result in a better choice of policies. At a minimum, people involved in policy formation hope to obtain information on the likely impact of policy initiatives, and the probable reaction to these policies. This information may lead to improved policy design. Cooperative behaviour may also enable society to attain outcomes that are not feasible when each party acts independently. Perhaps the most important example of this possibility is agreement on wage and price moderation, together with appropriate monetary and fiscal policies, to counteract inflationary pressures. In an ongoing inflationary spiral, the independent determination of wages and prices generally results in a socially inefficient outcome in which wages rise because prices are rising and prices rise because costs are rising. A negotiated incomes policy can counter this inflationary spiral, making both employers and employees better off. By participating in consultative exercises, labour and business seek to influence policy decisions as well as to counter the effect of the other party. They may also hope to contribute to the effectiveness of public policies by providing information about behaviour in the "real world."

Collaboration involves costs as well as benefits. In addition to direct expenditures, the time devoted to consultation by representatives of business, labour and government has other uses. For example, union

leaders could devote time to collective bargaining and organizing activities. A potentially important consequence for society is that the range of policy options will typically be narrowed by a continuing commitment to consultation, especially consultation carried out through formal institutional structures. In these circumstances, the feasible set of policy choices becomes those that are acceptable to both business and labour (and other interest groups if these are involved). However, the policy which is best for society as a whole will sometimes lie outside this acceptable set. Thus society faces a tradeoff. Attempting to achieve consensus on policies implies a greater attachment to the status quo than when policies are examined and implemented solely on their merits.

Experience with Consultation

Discussion between government and major economic interests has long been a feature of the policy-making process in Western democracies. In most countries, the extent of consultation has increased substantially in the postwar period, paralleling the growth in the government's role in the economy and the increased complexity of policy issues.

During this period, several European countries (Austria, Denmark, Norway, Sweden and, at certain times, West Germany and the Netherlands) devoted considerable effort to developing tripartite consultation among government and the "social partners." Typically, these attempts involved formal institutional structures and often went beyond consultation to forms of joint decision making over issues such as income distribution, manpower planning, and labour market policy. The European experience with tripartism is worth discussing briefly, both because it provides a contrast to the Canadian experience and because the European model has often been regarded as one to which Canada should aspire.

The European Experience with Tripartism

In examining the European experience, two key issues need to be addressed. First, what institutional, political and social factors facilitated the emergence and continuing use of tripartite arrangements? Second, what impact have these processes had on economic and social performance? Answers to these questions are relevant not only to Canada, but to the future of these processes in Europe.

Political scientists (see Banting, 1985; Panitch, 1985) stress three causes for the emergence of tripartite relationships in several European countries: the presence of left-wing social democratic governments and their approach to economic management; the concentration of political and economic authority in these countries; and the fact that most of these countries are small, open economies subject to international economic vulnerability. Although centre and right-wing European governments have not necessarily rejected tripartite arrangements, social dem-

ocratic governments have embraced these processes and made them the basis of their approach to managing the economy. As Panitch observes, "the political and industrial wings of the social democratic labour movement are in many ways the authors of modern tripartism."

Several factors account for this close association between social democratic governments and tripartite consultation and decision making. These governments are closely allied with the country's labour movement and view labour as playing a major role in the formation of economic policy. Because business had, in the past, played a larger role than labour, this implies moving toward a more equal form of representation. These governments also place much more faith in economic planning than centre or right-wing European governments. Reliance on economic planning requires closer collaboration between the public and private sectors. Perhaps most important was the strong commitment of these governments to high levels of employment. Attaining low levels of unemployment, especially in a highly unionized economy, implies the need for some mechanism to prevent an acceleration of wage and price increases.⁴¹ A "social contract" providing for high levels of employment in exchange for wage and price moderation was the solution to this dilemma.

The concentration of political and economic authority in these countries is another important factor facilitating tripartite arrangements. In the case of joint decision making, each of the participants must be able to commit those they represent to particular courses of action. Both centralized political authority and centralized structures of business and labour interests are important to the ability to make these commitments. Even if the tripartite discussions are intended more to reach consensus than to make joint decisions, centralized structures greatly facilitate this outcome.

The countries with the most extensive and enduring forms of tripartite arrangements — Austria, Denmark, Germany, Norway and Sweden — are highly centralized societies. They are either unitary states or federations in which the national government has the bulk of the authority over economic policy. The structure of business and labour organizations is likewise highly centralized. These countries are extensively unionized, so that central labour federations represent a significant proportion of the labour force. Furthermore, these central federations have considerable authority over their constituents. Both these characteristics also apply to the structure of business organizations.

The relatively small size of many of these countries and the importance of international trade to their national prosperity may also contribute to the popularity of tripartite relationships. Remaining competitive in world markets requires attention to wage and price levels in the "exposed sector" — those industries producing for export markets or facing foreign competition in the domestic market. International com-

petitiveness can be maintained at existing exchange rates if prices in the exposed sector rise at the international rate of inflation,⁴² which in turn requires that wages in the exposed sector rise at a rate no greater than the sum of the international rate of inflation and the rate of productivity growth in the exposed sector. Austria, in particular, has employed a voluntary incomes policy designed to achieve this rate of wage and price increase (Frisch, 1985). Monetary policy is devoted largely to maintaining the exchange rate and fiscal policy to maintaining full employment. Other tripartite countries have pursued similar policy mixes.

These three factors — the existence of social democratic governments, the centralization of political and economic authority, and the small and open nature of the economy — clearly interact in important ways. The combination of social democratic governments and a politically powerful labour movement implies a commitment to high levels of employment, which would be extremely difficult to achieve on a sustained basis without some mechanism to moderate wage and price increases. The importance of the traded goods sector to these economies reinforces the need for such a mechanism. Centralized political and economic authority permits the representatives of business, labour and government to commit their constituents to a social contract, the essence of which is an agreement by the private sector to pursue wage and price moderation in exchange for the pursuit by governments of high employment policies. Putting labour and business on a roughly equal footing — implicit in the term “social partners” — is important in reaching this social contract.

Even when these facilitating factors are all present, tripartism has not always operated smoothly. There is potential for conflict and disagreement both among government and high-level representatives of the social partners, and among those at different levels within organized labour and business. Such tensions have at times severely strained and occasionally broken down tripartite arrangements. Flanagan, Soskice and Ulman (1983) and Panitch (1985) describe the evolution of European tripartism through several phases. The collaborative arrangements developed in the mid-1950s, for example, ended or were significantly altered by the explosion of wage increases, strikes and industrial unrest in the late 1960s. This outcome illustrates that the commitment of high-level labour representatives to wage moderation carries significant risk of challenge from the ranks. An important factor contributing to this risk is the difficulty of establishing the benefits received by private sector participants, especially labour, in exchange for adhering to wage and/or price guidelines. Assessing these benefits involves the difficult counterfactual exercise of determining what real wages, employment and profits would have been in the absence of the agreement.

During tripartism's most recent phase, which began in the 1970s, labour received more readily observable benefits — such as wage index-

ation, increased social spending, and a variety of labour market policies favoured by the union movement. The dramatic deterioration in economic conditions since the early 1980s has, however, significantly strained tripartite collaboration in several countries. In particular, it is proving difficult to reach a consensus on how to alleviate the severe unemployment problem facing Western European countries.

Although tripartite relationships have occasionally collapsed, they nonetheless have played a central role in several European countries over much of the postwar period. An important question, then, is what impact these arrangements have had on economic and social performance. This issue involves the counterfactual assessment discussed above — namely, what would the country's performance have been in the absence of tripartite collaboration but under otherwise identical circumstances? Studies by economists and political scientists have attempted to answer this difficult question. They tend to conclude that tripartism is associated with somewhat better performance with respect to inflation and unemployment, reduced strike activity and higher social spending.⁴³ The strongest conclusions can be drawn with respect to industrial disputes. The incidence of strike activity in countries such as Denmark, Norway, Sweden and West Germany declined dramatically in the postwar period, paralleling the development of tripartite collaboration. There is also evidence which suggests that other dimensions of social harmony are enhanced by these relationships (Banting, 1985).

Perhaps the greatest appeal of cooperative behaviour arises from the potential for achieving high levels of economic activity without exacerbating inflationary pressures. On this aspect, the record of corporatist economies is more modest, but the evidence does provide some support for the hypothesis that the incomes policies which were central elements of these countries' economic policy did contribute to improved performance with respect to inflation and unemployment. The size of these benefits and whether they were permanent or temporary remain a matter of debate.

Although tripartite decision making appears to have resulted in somewhat better economic and social performance, the future of these arrangements is in doubt. At present the European countries generally face a much more severe unemployment problem than North America. A growing number of economists and policy analysts believe that this unemployment is largely classical in nature — that is, results from real wages being above their equilibrium (full employment) levels.⁴⁴ If this diagnosis is substantially correct, policies to reduce real wages will be effective in reducing unemployment while expansionary aggregate demand policies may be ineffective. Reaching a social consensus on the need to reduce real wages may be difficult, and will undoubtedly increase tensions in the labour-business-government relationship.

This is not the only cloud hanging over the future of tripartism. A

related issue is the increasingly popular idea that some of the social and labour market policies introduced in Europe during the postwar period, and especially during the 1970s, have become a serious impediment to economic performance. According to this “Eurosclerosis” view, the substantial expansion of the welfare state in these countries, high minimum wages, restrictions on the ability of employers to dismiss redundant employees, and downward inflexibility of real wages due to explicit or implicit indexation severely inhibit the functioning and adaptability of labour and product markets, leading to reduced economic growth and high unemployment (Ellman, 1985). Thus, in addition to pressures to reduce real wages, there are also pressures to reduce the role of social insurance, indexation and the welfare state, and to increase flexibility in labour and product markets. These proposals will also strain collaborative mechanisms.

Finally, centralized bargaining structures — a key factor facilitating tripartism — are breaking down in several European countries. This breakdown, which is also occurring in North America, appears to be primarily a reaction to the severe recession of the early 1980s. It is not yet clear whether highly centralized bargaining will return when economic conditions improve. If the trend toward less centralized bargaining has some permanence, the scope for tripartite decision making will be reduced.

The collaborative approach to policy formation clearly faces difficult challenges in the current economic environment. However, pessimism about the future of these relationships can easily be exaggerated. As noted earlier, tripartism has gone through a series of crises during which consensus and agreement have not been attained. However, even when tripartite arrangements have collapsed, new forms have generally been developed later. The strong traditions of collaborative decision making in these countries suggests that these processes may be adjusted to the current situation.

Although there are important differences in the views of business, labour and government about appropriate methods for dealing with the European unemployment crisis, there is also evidence of a willingness among the parties to make tradeoffs and agree on courses of action. For example, in 1982 in the Netherlands the central labour organization agreed to end the semi-annual indexation of wages to changes in the cost of living, thus opening up the possibility of downward adjustment of real wages. In exchange, the central employers’ federation agreed to a reduction in the work week, the employment-sharing option generally favoured by labour unions. In the current crisis, tripartite decision making may continue to display the resilience it has shown in the past.

The Canadian Experience with Consultation

In Canada, by way of contrast, the development of tripartite consultation and cooperation has been limited and sporadic. Although collabora-

tion and communication among representatives of the state and economic interests have grown, much has been informal in nature.⁴⁵ Nonetheless, since the early 1960s there have been several attempts to develop formal institutional structures to facilitate a continuing dialogue among government, labour and business (and in some cases other interest groups). A review of these experiments and an examination of the reasons for the differences between Canada and Europe may provide insights into the future role of consultative processes in Canada.

Since the early 1960s governments (at the federal and several provincial levels), business and labour have been involved in an ongoing search for more formal mechanisms of consultation, representation of views, and consensus formation, though it has been interrupted by substantial conflict and mistrust. That search continues, the most recent noteworthy developments being the formation in 1983 of the Canadian Labour Market and Productivity Centre (CLMPC) and the National Economic Conference held in March 1985. There seem to have been three general phases.

The first involved the formation by the federal government of institutions which provided for the ongoing representation of the views of labour, business and other interests on aspects of economic policy. The National Productivity Council (NPC) formed in 1960 by the Diefenbaker government was the first such institution. Subsequently, the Economic Council of Canada (ECC), established in 1963 by the Pearson government to advise the federal government on medium-term economic policy, took over the functions of the NPC. These two institutions shared certain characteristics: the initiative for their establishment was taken by the government; their function was to give advice on policy formulation; the range of interests represented was broader than labour and business; and the staff was appointed by government.

Neither institution pushed Canada very far along the path toward European-style tripartism. The NPC displayed considerable interest in moving in this direction, but its narrow mandate, which focussed on methods for improving productivity, and the method of appointing council members were obstacles, especially from the perspective of labour. Even before its functions were taken over by the ECC, labour had begun to feel uneasy about the NPC (see Waldie, 1985). The ECC's broader mandate appealed to the labour movement. However, in carrying out its advisory function the ECC put more emphasis on research and analysis than on consultation and consensus. Whatever the merits of this approach, it does not emulate the European model; nor does the selection of members of the council by government or the fact that the appointees speak as individuals rather than as representatives of particular interests. Labour representatives participated in the ECC until the imposition of the Anti-Inflation Program (AIP) in 1975. However, as Waldie notes, organized labour representatives were becoming increasingly dissatisfied with their role in the council even before the AIP.

The second phase centred on the issue of a voluntary incomes policy to counter inflationary pressures. As the rate of inflation increased in the 1960s, so did interest in methods of controlling inflation. In 1968 the federal government created the Prices and Incomes Commission (PIC) to monitor wage and price developments and recommend solutions to inflation. The PIC attempted to negotiate a package of commitments to wage and price restraint among labour, business and government. A voluntary price restraint program was supported by the representatives of the business community at the 1970 National Conference on Price Stability organized by the PIC. A subsequent First Ministers' conference endorsed the commitment to wage and price restraint. However, the attempt to achieve adherence to a 6-percent guideline for wage and salary increases was opposed by labour and failed after the federal government — as employer — agreed to high-profile settlements exceeding the guideline.

Another attempt to develop an agreement on a voluntary incomes policy was made when the rate of inflation moved up in 1973–74. These “consensus talks” were presided over by the minister of finance, and involved officials from organized labour and business. Although some progress was made, the parties were unable to agree on a restraint program. In April 1975 the government proposed a package of voluntary guidelines, including a limit of 12 percent for wage and salary increases. The proposal was rejected by the Canadian Labour Congress (CLC). Wage increases continued to climb and in October 1975 the government introduced the Anti-Inflation Program which included mandatory wage and profit controls. A further attempt to reach an agreement on wage and price guidelines was made in 1976–77. This time the purpose was to achieve an early exit from the controls program, which had a planned three-year duration. The government proposed to end the mandatory controls in exchange for commitments to wage and price restraint. These proposals were rejected by business and labour, and the AIP remained in force.

The third phase of development of consultative mechanisms began, ironically, during the 1975–78 Anti-Inflation Program. The earlier attempts at consultation, the imposition of statutory controls, and Prime Minister Trudeau's Galbraithian musings regarding the end of the market system caused both business and labour to re-examine their relationships with government and each other. During the discussions in 1976 and 1977, business and labour recognized a mutual interest in ending controls and in preventing future intervention in wage and price determination. Both wanted to increase their influence over economic policy formulation. Concerned about their lack of influence, chief executive officers of major corporations formed the Business Council on National Issues (BCNI) in 1977. Tripartism was debated within organized labour, in particular at the 1976 and 1978 conventions of the CLC. Much of the debate focussed on the document *Labour's Manifesto for Canada*,

which proposed a tripartite social and economic planning council with decision-making authority in areas such as investment, housing, manpower planning, social security and industrial policy. CLC leaders sought greater authority over their membership so that they could engage in policy discussion and formulation. Governments also devoted increased attention to the potential for consultation.

This renewed interest has resulted in the continued evolution of consultation in Canada (see Fournier, 1985; and Waldie, 1985). Several key developments are noted here. The Tier I and Tier II industry consultations focussed on industrial policy at the individual industry (Tier I) and broader (Tier II) levels. The Major Projects Task Force (1979–81) dealt with policy regarding megaprojects, anticipated, at the time, as a major factor in Canada's future economic development. Perhaps most significant was the proposal made by the CLC and BCNI for a bipartite Canadian Labour Market and Productivity Centre, which was implemented by the government in 1984.

Several features distinguish these recent consultative exercises from those of the 1960s. The initiative has not always come from government. Bipartite arrangements, with government representatives as observers but not participants, have become more common. The mandate of the consultations has been better defined, and has avoided contentious issues like incomes policy. Groups other than business and labour are less frequently represented. In addition, organized labour and business choose their own representatives rather than accepting those appointed by government. As a consequence of these changes, business and labour have more control over consultations; however, the agreements reached are no more than advice to government.

These recent experiences have demonstrated that, in the right circumstances, business and labour are able to work cooperatively and to reach a common position on particular policy issues.⁴⁶ Consequently, belief in the potential of consultative processes has been strengthened. Less clear is what impact these exercises are likely to have on policy formulation. Partly due to unfortunate timing — for example, high interest rates, the recession of 1982–83, and the decline in energy prices have put most planned megaprojects on the back burner — the Tier I and Tier II consultations and the Major Projects Task Force appear to have had little effect on the general direction of public policy. The Canadian Labour Market and Productivity Centre has not yet advanced its work to the point where its probable impact can be assessed.

In summary, consultation and consensus formation have not played a major role in Canada. Compared to the European model, tripartite collaboration has been limited, informal and sporadic. Nonetheless, consultation arrangements have continued to evolve, and recent experiences are generally regarded favourably, at least with respect to the process if not the results.

The Potential Role and Significance of Consultation in Canada

The limited role of tripartite consultation and collaboration in Canada is not surprising. With the exception of the small open nature of the economy, the key institutional factors which facilitate and sustain tripartism in Europe are not characteristic of Canada. In contrast to Europe, both economic and political authority are decentralized and dispersed. In addition, the New Democratic Party, Canada's equivalent of European social democratic governments, has never been a major force at the national level, although it has held power in several provinces.

In the political realm, the division of authority between the federal and provincial governments both constrains and complicates collaboration among business, labour and government. The ability of any particular government to make commitments on many of the issues likely to be the subject of tripartite discussions is significantly reduced. Attempting to reach agreement when different governments are involved, in addition to business and labour, is a time consuming, complex, and, in many cases, frustrating process. Waldie discusses the difficulties associated with different government departments having varying degrees of involvement in and commitment to the consultative process. These problems are clearly intensified when more than one government is involved.

Paralleling the political system, the structure of Canadian labour and business organization is highly decentralized and fragmented. There are hundreds of business organizations in Canada, many representing a particular product or industry (Coleman, 1985). There are also several general associations representing different elements of the business community.⁴⁷ These various associations are not organized under a single umbrella association as in Europe, which would allow unitary representation. Furthermore, the associations generally cannot commit their memberships to particular courses of action.

Similar observations apply to organized labour. Canada's structure of collective bargaining is one of the most decentralized in the world. Most bargaining takes place between a single union and a single employer (Davies, 1985). Though some multi-employer bargaining structures exist, these are minimal compared to Europe, where industry-wide or even nation-wide bargaining is common.

The organization of unions into central federations is also fragmented. Although the Canadian Labour Congress is the most important central federation, several others exist and there are numerous unaffiliated unions. No single organization represents all the unionized labour force. In addition, about 60 percent of paid workers are not union members. The issue of how their interests can and should be represented in consultations remains controversial.

More important than the fragmented structure of labour organization is the fact that decision-making power rests with individual unions. Central federations are voluntary associations, and individual unions

have long been reluctant to transfer decision-making authority to the central federation in order to facilitate labour's participation in policy formulation. Such a transfer was implied in the tripartite decision-making structure proposed in *Labour's Manifesto for Canada*, and was one factor contributing to rejection of the proposal.

The implications for the CLC of the long-standing principle of individual union autonomy are summarized by Waldie (1985):

The CLC has an uncertain mandate from its membership to engage in economic consultation with government, particularly if such consultation can be interpreted as impinging on the autonomy of affiliates and union locals in collective bargaining. Most economic consultation can, at a stretch, be so interpreted. . . . To engage in the kind of critical consultation which took place over controls in the mid-1970s involves in Canada an act of leadership which carries considerable political risk.

Political forces also contribute to a limited role for collaboration between labour, business and government. As pointed out earlier, European tripartism was largely the creation of social democratic governments. At the federal level the Canadian electorate has not, at least to date, exhibited much enthusiasm for democratic socialism and its approach to economic management.

Organized labour's close ties with the NDP is an additional complication in labour-government collaboration because this association, from the perspective of the government in power, introduces long-standing tensions into the consultative process. Probably more important, it creates ambivalence toward these arrangements within organized labour. As stated by Banting (1985):

To enter into a powerful tripartite system would weaken the NDP, which would find it harder to criticize policies sanctioned by the participation of organized labour. In effect, the CLC faces a constant choice between co-operation with the government of the day and its long term political objectives.

These institutional and political considerations are themselves rooted in the nature of Canadian society. Compared to Europe, there is much less class consciousness; regional and linguistic divisions play a more important role than those between capitalist and worker. The pluralistic nature of Canadian society implies that organized labour and business are merely two, albeit important, of numerous interest groups competing for public attention and favour. The elite nature of decision making associated with European tripartism would probably not be accepted in Canada. These considerations were evident most recently in the structure of the 1984 National Economic Conference, which was both multi-partite and purely consultative in nature.

While limiting the scope and impact of consultative processes, none of

these considerations prevents consultation. However, two of the key results of European tripartism — and which account for much of its appeal — are unlikely to be achieved in Canada. In particular, the prospects of achieving agreement from business and labour on wage and price restraint in exchange for higher levels of economic activity and employment appear remote.⁴⁸ Similarly, the substantial reduction in economic conflict, at least that observed in the form of strikes and lockouts, that has been associated with tripartism in Europe is unlikely to occur in Canada. Conflict over labour's share of income will almost surely continue to take place at the level of the individual firm and union rather than being transferred to the political arena.

At the same time, consultation over more narrowly defined issues may well grow in importance. As both Coleman and Waldie stress, the structure of business and labour organization in Canada lends itself to this approach. Furthermore, as noted earlier, during the past decade business and labour have demonstrated the ability to work together on a narrowly defined problem and attain some agreement on how it might best be solved.

Despite the moderately favourable recent experience, many of the tensions inherent in collaboration among business, labour and government remain. These pressures can erupt in response to actions taken by any one of the parties, even though the actions may relate to issues outside the purview of consultation.⁴⁹ Sustaining collaborative processes and institutions remains a fragile undertaking.

Conclusions

A wide range of issues are addressed in this overview and in the remaining papers in this volume. Labour-management cooperation is clearly a complex as well as a controversial subject. This final section will discuss the central themes and conclusions that appear to emerge from our examination of the current situation in Canada.

There appears to be a substantial amount of experimentation with various non-adversarial forms of labour-management interaction at the present time. In each of the mechanisms examined in this paper — from preventive mediation to QWL programs to tripartite consultation — significant recent developments are noted.

Equally clear is that there is no systematic and comprehensive body of information on the extent of these cooperative approaches and their consequences in various settings. Although the available evidence suggests substantial experimentation, the data needed to determine whether this is a marginal or pervasive phenomenon do not exist. Similarly, most of the evidence on the consequences of new approaches consists of case studies. While these examples can be very useful and may yield valuable insights, we must be cautious in generalizing their conclusions.

This is a frustrating state of affairs for the social scientist who would like to determine the conditions under which these alternative approaches endure and yield positive net benefits to employers and employees. However, it is perhaps not surprising in view of the evident measurement difficulties and the somewhat amorphous nature of the subject. This situation appears also to reflect the limited amount and breadth of Canadian industrial relations research, which seems more concerned with the operation of the existing collective bargaining system than with issues relating to fundamental change and reform (Arthurs, 1984).

This lack of knowledge implies that our assessment of the feasibility and advisability of adopting a less adversarial approach must be conditional and tentative. With this qualification, the discussion can turn to the themes that emerge and the conclusions that appear warranted.

In employer-employee relations there are strong incentives for cooperation and conflict. The former arise because most employees, like the firm's owners and managers, have an economic and possibly emotional interest in the growth and survival of the enterprise. However, there is also potential for conflict over how to share the income it generates. These dual incentives imply that employer-employee relationships inevitably contain an uneasy mixture of cooperation and conflict. The central issue is not whether to have a cooperative or conflictual system, but rather what proportion of each is best for employers, employees and society as a whole. This is the central question addressed in this volume.

As noted in the introduction, the objective of bringing about a more cooperative approach to labour-management relations has many champions. However, there are also those who doubt its feasibility and others who are skeptical that significant benefits would accrue. Perhaps the principal conclusion we can draw from our review of the available evidence is one of moderate support for the advocates' position. Each of the non-adversarial approaches examined was generally found to have positive effects. This is not to claim that there are not costs as well as benefits or that innovative arrangements always survive. Indeed, the opposite was found to be true. Nonetheless, the assessment of the consequences of each of these mechanisms was favourable on the whole. A second conclusion is that no single approach clearly outperforms the others. This suggests that there is a role for each of the participatory and consultative mechanisms discussed here.

The third general conclusion involves the participation of government. No obvious sources of market failure which would prevent the emergence of these non-adversarial approaches were identified. That is, the benefits of greater consultation and collaboration are received by the employers and employees involved rather than by third parties or society at large. Similarly, the parties involved bear the costs of these processes. Thus, there is no apparent need for government to subsidize or otherwise increase the relative attractiveness of the cooperative approach. If

the above assessment that both employers and employees will benefit from this approach is correct, then competitive pressures and rational decision making will result in increased consultation and cooperation.

There may, however, be a role for government in the collective provision of information about the consequences of adopting alternative forms of labour-management interaction and in the support of pilot projects. As noted several times in this overview, such information, as with research and development in general, has a "public goods" aspect. Firms introducing an innovative policy bear all the costs if the innovation is unsuccessful. However, if the policy is successful, the innovating firm, because it is unable to patent the new approach, receives only a fraction of the social benefits. The remainder accrues to imitators. As a result, the rate of diffusion of new approaches may be less than the socially optimal rate.

The uncertain benefits and more predictable costs of innovative approaches to labour-management relations are not the only factors accounting for slow diffusion. An important obstacle to many of the changes discussed in this paper lies in the attitudes of labour and management to each other, and the role each has chosen to play. Although there are exceptions, management has often jealously guarded its traditional prerogatives. Rather than engaging in prior consultation, it makes unilateral decisions on matters vitally important to the interests of its employees. Unions, for their part, have often seen their function as one of opposing management and have not always cooperated in attempts to improve organizational effectiveness.

These traditional roles and attitudes create a situation of mutual distrust. This situation can persist because the actions of each side reinforce the attitudes they have toward each other. Management sees the union as interfering with the efficient operation of the enterprise, and, fearing that its freedom to act in the organization's best interest will be curtailed, does not share strategic information with the union or the employees. Because the union sees management acting unilaterally in ways not always in its members' best interests, it perceives its role as one of constraining management's ability to act by negotiating provisions in the collective agreement, and in so doing reinforces management's negative view of the union.

These attitudes are deeply grounded in the labour movement's struggle for recognition and in the resistance of employers to unionization. As stated by Waldie (1985):

Organized labour in Canada has a long and continuing history of confrontation. A tough adversarial stance is a well-tried tactic. There is, then, on the labour side a natural inclination to move back into that stance, which in the past has worked, when consultation becomes difficult or dangerous.

These traditional attitudes have resulted in a highly legalistic approach

to labour-management relationships. Much of the focus of this relationship is on rule-making — the periodic negotiation of a collective agreement which governs the actions of both parties. It appears that in this area, as in numerous others, we rely too heavily on the law to solve our problems (Weiler, 1985b).

The alternative which is common to the various mechanisms examined in this volume is a more open and flexible relationship based on responsibility, mutual respect and trust. Such a relationship is unlikely to develop quickly. Nonetheless, some movement in this direction appears to be occurring. The analysis in this volume suggests that this development should be welcomed.

Notes

This study was completed in October 1985.

For their comments on an earlier version of this paper I am grateful to Keith Banting, Thomas Kochan, Pradeep Kumar, Keith Newton, and Joseph Weiler. Responsibility for any error is, of course, mine.

1. For a more detailed examination of many of these issues see Riddell (1985a, 1985b).
2. Not all workers covered by collective agreements are union members. This accounts for the difference between the 40 percent union membership and 46 to 47 percent collective agreement coverage statistics.
3. See Riddell (1985a, Table 1-4). In a comparison of 11 countries over the period 1976–81, Canada and Italy have the highest working time lost per union member, followed by the United States, the United Kingdom and France. In terms of the number of strikes and lockouts per union member, France has the highest, followed by Italy and Canada.
4. See Weiler (1985b).
5. See the legal studies carried out for the Royal Commission; for example, those in Bernier and Lajoie (1985).
6. See Canada, Department of Labour (1983, pp. 32–33). For a more general discussion of these attitudes see Johnston (1985) or Riddell (1985a).
7. For a more complete discussion of mid-contract dispute resolution see Weiler (1985b).
8. About 90 percent of major collective agreements contain a clause providing for settlement of disputes through grievance arbitration or other peaceful means.
9. To the parties the costs are much lower because the service is provided free of charge. However, total costs to society are also lower, as judged by the experience in the U.S. bituminous coal mining industry (Goldberg and Brett, 1983).
10. In addition to the Ontario program described in this book, which was the first in Canada, preventive mediation programs exist in Alberta, New Brunswick and Quebec. The federal government also has some components of such a program in place.
11. Wood (1964) provides a useful review of Canadian developments in labour-management cooperation, including those operating at the plant and firm level. See also Waldie's (1985) paper in this volume.
12. On the basis of a survey reported in Wood (1964), both the figures for committees in operation and workers covered appear to be significantly overestimated.
13. Wood's survey found that more than half of these committees covered fewer than 100 employees.
14. Health and safety committees may be established by law in every province except Nova Scotia and P.E.I. Alberta has provisions for committees to be organized on a voluntary basis. In Manitoba and the federal jurisdiction, committees are mandated at the discretion of the minister of labour. In other jurisdictions, a committee must be formed if the number employed in a workplace exceeds a certain limit.

15. See, for example, Digby and Riddell (1985), Swinton (1982), and Brown (1982).
16. The main exception is the third provision. In the event of an impasse a form of work stoppage — the refusal to do work believed to be hazardous — is available. In addition, government health officials act as third parties to resolve impasses in several jurisdictions.
17. For example, the plan to encourage profit sharing announced in the February 1984 federal budget no longer appears to be under active consideration.
18. That is, they are “consumed” by all workers, and the benefit received by one does not reduce the benefit received by others. For a more detailed discussion see Freeman and Medoff (1979) and Flanagan (1983).
19. For an analysis of voting behaviour in union representation elections which supports this “optimization” framework see Farber and Saks (1980).
20. Adams notes that, in West Germany, works councils are required in all enterprises with five or more employees. However, in many small enterprises, no councils exist. This is consistent with the view that the need for a collective voice is much lower in small enterprises. The alternative hypothesis is that employees in small enterprises are more reluctant to insist on using their right to participation than employees in large enterprises.
21. An outcome is Pareto optimal if it is not possible to make one party better off without making another worse off.
22. For details of this example, and a number of other Canadian applications of QWL, see Cunningham and White (1984).
23. See Verma and Kochan (1985) for a useful case study of this type of behaviour.
24. In their study of experiences with QWL programs in unionized firms, Kochan, Katz and Mower (1984) found little evidence to support this concern, though their findings do suggest the importance of the role assumed by the union in the QWL process. The only case in which QWL participants ranked their union lower than non-participants was that in which the union was not a full partner with management in the program but rather had taken a watchdog role. In general, however, QWL participants ranked their union higher on QWL issues than non-participants.
25. An example of these consequences was the November 1984 decision of the Ontario Federation of Labour to withdraw from participation in the Ontario Quality of Working Life Centre.
26. The importance of lifetime employment in Japan relative to North America can easily be exaggerated. In North America, many employees spend much of their working lives with a single employer. Long-term employment relationships are more prevalent in Japan than the United States but employer-employee attachment is not weak in the United States (Hashimoto and Raisian, 1985). No evidence on this issue is available for Canada.
27. This is an issue on which scholars, both Japanese and others, differ. Some analysts (e.g., Dore, 1973; Hanami, 1979) put more emphasis on cultural factors. In particular, the value attached to harmony and order in Japanese culture is argued to affect management style.
28. See Gordon (1982), Weitzman (1984) and Riddell (1985d) for a further discussion of these issues.
29. See McMillan (1984), Ouchi (1984) and McFetridge (1985) for a discussion of Japanese industrial policy.
30. Aspects common to Japanese parent companies and their Canadian subsidiaries included substantial concern about employee welfare, aversion to the use of layoffs, extensive company-specific training and job rotation, and reliance on promotion from within. However, the subsidiaries acted more like other Canadian firms on issues including recruitment, compensation based on length of service, emphasis on group work, and “bottom up” decision making.
31. See Canada, Department of Finance, *Budget Papers* (Ottawa: The Department, 1981), p. 23.

32. In particular, the argument implies a divergence between the private and social benefits of gain-sharing compensation arrangements and thus a rationale for policies to encourage the more widespread use of these arrangements. The argument for promoting gain-sharing to improve productivity does not provide a rationale for policy intervention as the private and social benefits coincide in this case.
33. For a review of the macroeconomic arguments and references to the relevant literature see Riddell (1985d).
34. U.S., Congress, Senate, Subcommittee of the Committee on Finance, *Survey of Experiences in Profit-Sharing and Possibilities of Incentive Taxation* (Washington, D.C.: U.S. Government Printing Office, 1939), p. 5.
35. It is the net *joint* benefits that matter. Even if the costs exceed the benefits to one party, there will be an incentive to adopt the scheme if the sum of the benefits exceeds the sum of the costs. In those circumstances, the party with positive net benefits will compensate the party with negative net benefits so that both gain.
36. For a discussion of the economics of alternative compensation systems see Ehrenberg and Smith (1985, chap. 11) and the references cited there.
37. For a discussion of this point in a different context see Baily (1974).
38. As Cable and Fitzroy (1980) point out, this "positive collusion" is the reverse of the widely observed negative collusion to enforce work norms in individual incentive or piece-rate schemes.
39. The position that gain-sharing should be encouraged for its macroeconomic benefits is consistent with the view that existing compensation arrangements are privately jointly optimal. Because of the "macroeconomic externality," the amount of gain sharing may be socially suboptimal even if privately optimal.
40. See White (1979), U.S. General Accounting Office (1981), Bullock and Lawlor (1984), and Nightingale (1984) for reviews of these studies.
41. More precisely, maintaining the economy below its natural unemployment rate or NAIRU will lead to steadily increasing inflation. For further discussion see Riddell (1985d).
42. The alternative is a devaluation of the exchange rate. This, however, can become a vicious circle in which a continual devaluation is required to offset the difference between the rate of price increase in the exposed sector and the international rate of inflation.
43. See Martin (1985) for a survey of studies by political scientists. Empirical studies by economists, which focus on inflation and unemployment, include McCallum (1983) and Bruno and Sachs (1984).
44. On the nature of the European unemployment problem see Malinvaud (1982), and Meltz and Ostry (1985).
45. Prior to 1960, formal structures were primarily limited to wartime periods. See Waldie (1985) for details.
46. See Waldie (1985) for a discussion of the circumstances which facilitate consultation from the labour perspective.
47. Including the Business Council on National Issues, the Canadian Chamber of Commerce, the Canadian Federation of Independent Business and the Canadian Organization of Small Business.
48. See Riddell (1985d) for a further evaluation of these prospects.
49. For example, the imposition by the federal government of the "6-and-5" wage-control program, with the apparent support of the BCNI, undoubtedly strained the CLC-BCNI relationship, not to mention that between the CLC and the federal government. In this case, the main collaborative venture — the CLMPC — survived. However, the actions taken by the B.C. government in 1983 have severely damaged the potential for cooperation and collaboration in that province (Thompson, 1985).

Bibliography

- Adams, R.J. 1984. "Industrial Relations and the Economic Crisis: Canada Moves Towards Europe." Hamilton: McMaster University. Mimeo.
- . 1985. "Two Policy Approaches to Labour-Management Decision Making at the Level of the Enterprise." In *Labour-Management Cooperation in Canada*, volume 15 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Alchian, A.A., and H. Demsetz. 1972. "Production, Information Costs, and Economic Organization." *American Economic Review* 62 (December): 777–95.
- Allen, R.C. 1985. "The Impact of Technical Change on Employment, Wages, and the Distribution of Skills: A Historical Perspective." In *Adapting to Change: Labour Market Adjustment in Canada*, volume 18 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Arthurs, H.W. 1984. "Understanding 'Understanding': Industrial Relations Research and Policy in Canada from 1969 to 1984 . . . and Beyond." H.D. Woods Memorial Lecture, Guelph, Ontario, May 1984.
- Bailey, R.M. 1970. "Economics of Scale in Medical Practice." In *Empirical Studies in Health Economics*, edited by H.E. Klarman. Baltimore: Johns Hopkins University Press.
- Baily, M.N. 1974. "Wages and Employment under Uncertain Demand." *Review of Economic Studies* 41 (January): 37–50.
- Banting, K., research coordinator. 1985. *The State and Economic Interests*, volume 32 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Bernier, I., and Lajoie, research coordinators. 1985. *Law, Society and the Economy*, volume 46 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Braverman, H. 1974. *Labour and Monopoly Capital*. New York: Monthly Review Press.
- Brown, R.M. 1982. "Canadian Occupational Health and Safety Legislation." *Osgoode Hall Law Journal* 20 (1): 90–118.
- Bruno, M., and J. Sachs. 1984. *The Economics of Worldwide Stagflation*. Cambridge, Mass.: Harvard University Press.
- Bullock, R.J., and E.E. Lawler. 1984. "Gainsharing: A Few Questions and Fewer Answers." *Human Resource Management* 23: 23–40.
- Cable, J.R., and F.R. Fitzroy. 1980. "Productive Efficiency, Incentives and Employee Participation: Some Preliminary Results for West Germany." *Kyklos* 33: 100–21.
- Canada. Department of Labour. 1983. *Labour and Labour Issues in the 1980s*, brief presented to the Royal Commission on the Economic Union and Development Prospects for Canada.
- Chartier, A.E., ed. 1981. *Profit Sharing: Creative Capitalism at Work*. Ottawa: Conference Board of Canada.
- Coleman, W.D. 1985. "Canadian Business and the State." In *The State and Economic Interests*, volume 32 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Crispo, J. 1984. *National Consultation: Problems and Prospects*. Montreal: C.D. Howe Institute.
- Cunningham, J.B., and T.H. White. 1984. *Quality of Working Life: Contemporary Cases*. Ottawa: Department of Labour.
- Denny, M.G.S. 1985. "The Prospects for Productivity." In *Economic Growth: Prospects and Determinants*, volume 22 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.

- Digby, C., and W.C. Riddell. 1985. "Occupational Health and Safety in Canada." In *Canadian Labour Relations*, volume 16 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Dore, R.P. 1973. *British Factory — Japanese Factory*. Berkeley: University of California Press.
- Ehrenberg, R.G., and R.S. Smith. 1985. *Modern Labor Economics*. 2d ed. Glenview, Illinois: Scott, Foresman.
- Ellman, M. 1985. "Eurosclerosis?" In *Unemployment: Can It Be Reduced? An International Perspective*, edited by N. Meltz and S. Ostry. Toronto: University of Toronto Press. Forthcoming.
- Farber, H., and D. Saks. 1980. "Why Workers Want Unions: The Role of Relative Wages and Job Characteristics." *Journal of Political Economy* 88 (April): 349–69.
- Flanagan, R.J. 1983. "Workplace Public Goods and Union Organizations." *Industrial Relations* 22 (Spring): 224–37.
- Flanagan, R.J., D.W. Soskice, and L. Ulman. 1983. *Unionism, Economic Stabilization, and Incomes Policies: European Experience*. Washington, D.C.: Brookings Institution.
- Fournier, P. 1985. "Consultation in Canada: Case Studies and Perspectives." In *The State and Economic Interests*, volume 32 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Freeman, R., and J. Medoff. 1979. "The Two Faces of Unionism." *The Public Interest* 57 (Fall): 69–93.
- . 1984. *What Do Unions Do?* New York: Basic Books.
- Frisch, H. 1985. "Lessons from Recent Macroeconomic Experience in Austria." In *Foreign Macroeconomic Experience*, volume 24 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Goldberg, S.B., and J.M. Brett. 1983. "An Experiment in the Mediation of Grievances." *Monthly Labor Review* 106 (March): 23–30.
- Gordon, R.J. 1982. "Why U.S. Wage and Employment Behavior Differs from that in Britain and Japan." *Economic Journal* 92 (March): 13–44.
- Hanami, T. 1979. *Labour Relations in Japan Today*. Tokyo: Kodanshe International.
- Hashimoto, M. 1979. "Bonus Payments, On-the-job Training, and Lifetime Employment in Japan." *Journal of Political Economy* 87 (50): 1086–1104.
- Hashimoto, M., and J. Raisian. 1985. "Employment Tenure and Earnings Profiles in Japan and the United States." *American Economic Review* 75 (September): 721–35.
- Jain, H.C. 1984. "Industrial Relations Practices of Japanese Multinationals and their Subsidiaries in Canada: Are They Transferable to Canadian Firms?" Fredericton: University of New Brunswick, Faculty of Administration. Mimeo.
- Johnston, R. 1985. *Questions of Confidence: Public Opinion and Public Policy in Canada*. Volume 35 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Kesselman, J. 1983. *Financing Canadian Unemployment Insurance*. Toronto: Canadian Tax Foundation.
- Kochan, T.A. 1981. "Empirical Research on Labor Law: Lessons from Dispute Resolution in the Public Sector." *University of Illinois Law Review* 181: 179.
- Kochan, T.A., ed. 1985. *Challenges and Choices Facing American Labor*. Cambridge, Mass.: MIT Press.
- Kochan, T.A., H.C. Katz, and N. Mower. 1984. *Worker Participation and American Unions: Threat or Opportunity?* Kalamazoo, Michigan: The W.E. Upjohn Institute for Employment Research.
- Kochan, T.A., and M. Piore. 1985. "U.S. Industrial Relations in Transition." In *Challenges and Choices Facing American Labor*, edited by T.A. Kochan. Cambridge, Mass.: MIT Press.

- Kornbluth, H. 1984. "Work Place Democracy and Quality of Work Life: Problems and Prospects." *Annals of the American Academy of Political and Social Science* 473 (May): 88-95.
- Kumar, P. 1985. "Union Growth in Canada: Retrospect and Prospect." In *Canadian Labour Relations*, volume 16 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Leibowitz, A., and R. Tollison. 1980. "Free Riding, Shirking, and Team Production in Legal Partnerships." *Economic Inquiry* 18 (July): 380-94.
- Malinvaud, E. 1982. "Wages and Unemployment." *Economic Journal* 92: 1-12.
- Martin, A. 1985. "The Politics of Employment and Welfare: National Policies and International Interdependence." In *The State and Economic Interests*, volume 32 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- McCallum, J. 1983. "Inflation and Social Consensus in the Seventies." *Economic Journal* 93 (December): 784-805.
- McFetridge, D.G. 1985. "The Economics of Industrial Policy: An Overview." In *Canadian Industrial Policy in Action*, volume 4 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- McMillan, C.J. 1984. *The Japanese Industrial System*. Berlin: de Gruyter.
- Meltz, N., and S. Ostry, eds. 1985. *Unemployment: Can It Be Reduced? An International Perspective*. Toronto: University of Toronto Press, forthcoming.
- Mitchell, D.J.B. 1982a. Gain-Sharing Pay Plans: In Quest of a More Stable Economy." *Public Affairs Report* 23 (5): 1-5.
- . 1982b. "Gain-Sharing: An Anti-Inflation Reform." *Challenge* (July-August): 18-25.
- Newhouse, J.P. 1973. "The Economics of Group Practice." *Journal of Human Resources* 8 (Winter): 37-56.
- Newton, K. 1985. "The Quality of Working Life in Canada: An Overview." In *Labour-Management Cooperation in Canada*, volume 15 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Nightingale, D.V. 1984. "Gainsharing." Paper presented at the 3rd John Deutsch Roundtable on Economic Policy. Kingston: Queen's University, July.
- Nightingale, D.V., and R.J. Long. 1984. *Gain and Equity Sharing*. Ottawa: Department of Labour.
- Ontario, Ministry of Labour. 1985. "Ontario Initiatives with Respect to Preventive Mediation and Quality of Working Life." In *Labour-Management Cooperation in Canada*, volume 15 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Organization for Economic Co-operation and Development. 1977. *The Development of Industrial Relations Systems: Some Implications of the Japanese Experience*. Paris: OECD.
- Ouchi, W.G. 1984. *The M-Form Society*. Reading, Pa.: Addison-Wesley.
- Panitch, L. 1985. "The Tripartite Experience." In *The State and Economic Interests*, volume 22 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Peters, T.H., and R.H. Waterman. 1984. *In Search of Excellence*. New York: Warner Books.
- Putterman, L. 1984. "On Some Recent Explanations of Why Capital Hires Labor." *Economic Inquiry* 22 (April): 171-87.
- Riddell, W.C., research coordinator. 1985a. *Canadian Labour Relations*. Volume 16 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.

- . 1985b. *Work and Pay: The Canadian Labour Market*. Volume 17 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- . 1985c. *Adapting to Change: Labour Market Adjustment in Canada*. Volume 18 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- . 1985d. *Dealing With Inflation and Unemployment in Canada*. Volume 25 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Rosen, S. 1974. "Hedonic Prices and Implicit Markets." *Journal of Political Economy* 82 (January/February): 34–55.
- Swinton, K. 1982. "Enforcement of Occupational Health and Safety Legislation: The Role of the Internal Responsibility System." In *Studies in Labour Law*, edited by K. Swan and K. Swinton. Toronto: Butterworth.
- Thompson, M. 1985. "Restraint and Labour Relations: The Case of British Columbia." *Canadian Public Policy* 11 (June): 171–9.
- U.S. General Accounting Office. 1981. *Productivity Sharing Programs: Can They Contribute to Productivity Improvement?* Washington, D.C.: General Accounting Office.
- Verma, A., and T.A. Kochan. 1985. "The Growth and Nature of the Non-union Sector Within a Firm." In *Challenges and Choices Facing American Labor*, edited by T.A. Kochan. Cambridge, Mass.: MIT Press.
- Waldie, K.G. 1985. "The Evolution of Labour-Government Consultation on Economic Policy." In *Labour-Management Cooperation in Canada*, volume 15 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Weiler, J.M. 1985a. "The Japanese Labour Relations System: Lessons for Canada." In *Labour-Management Cooperation in Canada*, volume 15 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- . 1985b. "The Role of Law in Labour Relations." In *Labour Law and Urban Law in Canada*, volume 51 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada. Toronto: University of Toronto Press.
- Weitzman, M.L. 1984. *The Share Economy: Conquering Stagflation*. Cambridge, Mass.: Harvard University Press.
- White, J.K. 1979. "The Scanlon Plan: Causes and Correlates of Success." *Academy of Management Journal* 22 (2): 292–312.
- Williamson, D.E. 1980. "The Organization of Work: A Comparative Institutional Assessment." *Journal of Economic Behavior and Organization* 1 (March): 5–38.
- Wood, W.D. 1964. *The Current Status of Labour-Management Cooperation in Canada*. Research Series No. 3. Kingston: Queen's University, Industrial Relations Centre.



Ontario Initiatives with Respect to Preventive Mediation and Quality of Working Life

ONTARIO MINISTRY OF LABOUR

The Ontario Quality of Working Life Centre and the Ministry of Labour's Preventive Mediation Program were developed to improve traditional labour-management relationships and approaches to organization design. The two initiatives are conducted independently under the direction of different staff pursuing different methods toward specific objectives. However, the activities are complementary in the sense that one may create the conditions or provide the impetus for the other. For example, a fundamental purpose of preventive mediation is to encourage a culture of joint problem-solving in the workplace which may, in turn, provide the basis for QWL projects aimed at the redesign of organizations and jobs.

Preventive Mediation Program

The Preventive Mediation Program of the Ontario Conciliation and Mediation Service is designed to assist labour and management in analyzing problems in their day-to-day relationships. This does not mean that it can, or should, prevent the clash of conflicting interests across the bargaining table, but parties who genuinely understand each other's position have a far better chance of finding an accommodation than those who can see no viewpoint other than their own.

In an average year, conciliation officers and mediators are assigned to assist parties in approximately 2,500 collective bargaining disputes. In the course of their duties, conciliation officers and mediators see many instances of needless and futile work stoppage caused more by poor attitudes and a breakdown of communications than by a dispute over contract issues.

When the conflict is caused by an accumulation of unresolved problems during the term of the contract, these tensions tend to be translated into an unwieldy list of language proposals that may never be resolved around the bargaining table. Bad relationships cannot be improved by tightening contract language. They have to be analyzed and worked on by parties acting in good faith for their mutual benefit. On occasion, supervisors and union officers stumble into unnecessary conflict because they have not had the opportunity to acquire the necessary knowledge of interpersonal skills required to deal with the many complex problems of the workplace.

These problem situations demanded a new response from the Ministry of Labour, and therefore the Preventive Mediation Program was developed and launched in 1978. The idea of preventive mediation was based on a service already provided by the Federal Mediation Service in the United States. In order to facilitate preventive mediation, the ministry's complement of mediators was increased and a program of continuous staff development was put in place to enable mediators to keep abreast of innovative techniques in the preventive field.

The preventive mediation service is premised on the existence of three key problems in collective bargaining relationships. First, the wide communications gaps that arise between union and management groups when the parties fail to communicate effectively with one another. Second, the tensions produced by attitudes on the part of both parties which are not conducive to a stable, mature and constructive relationship. Third, the adversarial situation created by the system of labour relations.

The program developed by the Ministry of Labour consists of three approaches to correspond to the three problems. Joint action committees were established in hopes of improving communications. The ministry's Relationship Improvement Program fosters the development of the attitudes necessary for the rebuilding of strained relationships, a process which involves the setting of objectives by the parties (often referred to as "relationships by objectives" or RBO). Joint training of stewards and supervisors is undertaken to assist the parties in improving techniques for better relations. The common denominator in all these approaches can be summarized as the three Cs — communications, credibility and cooperation.

Joint Action Committees

Joint action committees, commonly referred to as "labour-management committees," involve small groups of management and union representatives (usually eight to ten people) meeting together on a regular basis to discuss problems of mutual concern.

A provincial mediator may initially assist the parties in establishing

the rules of procedures for regular in-plant meetings of selected representatives to discuss mutual problems. The mediator may be involved in several meetings and then withdraw, leaving them to continue on their own, although the mediator is available for further assistance if required.

As a rule, meetings are scheduled on a monthly basis, although this frequency of meetings is often reduced once the initial host of problems has been successfully resolved. Members of the committee are free to raise any problem relevant to their relationship, but it is commonly understood that the committee is neither a forum for collective bargaining nor a substitute for the grievance procedure.

Joint action committees each consist of a union group and a management group represented in equal numbers. Each of the two groups selects a chairperson, who then alternates in presiding over the scheduled meetings. The presiding chairperson is responsible for finalizing an agenda. This way, both parties can be sure that their concerns will be given priority at some point in the near future. The ministry recommends that a specific time limit (preferably two hours) be set for each committee meeting. The purpose of this limit is to avoid turning meetings into unpleasant and protracted complaint sessions that benefit nobody. Minutes of meetings reflecting the decisions taken are distributed to employees and members of management.

The joint action committee program continues to grow, with eight to ten committees being formed annually since 1979. Typically, this approach has been followed in smaller workplaces where an RBO program is not considered necessary to reach all of the labour and management officials who have a decisive effect on the relationship. The real purpose behind joint action committees is avoidance of potential problems and, accordingly, it is often difficult to measure its success except through the impressions of participants. Reports from participants have been extremely favourable.

The only obstacle in establishing joint action committees is a lack of mutual desire on the part of both parties. Basic attitudinal problems — which could potentially be solved by the ministry's RBO program — have, in some situations, operated to prevent the creation of committees.

Relationships by Objectives Program

The most comprehensive of the three programs available is the Relationships by Objectives Program (RBO). In three days spent away from the workplace, the parties examine the problems which they have identified as affecting their relationships and develop specific plans for resolving them.

The format of the program involves a preliminary joint problem-solving exercise. This is followed by a series of seven steps. First, union and management in separate groups each develop two lists: one describ-

ing what the other group should do to improve the relationship, and the other describing what their own group could do to improve the relationship. Second, a joint union-management group meeting reviews the four lists and discusses in detail the problems which gave rise to each item on the lists. The representatives should agree that the resolution of these problems is the objective of both parties. Third, union and management groups meet separately to review the objectives which have been combined by the mediators into a single list of joint objectives sorted into categories. Their review ensures that the problems which they raised are all covered by the revised objectives, and objectives are amended if necessary. Fourth, the groups meet in mixed teams to develop "action steps," or specific things that can be done to reach the objectives. Fifth, again meeting separately, the groups discuss the action steps developed by the teams and agree that they are prepared to adopt them and carry them out. Sixth, the groups meet together to confirm the action steps. Seventh, union and management together assign specific persons to each action step to ensure its completion and setting of a date for its implementation and/or completion.

The result of this process is a "road map" which the parties have jointly prepared to deal with their relationship problems and which they have jointly committed themselves to follow. Success is achieved when the parties take their program and put it to work. A follow-up meeting is arranged 60 to 90 days later to ensure that the scheduled progress is being made.

Before proceeding with an RBO program, certain prerequisites must be satisfied. The ministry will institute preliminary discussions with representatives of the parties. Unless a mutual desire for change is manifest, no RBO program will be offered. Furthermore, an RBO program will not be offered to parties in the last three months of the term of a collective agreement; nor will the program be extended to parties within the first two months following the completion of collective bargaining negotiations. The pressures of bargaining and implementation will generally preclude a rational and objective analysis of relationship problems.

RBO programs are frequently initiated by the ministry when it appears obvious during conciliation or mediation that deep-rooted problems which will survive formal negotiations are in need of resolution. But once the ministry has planted the idea of an RBO program in the minds of the parties, it is the parties themselves who must show a desire to benefit by the program.

Joint Training Program

The joint training program is a one-day session in which the parties review techniques for improved attitudes and understanding of roles,

communications and grievance investigation. The stewards and first-line supervisors are encouraged to examine possible improvements in their methods of contract administration. The program begins with a film presentation which depicts a sequence of events leading to a typical grievance dispute. Mixed labour and management teams are then formed to analyze the attitudes and techniques which have contributed to the dispute portrayed in the film. The objective of the exercise is to cause participants to appreciate that labour and management have a mutual interest in effective grievance resolution.

The Programs in Action

In implementing the programs, ministry staff invite interested management and union executive teams to attend separate exploratory meetings with the mediation staff for a review of their relationship problems and a description of the programs considered appropriate for their circumstances. No program is offered unless there is clear evidence that the parties have identified the need for change and are committed to the effort necessary to make it take place.

The needs of the parties determine which program is appropriate. Basically, if the problem is attitudinal, an RBO program is likely to be necessary. If the problems do not warrant the more extensive RBO approach, joint training programs are implemented. Appropriate numbers for the RBO and joint training programs are between 16 and 32 participants, with equal representation from union and management. Executives of the company and union representatives are usually invited as observers. RBO programs include representatives from all levels of the employer organization, while joint training programs should involve all first-line supervisors as a minimum. Union members for both would include stewards and executives. In some cases, more than one joint training program may be required in order to accommodate all of the people directly involved in labour-management relations.

By the end of May 1984, 39 RBO sessions and 91 joint training programs had been held, involving a wide variety of industries, public sector organizations and trade unions. There is no charge for the services of the ministry staff and the costs to the parties are their own meals and accommodation, with all lost wages paid by the employer. The effectiveness of the joint problem-solving approach and of the development of the parties' own "blueprint" for their ongoing relationships is obvious from the record. In the fiscal year 1982-83, five RBO programs were conducted by the ministry, compared with eleven in 1983-84. Fourteen joint training programs were offered in 1982-83, compared with 26 in 1983-84. The increased popularity of both programs indicates some measure of success. The ministry has received a number of requests from trade union representatives who have been involved for similar

programs for other of their bargaining units. Furthermore, the ministry provides management and trade union representatives with a questionnaire at the beginning of an RBO or joint training program, and another survey after 90 days. As a general trend, it appears that problems between the parties revealed in the first questionnaire become significantly less serious after the program.

Other experiences are also worth noting. The parties involved in one recent program had experienced a work stoppage in two successive rounds of bargaining. Following an RBO program, the parties at the next session of formal collective bargaining reached a settlement without even the assistance of a conciliation officer. Other examples of quick settlements following the provision of RBO services can be cited. The ministry has also received reports that the number of grievances in a workplace diminish significantly following an RBO or joint training program. Again, the only limitation on the success of the RBO or joint training program is the degree of commitment of both parties.

One of the more dramatic examples of success followed the RBO program conducted with Budd Canada Inc. and Local 1451 of the United Auto Workers. The confrontational nature of the relationship prior to the RBO was reflected in the high incidence of "wildcat" or illegal strikes and the large backlog of grievances. Both parties reported a significant attitudinal change toward communication and joint problem solving. The parties were recently honoured with the labour-management award for excellence presented by the federal Department of Regional Industrial Expansion.

Ontario Quality of Working Life Centre

The Ontario Quality of Working Life Centre began operating in December 1978. Early in the previous year, however, the Minister of Labour had established a six-person union-management advisory committee on quality of working life (QWL), which was chaired by the deputy minister of labour. The terms of reference and mandate of the committee were to examine the quality of working life concept and its practical application from the perspectives of both management and labour and, if the committee so chose, to make recommendations to the Government of Ontario.

In January 1978 the advisory committee unanimously submitted the following recommendations by letter to the minister of labour:

From our investigations, we have concluded that a true quality of working life project must:

- (a) provide for genuine worker participation in the planning or re-structuring of the work process, with a view to accommodating and reconciling human needs on the one hand and the technical requirements of the particular enterprises, on the other, so that the worker is able to achieve

more variety, scope and autonomy in the performance of his duties; and (b) a concomitant change in management attitudes and practices, away from an authoritarian mode towards a more facilitative, consultative and advisory role.

. . . We believe it is in the interests of management and labour alike that a substantial program be set up to promote and encourage quality of working life experiments on a wide front. Such a program will require time, patience, commitment and, not least important, complement and funds.

. . . A work improvement agency, division or unit, should be established within the Ministry of Labour The Agency should be directed of (sic.) senior representatives of labour and management.

These recommendations were approved by the cabinet of Ontario on March 20, 1978, and became the mandate under which the Ontario Quality of Working Life centre was formally established. The original QWL advisory committee became the centre's steering group and has since expanded its membership to include a broader cross-section of the management and labour communities of Ontario.

Policy

With this mandate, the QWL centre deals primarily with basic questions about how organizations are designed — how decision-making authorities are distributed, how different areas of responsibility are coordinated, how tasks are arranged into jobs. While improving relations between union and management is sometimes a necessary condition for launching a QWL process and is usually an outcome, it is not the primary focus.

It has been demonstrated repeatedly that real improvements in the nature of organizations and in labour-management relations will not be sustained unless union and management at all levels work together in order to learn together. Preplanned programs can only have short-term effects. It is only by developing the capacity for ongoing, joint learning that management and unions will be able to continue to develop new, positive responses to unforeseeable events.

The role of the QWL centre is to help provide the conditions necessary for the growth of QWL as an integral part of the workplace in Ontario. The work of the centre is, therefore, guided by several key policies.

- Quality of working life processes must be built upon the active participation of all people concerned. This includes all levels of management, union officials and employees. Participation is only real where all stages of the QWL process are owned and controlled jointly by union and management.
- The specific characteristics of the quality of working life process are unique to each individual setting. QWL is guided by fundamental values and principles, but these values need to be expressed in a

manner sensitive to the practical realities of each situation. There are few hard-and-fast rules. QWL requires the maturity to be both principled and pragmatic in dealing with the complexity and uncertainty of change.

- Although QWL is relevant to both union and non-union organizations, the QWL centre focusses its long-term consultation on unionized workplaces. This policy is based on an appreciation of the fact that the support of organized labour is necessary for the healthy development of QWL in Ontario. In North America many of the early projects using the QWL label were in non-union organizations, where too often the intent was to keep unions out. If unions in Ontario are to support QWL, they must gain first-hand experience of quality of working life in jointly controlled projects where collective bargaining is well established and respected.

Program

The Ontario QWL centre began operation by working with organizations at the local level (or micro level), with the intention of building upward. The centre's initial approach was to develop and maintain a sufficient number and range of successful joint QWL projects to demonstrate to labour and management that QWL is a viable alternative to the traditional scientific management approach to organization design. However, once the kinds of projects were under way which could prove rationally that QWL is a realistic alternative, there was reduced need for continuing activities at the micro level with projects confined to single organizations.

The centre then moved on to activities to help provide the broader-based support needed for sustaining and diffusing QWL processes. In terms of sustaining a single project, activities were needed at the level of the corporation and union as a whole. In terms of diffusing QWL concepts, several things were found to be essential; activities to link up single organizations and unions active and/or interested in QWL; more activities at the macro level to focus on changes having a broader effect, including an exploration of different forms of interaction between labour, management and government in a variety of settings; and activities to link up changes at the organizational level and at the macro level so that the two can interact to reinforce each other (for example, linking better job design and greater worker involvement with the need for Ontario industry to develop and introduce new technology in order to remain competitive).

The mandate of the QWL centre has therefore been translated into a program based on five interrelated areas: consultation, education, information services, a small amount of practical research, and networking activities aimed at connecting individuals and organizations involved in QWL activities.

Consultation

There are two forms of short-term consultation. One-shot consultations provide individuals and organizations interested in QWL with direct, individualized information and advice. In addition, unionists and managers already involved in QWL can, on request, receive periodic, tailor-made consulting support for their activities.

Long-term consultation designed to assist union and management to explore, implement and sustain a joint QWL process within their own organization is a core activity of the centre. Although both the content and the process of quality of working life are guided by a clear set of values and principles, the centre does not use any predetermined programs for implementing its field project work. The particulars of the QWL change process must be tailored to the unique circumstances, personalities and objectives of each organization. Consultants from the QWL centre work with various levels of union and management, both separately and together, to help them to understand and discover how QWL principles may be developed in their particular situation.

The aim of the centre consultant is to help the parties to agree on what kind of change they do or do not want, to assist them in setting up the joint structures and processes needed to proceed with that change, and to provide tailor-made technical support where required in such areas as education, training and sociotechnical job redesign. Within a normal QWL field project, consultation sessions are usually requested at an average rate of two or three days per month for a period of a year or two. The actual nature of the consultation activity and its distribution over time depends on the demands of the particular situation.

Education

The education program has three main purposes: to raise general awareness about QWL concepts; to develop the understanding and skills needed to engage in the QWL process; and to link up organizations for the support and diffusion of QWL practice.

The QWL centre regularly presents a one-day introductory seminar which is open to the general public. The seminar is offered across the province and is co-sponsored with a neutral local organization, such as a community college, which uses its contacts in the community to promote attendance. The design of the seminar is simple but powerful, consisting of a brief presentation of a field project sponsored by the QWL centre, small group workshops, and an open question-and-answer period with a panel of staff from the QWL centre and unionists and managers active in QWL.

A two-and-a-half-day seminar is also offered specifically for unionists and managers who wish to explore QWL in greater depth. It focusses more on the practical application of the quality of working life concept and is designed to maximize the amount of interaction between the

participants and people with direct, hands-on experience in the field. Each seminar is conducted by field project staff from the QWL centre in conjunction with union-management teams from two or three QWL field projects in Ontario. Many of the participants are themselves involved in an early phase of a union-management change process.

In addition to its regular one-day and two-and-a-half-day events, the centre periodically presents short workshops and/or longer seminars on such topics as QWL and new technology, QWL in the public sector, sociotechnical systems redesign, and so on.

Information Services

The QWL centre distributes two forms of written information: reproductions of leading writings in the field and its own original publications. The centre has a mailing list of over 10,000 persons and institutions across Canada, the United States and abroad.

QWL Focus, the major original publication is a newsjournal containing a mixture of QWL information, theoretical analysis, and first-hand experience and opinion in the field. The centre also publishes a series of occasional papers dealing with significant issues or developments in the field, and a series of working papers in a less formal format designed for a more specialized audience.

As experience with quality of working life concepts has spread in Ontario, it has become less possible for the centre to rely on available literature. The kinds of issues now being dealt with in the field in Ontario — for example, the role of internal QWL resource people — are not well covered in literature currently available.

In addition to the distribution of written information, the QWL centre also distributes information through speaking engagements and interviews in the media. The number of requests for such services has always been greater than the centre has been able to accommodate.

Research

Although the QWL centre has focussed primarily on concrete intervention such as field project work and education, QWL research does have an important part to play in the development of understanding and practice. The centre feels that it is important to support its actions in the field with a minimum amount of practice-oriented research. To this end, it has sponsored five small field research projects.

Networking

As a greater number of organizations become active in QWL, more joint projects are beginning to deal with the challenge of sustaining and diffusing change. Many union and management representatives who have been active in joint projects for several years now have reached a point where their experience, understanding and competence are on a

par with the state of the field generally; they have become the pioneers. They have begun to face issues — for example, the role of first-line supervisors and union stewards in QWL or the conflict between job redesign and traditional job classifications — where they need a broader base of support, both within and beyond their own organization, in order to carry their efforts further.

In mid-1981 the centre began to develop ways for its field projects to link up with other organizations active in QWL through networking and educational events. Two networks were established in 1981; a network of unionists active in QWL and a network of internal QWL resource people drawn from both union and management. The union network met three times over a period of approximately one year and sponsored a gathering of unionists at an international QWL conference held in Toronto in September, 1981. However, the group and the centre decided in early 1982 that it would be best for it to disband until some of the tensions about QWL had been worked through within the labour movement itself. The group of union and management resource people (referred to as the coordinators' network) has met regularly and has grown in numbers steadily since 1981. The meetings are coordinated by the centre, but seminar leaders are drawn from centre staff as well as from the networking group. Meetings are held approximately three times a year and are generally one-and-a-half days long. As of early 1984, the group included representatives from fourteen joint QWL projects in Ontario.

Other networking activities of the centre include a series of meetings held between late 1981 and early 1982 comprising union and management representatives from QWL "greenfield" projects (that is, new projects in local-level organizations) in Ontario. In addition, the centre sponsored a two-day meeting in March 1983 in which the major institutions in North America working in the area of joint union-management QWL activity participated. The Ontario QWL centre also played an important role in planning, organizing and providing resource personnel for the immensely successful international quality of working life conference held in Toronto in September 1981. Titled "QWL and the 80's," the conference attracted some 1,700 people from around the world, of which 1,000 were managers and more than 250 were union representatives. A large number of the participants were from Ontario.

Experience

The QWL field has been developing slowly but steadily in Ontario over the past six years. When the advisory committee surveyed the Ontario scene in 1977, only seven organizations could be identified in which union and management were jointly involved in a process that went beyond improved communications or worker participation in productivity gains. As of mid-1984, the QWL centre has identified over 30 organiza-

tions in Ontario where union and management have been involved in a joint QWL process. Only two of the projects have not been involved with the centre in some way, either through its consultation, education or networking activities.

The QWL centre has provided long-term consultation to over 20 union-management QWL projects in Ontario. These projects have involved major organizations and unions in the auto, auto parts, electronics and electrical, petrochemical, energy, food-processing and retail industries, as well as management and unions in the Ontario public sector. The change processes have focussed on the design of new organizations as well as on the redesign of existing operations.

When the centre was first established, most people requesting consultations knew little about QWL. They usually wanted to discuss what QWL involved in general terms, whether other companies had any experience in the area, and what first steps they might take. Over the past few years, however, more and more people have come to the centre to find out not what QWL is, but "how to do it."

In addition, the centre has been approached more often during the past couple of years by unionists and managers who are already involved in a joint QWL process. They come both for help with specific issues (asking, for example, "How can we deal with first-line supervisors?" or "How can we evaluate QWL?") or for general support ("We're stuck; where do we go next?"). Through the consultative process, the centre has been able to include these projects in its interorganizational activities and to establish an ongoing relation with their participants, based on periodic, intensive consultations as requested by the client.

Since QWL is a process of fundamental, long-term change, it is often misleading to assess its success or failure in the short term. Companies and unions involved in QWL experience different kinds of success and different problems at different times in the overall process. However, many centre projects, including some that were not able to sustain the process, have reported significant improvements in communications and union-management relations. In addition to such direct benefits as smoother negotiations and fewer grievances, improved union-management relations have also meant that labour and management were able to work better together to resolve issues related to working conditions and production.

Ideas contributed by workers within many of the projects helped to design or redesign the operations so that they were both safer and more productive. Management at one plant credits the joint QWL process with contributing significantly toward the company's ability to meet its production targets within budget for the first time ever. This achievement meant that they were able to shut the plant down and give all employees a paid vacation at Christmas time. At another plant, ideas put forward by the workers saved the company more than \$500,000 in one year. And at a

health care institution, union and management were able to work together to improve the patients' living conditions, without any increase in costs, and to deal successfully with long-standing complaints of the employees concerning shift work.

Finally, management, union and labour in several projects have worked together to design or redesign the work process in order to increase the skill level and autonomy of workers and front-line managers. The result in these situations has been dramatic improvements in work system efficiency and worker satisfaction.

As the QWL field has matured in Ontario, QWL centre education and networking events designed to promote interaction between union and management belonging to different organizations active in QWL have taken on greater significance. Not only have they enabled the centre to provide consultation services to a large number of organizations in a highly efficient manner, but they have also played an important part in sustaining and diffusing the QWL change process.

First, they have promoted the diffusion of both ideas, and practices, by taking advantage of the fact that people are most convinced by and learn best from the actual experience of their peers. Second, they have provided a valuable form of recognition and support to the field projects and have helped to alleviate the sense of isolation commonly experienced by unionists and managers who become engaged in change. Finally, by providing a friendly environment where concerns and hopes which are usually widely shared can be discussed openly, the events have allowed for the positive building of learning upon learning. The coordinators' network, for example, has proved to be an exceptionally good forum for shared learning and mutual support. Even organizations which rely exclusively on their own resource personnel for their projects see this group as being highly valuable.

The Future

When assessing the contribution of quality of working life concepts to improvements in organization effectiveness, industrial relations and worker participation, two somewhat contrasting pictures need to be considered. As discussed above, there is evidence that both the level of interest in QWL and the amount of joint activity are growing. There is also clear evidence that union and management can both make important gains through joint QWL processes. However, despite the achievements which have been demonstrated over the past 30 years worldwide, and over the past 10 years in Ontario, diffusion has been relatively slow. The rate of diffusion of QWL principles and practices has been highest in new or "greenfield" organizations. However, in established organizations, diffusion has been much slower largely because of the entrenchment of accumulated practices of the past and the strength of the array of vested interests. In addition, there has been a relatively high drop-out

rate (approximately 50 percent) among joint QWL projects in Ontario over the past five or six years. The reasons for this rejection are complex. The choice of change strategy appears critical. "Experiments" in parts of offices and plants are much less likely to survive than efforts undertaken throughout the entire organization. Furthermore, the often rigid separation of QWL and contract negotiations and administration in some situations dramatically limits the arena for change and, as a consequence, prevents the QWL process from taking hold. Finally, some projects are unable to survive severe economic problems, especially when part of the response to these problems includes layoffs and concession bargaining.

These mixed positive and negative results demonstrate vividly that, in very practical terms, quality of working life is a highly relevant but difficult concept. Three related facts about QWL help to explain why this is so.

- QWL involves not only attitudes, relations and/or communications; it also involves changing basic organizational structures. In contrast to other joint labour-management programs which focus on the processes of participation, joint problem-solving or cooperation applied to any content, QWL change does have a defined direction. As clearly specified by the original advisory committee, QWL means changing away from an authoritarian mode of management and "... improving the work environment, the *content of the task* and the manner in which it is performed" (emphasis added).
- Flowing from the above, the experience of the centre has confirmed that in order to succeed, QWL must be applied on an organization-wide basis. No matter where or how a QWL process starts in an organization, it will inevitably evolve to encompass overall policy-level issues for both management and union. In fact, almost all joint processes have eventually touched upon questions which need to be addressed from above the level of the single site within a corporation or the single local within a union — for example, how the roles of specialists in management (engineers, for instance) and unions (servicing representatives, for instance) are affected by a different distribution of decision-making powers on the shop or office floor.
- It also flows naturally that the development of QWL must deal with issues of decision-making authority and status between groups. As such, it cannot be removed from an organization's political context.

These facts underscore the sensitivity of quality of working life processes not only to many factors on the shop or office floor, but also to developments at the total organization level and at the provincial and national levels. Actions taken by labour, management and government to deal with such important workplace issues as technological change, job and income security, and health and safety all affect the development

of QWL. In this respect, both the Ontario task force on employment and new technology and the Ontario labour management study group may contribute significantly to the future of QWL in the province.

Note

This paper was prepared by the Ontario Ministry of Labour and presented at the Symposium on Labour-Management Cooperation in Canada held by the Royal Commission on the Economic Union and Development Prospects for Canada on June 22, 1984. It was revised in January 1985.



Quality of Working Life in Canada

A Survey

KEITH NEWTON

The current Canadian labour market is beset with problems of unemployment, poor productivity performance, and fears of rekindling inflation. These problems are further complicated by the uncertainties surrounding the impact of technological change on jobs and incomes, on vocational training, and on the future of industrial relations. These difficulties facing the economy at large also afflict individual enterprises whose cost and productivity woes are coupled in many cases with troublesome turnover, absenteeism and industrial disputes. Small wonder, then, that many regard with hope the array of fashionable panaceas that promise greater job satisfaction and motivation, higher productivity, and a more cooperative industrial relations climate. While most adherents of the quality of working life (QWL) movement would probably eschew such extravagant claims, they would nevertheless argue that QWL concepts are not a passing fad and that they can contribute to amelioration of some of the labour market ills outlined above. It is appropriate, therefore, to consider some of the major aspects of the QWL approach, its relationship to the more traditional concepts and concerns of the economist, and its evolution and prospects in Canada.

Concern for the qualitative aspects of working life — its ability to confer satisfaction directly, for example, as opposed to being the means of acquiring goods — is nothing new. Economists have concerned themselves with non-pecuniary rewards at least since Adam Smith's exposition of the disutility of jobs and the need for compensating wage differentials. Indeed, the hedonic theory of wages specifically takes account of such factors as risk of injury or illness, the amount and pace of physical exertion, level of responsibility, and security from layoffs.¹ Nevertheless, QWL theory has acquired form and structure in the hands of

industrial psychologists, sociologists, and organization theorists. Despite its apparent relevance to a variety of economic issues, economists (with a number of notable exceptions)² have not figured prominently in the development of this "multidiscipline." Precisely because of its relevance, however, it seems useful to consider briefly some of the major elements of QWL and, with a view to heightening interest, to interpret some familiar economic theory in these terms.

The first section of this paper gives a brief account of the QWL concept and outlines its two major components — namely, industrial democracy and sociotechnical design. The second section provides some background on the evolution of the QWL "movement." An attempt is made in the third section to relate the QWL concept to traditional economic concerns. Some concluding comments follow.

The QWL Concept

Specific definitions³ need not concern us here, and we may start with a view of QWL at its broadest and most abstract level as being concerned with "the total ecology of work." Thus it encompasses all the complex interrelationships among individuals, the organizations in which they work, and the larger society in which they live. Social mores help determine the physiological, psychological, and cultural characteristics of workers, and the attitudes of management. Such characteristics and attitudes in turn affect, and are affected by, the organizational structure and technology of the workplace.

As a starting point, the economist may usefully think of the strong correspondence between the quality of working life and the components of a "compensation package," broadly defined. Thus total net compensation (utility?) may be viewed as flowing from the host of work-related factors which confer benefits and impose costs upon the worker. There is, first of all, an important area which might be referred to as access to work under which lie a number of factors affecting the ease with which an individual may enter the world of work. These factors include societal mores and familial attitudes to work; discriminatory hiring practices; restrictions of supply by unions and professional organizations; the practice of "credentialism" by employers; the availability of education, training, and labour market information; and the cyclical phase of the economy.

A second major component of QWL concerns the net attractiveness of the employment package and comprises the following elements: the nature of the work (manual, cerebral, etc.); pay and fringe benefits; the time dimension (length of workweek, vacations, seasonality, overtime, etc.); physical conditions; technology (including workplace layout, equipment, machine regimen, etc.); organizational structure (hierarchical and autocratic versus cooperative and participative, for example); and opportunities for promotion.

The perception of such factors colours the physical and psychological responses of individuals to the work environment. The complex dynamic process by which they shape attitudes toward work or satisfaction with jobs, aspirations and motivations constitutes another major area of QWL inquiry. Of particular importance in this context is the emphasis on the contrast between the monetary and the psychological returns from work. An important corollary of Maslow's (1943) hierarchy of needs, for example, is the importance of higher-order needs such as esteem and self-fulfilment in the world of work.

Particularly influential has been the motivation-hygiene theory advanced by Herzberg (1959, 1966). The essence of the theory is the contention that satisfaction and dissatisfaction with a job are quite distinct experiences, not just opposite ends of a common scale. The important upshot of this proposition is that there exists a set of factors which relates to dissatisfaction, and a quite separate set which relates to satisfaction. To expand slightly, the absence of certain characteristics of the job "context," such as good pay and good working conditions, can be a source of dissatisfaction; but the mere presence of such contextual factors is not sufficient to ensure positive job satisfaction. This last is held to emanate from factors relating to the job "content": achievement and its recognition, interesting work, and opportunities for advancement. The "dissatisfiers," being of an environmental and preventive nature, are known as "hygiene" factors, while the "satisfiers" are known as "motivators." The terms "extrinsic" and "intrinsic" rewards, respectively, are also frequently used to describe these concepts.

The important aspect of such theories for the social economist is the frequent assumption of a relationship among such factors as job satisfaction, motivation, and productivity. A more comprehensive approach might involve the role of rewards in affecting job satisfaction and motivation, and the inclusion of "effort" as a way in which motivation is transformed into performance. If rewards are construed as above, as consisting of both extrinsic hygiene factors associated with the job context, and intrinsic motivation factors associated with the job content, it becomes clear that the causal relationships described involve the interposition of a number of psychological factors between two traditional concerns of the economist — namely, wages and productivity.

The mistrust or discomfort which an economist might feel in dealing with such concepts as job satisfaction and motivation may, however, be circumvented by resort to another common and plausible assumption: That dissatisfaction with undesirable elements of the work environment may be manifested in a number of forms. "Manifestation variables" such as turnover, absenteeism, grievances, strikes, accident rates, sabotage and pilfering permit the use of data which are in principle "harder" than the attitudinal information of job satisfaction scores, while affording some inferences, at least, to be made about the intensity of workplace malaise.

Finally, it is useful to bear in mind the action strategies by which QWL concepts are typically put into practice. For simplicity, two such broad strategies may be distinguished: sociotechnical design and industrial democracy. The first concerns the manner in which work is organized and, in particular, the design of jobs. The central tenet of the sociotechnical systems (STS) approach is that of joint optimization in which the social and technological subsystems must mutually accommodate their demands if the organization is to function optimally. This is rather different from the economist's traditional view of a firm's optimization, but seems intuitively plausible enough. In the STS literature the "mutual accommodation" of the technical and social subsystems seems to be a symbiotic and synergistic process. In any case, the fundamental corollary seems to be that firms can exercise choice in organizational design. The notion of technological determinism,⁴ in which labour is subservient to the pace and regimen of complementary factors, is abandoned.

In many recent experiments, therefore, the process of increasing specialization of tasks in the Chaplinesque industrialized corporation has been reversed. Numerous case studies document efforts to redesign work roles by means of "job enlargement" and "job enrichment" to afford greater opportunities for the exercise of a variety of skills, control over the work flow, identification with the product of one's labour, and the assumption of responsibility.

It should be emphasized that tradition dies hard and that time-honoured views of the capital-labour relationship in the production process change slowly and painfully. While at first glance a commonality of interest in work humanization may be apparent for workers, employers and governments alike, initiatives for work redesign may be viewed in practice with considerable suspicion. Nevertheless, a number of applications have been made in Canada and some prominent ones are reported by Cunningham and White (1984).

The other major strategy of work humanization concerns not so much the technological aspects of work organization as the process of decision making in the world of work. Sometimes known as "worker participation in management decision making," industrial democracy is concerned with the opportunities afforded to labour to share in the decisions which are taken concerning the process of production — decisions which ultimately have far-reaching implications for the lives of capitalists, rentiers, managers and workers alike. Considerable attention has been paid to the complex variety of forms in which the labour input into the decision making process is manifested in practice — from the conventional adversary approach to collective bargaining which is practised in North America to the system of worker-owned enterprises which exist, for example, in Yugoslavia. However, the current debate on industrial democracy is enormously complex and often acrimonious.

The theory of industrial democracy is discussed in Newton (1977), where an outline of its application in a number of European countries,

and in Canada, may be found. More recent Canadian cases are described by Nightingale (1981) and by Cunningham and White (1984).

The Evolution of QWL

The timing of the interest in this field is at first sight curious. After all, the impact of working conditions upon the human body, mind, and spirit has long been recognized and documented, as the novels of Dickens, Zola and Llewellyn vividly attest; the advanced economies have a lengthy history of legislation to ameliorate the ills which can afflict the human agent in the process of production; and the International Labour Organization has been committed since 1919 to the goal of enabling representatives of workers, employers, and governments to frame joint measures to improve conditions of work and life in all countries.

The emphasis of the more recent burgeoning of interest, however, is consistent with the much broader reorientation of individuals and societies away from a strictly quantitative economic calculus toward a more qualitative social framework which embraces a variety of environmental concerns. In the detailed discussion of its evolution by Newton (1983), QWL is considered, first, as a stage in the continuum of interest in work humanization; second, as the product of major social, economic, and technological changes; and third as part of a reorientation of the social sciences. Whatever the underlying forces, the outcome has been an outpouring of interdisciplinary literature that has made QWL theory a growth industry in recent years.

A major landmark in the evolution of QWL studies was the conference at Arden House in Harriman, N.Y., in September 1972 which brought together experts from Western Europe and North America. The conference served the purpose of establishing links among a number of "nodes" of QWL activity in various countries. Prominent among these are the Center for Quality of Working Life at University of California at Los Angeles, which is particularly associated with the names of Professors Louis Davis and Albert Cherns; the Tavistock Institute, and the Work Research Unit of the Department of Employment in London; l'Agence nationale pour l'amélioration des conditions de travail in Paris; the Work Research Institute in Oslo; the Swedish Council for Personnel Administration in Stockholm; the Institute for Social Research at the University of Michigan; and the National Quality of Work Center in Washington. In addition, the Organization for Economic Cooperation and Development, the ILO, and the International Institute for Labour Studies undertake research in the QWL field, and there is now an International Council for the Quality of Working Life, which is explicitly designed to act as a service to the existing network of centres (nodes) "and to aid in the establishment of future nodes."⁵

Some relevant institutional developments in Canada include the following activities. First, the federal Department of Labour, in keeping with its

continuing interest in conditions of work in Canada, convened a symposium on social indicators of working life in 1973 which undoubtedly did much to spur an interest in QWL in Canada. Second, the federal Department of Manpower and Immigration, in investigating causal factors to explain the resiliently high levels of unemployment experienced in Canada in the early 1970s, addressed the hypotheses of fundamental change in work attitudes and the demise of the work ethic. Nationwide surveys and subsequent analyses culminated in the publication of *Canadian Work Values*, which reports on the work attitudes and job satisfaction of a sample of adult Canadians stratified by age, sex, region and marital status. Third, the Ontario Ministry of Labour has taken an action-oriented approach through its QWL centre, which disseminates information to business and labour, diagnoses potential "trouble spots," and fosters new innovative work arrangements in the province. The ministry has also established a multipartite advisory committee on QWL. The resulting Ontario Quality of Working Life Centre under Dr. Hans van Beinum⁶ has undertaken a variety of studies and issues a newsjournal called *QWL Focus*. Fourth, at the federal level, Labour Canada's QWL Division⁷ supports a variety of work humanization initiatives, sponsors conferences and studies, and publishes the newsletter *Quality of Working Life: The Canadian Scene*. The federal and Ontario QWL units were major supporters of the international QWL conference held in Toronto in 1981 which did much to spur Canadian interest and activity in the field.

Research, teaching and consultation services are being provided in a number of academic institutions across Canada. There seems, as yet, to be no comprehensive inventory of the many QWL projects in the public and private sectors but many of them are described in the news magazines of the Ontario and federal QWL units mentioned above. In addition, the network of contacts, information dissemination, and conferences of the recently established Canadian Council on Working Life⁸ should do much to maintain the momentum of the QWL movement in Canada.

As far as specific QWL projects are concerned, there are a number of outstanding Canadian examples. The Shell chemical plant in Sarnia, for instance, is world famous. The company decided in 1975 to discontinue traditional methods of organizational and job design in the interests of improving organizational effectiveness and meeting the needs of workers (see Halpern, 1984). The ensuing efforts were guided by a statement of philosophy that included a commitment to the joint optimization of the plant's social and technical systems and to the belief that workers are responsible, trustworthy, capable of self-regulation, and interested in opportunities for decision making and growth. Other design objectives included the reduction of shift work, modification of pay systems, elimination of artificial jurisdictional boundaries, improvement of communications systems, and more effective problem-solving practices.

The union was involved throughout and the ensuing collective agreement reflects the spirit of the STS approach.

Results of the Shell, Sarnia, program to date suggest that the effectiveness of the workforce has been enhanced by multi-skilling, improved communications, improved problem-solving practices, and a high level of participation in all matters. Union-management relations are said to be excellent. The thin collective agreement (8 pages compared with 75 in the traditional contract at a neighbouring plant) contains only facilitating general guidelines, with responsibility for details left to the work force. It has been renewed, virtually unchanged, four times. The plant superintendent has been involved in only three grievances (versus 66 plus several arbitration cases in the neighbouring plant over the same period).

In the realm of industrial democracy, the Supreme Aluminum Company of Scarborough at Rexdale and Pickering, Ontario, is noteworthy. The company has three programs: first, employee ownership, whereby about 60 percent of the employees at present hold shares; second, a profit-sharing plan, which distributes some 30 percent of gross profits to employees; third, a QWL program that gives employees decision-making responsibilities through what has been described as "an industrial parliament" (see Nightingale, 1984). Supreme Aluminum is one of the examples used by Nightingale (1984) to illustrate the need for "continuous renewal." He contends that successful QWL programs are not a one-shot deal: long-term success is not assured. Rather, QWL is a continually evolving process that requires modification, adaptation and updating to maintain effectiveness.

It is difficult, at the present time, to judge how successful Canadian QWL projects have been overall. Successful experiences tend to find their way into the literature. While failures may be instructive, too, they tend not to be documented with the same enthusiasm. For every Shell, Sarnia, there may well exist an experiment where failure and disillusionment have led to a reversion to more traditional operating modes. Certainly the obstacles to rapid diffusion of QWL programs are, at first glance, considerable. Students and practitioners of labour relations who made the obligatory pilgrimages to Scandinavia in the 1960s (and to West Germany in the 1970s and, most recently, to Japan) found their enthusiasm countered by skepticism on the part of managers and unionists as to the relevance for Canada of systems that seemed in large part determined by unique sociocultural factors. Indeed, the applicability of industrial democracy to Canadian organizations appears to hinge importantly upon the ability of its proponents to extract basic principles from the foreign institutional features with which they are bound up in practice. As far as STS is concerned, two factors would appear to favour its wider introduction. First, probably because of the concern for low rates of productivity growth in recent years, programs that promise enhanced work performance may be viewed with more interest. Indeed, the pro-

ductivity aspects of QWL programs which were mentioned with the greatest reluctance⁹ a few years ago are now claimed as one of their most important features. Second, the importance of and interest in technological change in recent years may have heightened the relevance of STS applications.

Relating QWL to Some Economic Issues

This section reviews two interesting contributions to the literature of microeconomic theory which provide a useful vantage point or orientation for the social economist in discussing QWL issues. The works referred to are by Harvey Leibenstein (1966, 1969, 1975) and Albert O. Hirschman (1970), respectively, and have been chosen for comment because of their relevance to QWL, their complementary approach, and the considerable interest they have sparked within the economics profession.¹⁰

Leibenstein's well-known theory of X-efficiency and inert areas is concerned essentially with the phenomenon of "slack" within organizations. In contrast to shortfalls in allocative efficiency exemplified in the measurements by Harberger and others of the (generally minute) welfare losses due to monopoly, Leibenstein submits evidence of suboptimal disequilibria stemming from motivational inefficiency, which involve enormously larger proportions.¹¹ The interesting observation from our point of view is that, in many of the examples cited, the inefficiency was capable of elimination by workers and managers "bestirring themselves" through the medium of some change in plant layout, work specification and/or rewards schemes — that is, through QWL initiatives — without new capital and/or technological change.

A cornerstone of Leibenstein's schema is the existence within firms of so-called inert areas which account for shortfalls from maximizing behaviour and which constitute formidable obstacles to the elimination of suboptimal situations. An important source of inert areas is the variability of effort, a concept omitted from the standard theory in which a rather mechanistic production function is assumed to transform units of input into units of output in a well-defined, predictable manner. The individual worker, in Leibenstein's approach, is assumed to exercise some choice from a set of possible activity-pace-quality-time bundles (APQT bundles or "effort points"). From this proposition flow two important points: first, the objectives of individuals, in choosing their "effort positions," are not necessarily coincident with those of the firm; second, individuals typically have a fairly wide range of "comfortable" and customary effort levels sanctified by tradition and interpersonal considerations.

The latter point does seem consistent with real world observations of the pervasive recognition of performance variability embodied in merit-rating schemes. Moreover, we note in passing that if there exists, within

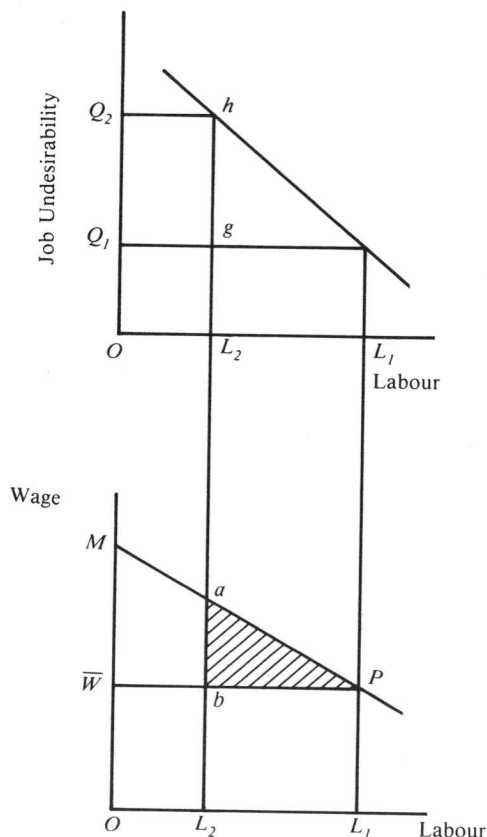
an occupation, a distribution of performance levels, then the concentration in one firm of job incumbents from the lower end of the distribution might suffice to place that firm at a disadvantage. Furthermore, even if workers are identical with respect to potential performance, variations may stem from environmental factors which affect motivation and, *pari passu*, the amount of effort exerted. The inertia concept resides in the assumption that there is a utility cost associated with movement from one effort level to another which, over a broad range of effort levels, is sufficient to offset gains which could be obtained by moving to a true optimum.

To sum up, an important implication of Leibenstein's work is his emphasis on the individual as the basic micro unit, rather than the firm, so that individual motivations, interactions among individuals, and the impact of organizational and environmental circumstances are critical aspects of the analysis. Also significant is his assumption of the motivation-effort-performance relationship, and the empirical evidence of X-inefficiency, which make explicit the importance of QWL issues both as causes and cures.

While Leibenstein concentrates on the causes (low individual effort levels stemming from motivational factors) of organizational slack and, by implication, on its cures (job redesign or more appropriate rewards schemes, for example), Hirschman is concerned primarily with the recuperative process by which slack is eliminated. Like Leibenstein, but in contrast to conventional microeconomic theory, Hirschman maintains that in the real world firms are typically not always operating in a "taut" economy: slack is ubiquitous. His concern is then with the process by which information is transmitted to organizations in such a way as to promote eradication of lapses from efficiency — that is, with the mechanism of recuperation. Using a decline in product quality as the manifestation of such a lapse, Hirschman identifies two components of the recuperation mechanism, namely, exit and voice. By "exit" is meant the action of alert customers in switching allegiance from the product in question to competing products when a quality deterioration takes place. If, instead of the conventional demand curve, we substitute "increasing amounts of quality deterioration" on the vertical axis, the "exit" response to a given drop in quality is given by the fall in units demanded. This quantity, multiplied by a given price level, determines the firm's loss in sales revenue—a monetary loss which constitutes the "exit" signalling mechanism. By "voice" is meant the activities of those customers who stay with the product in the face of its decline in quality but express, with varying degrees of stridency, their desire for improvement. Hirschman argues convincingly that economists have typically emphasized the importance of the exit phenomenon to the virtual exclusion of voice considerations, yet the latter are, he contends, of considerable importance in the real world.

The attraction of Hirschman's model is that it may readily be inter-

FIGURE 3-1 Job Undesirability, Exit and Voice



Note: At L_1 total revenue product is $OMPL_1$ and the wage bill is $O\bar{W}PL_1$. Net revenue is shown by the triangle $\bar{W}MP$.

The exit of Labour input in the amount L_2L_1 reduces net revenue to $\bar{W}Mab$, so that the value of the exit loss is abP .

Voice, however, is dependent on the amount of non-exiting labour services, OL_2 , and the degree of job quality depreciation, Q_1Q_2 , and is therefore proportional to the size of the rectangle Q_1Q_2hg .

preted in terms of QWL considerations and what we have earlier called "manifestation variables." This is quite simply done by examining the consequences of a decrease in job (as opposed to product) attractiveness in terms of absenteeism and turnover (exit) and grievances, strikes, and so on (voice).

Figure 3-1 assumes that there exists a market for jobs and that workers compete for jobs with different wages and working conditions on the basis of their attributes. If wages are held constant, then other non-pecuniary characteristics of the job assume importance. At "job quality level" Q_1 , L_1 person-hours of labour are supplied per month. If the job

were to decline in attractiveness to Q_2 (because, perhaps, of poor relations with management), then, on average, each month, the number of person-hours lost because of turnover and absenteeism is $L_1 - L_2$. This exit phenomenon involves a cost to the firm. In the lower part of the figure, MP is the marginal revenue product of Labour and \bar{W} is the (fixed) wage rate, defined to include "sunk" costs such as hiring and training costs, expressed as an average amount per person-hour of labour input. The horizontal axis is the same as in the upper part of the figure.

The relevance and significance of QWL for the labour economist's traditional concerns is further elaborated in Newton (1978b). A simple framework of aggregate labour input is specified in terms of QWL factors affecting working hours. These factors include extrinsic rewards such as length of the standard workweek and paid holidays, and time lost through exit and voice phenomena such as absenteeism and strikes. The role of average person-hour productivity, along with hours of work, in affecting potential output is then set out, and the role of effort,¹² and its determination of intrinsic and extrinsic rewards is suggested.

Before leaving this section it is perhaps worth mentioning also a recent attempt to use STS theory to shed light on various labour market consequences of technological change. Focussing on the apparently strong interrelationship between technological change and organizational change, Newton (1984) explores the insights to be gained from STS theory in examining job displacement and skill effects of technological change, as well as its consequences for training, industrial relations, and QWL. The STS axiom of organizational choice, embedded in the joint optimization principle, and the emphases of flexibility and continuous learning are found to offer informative contributions to the debate concerning labour market impacts of technological change.

Concluding Comments

Some tentative conclusions may be drawn from the foregoing discussion, but some crucial questions remain. First, there is a large and quite well developed multidisciplinary literature, in which economists have not figured prominently, that affords some useful insights into the traditional concerns of the labour economist. Thus the QWL concept relates job satisfaction and motivation to such labour market phenomena as pay, productivity, turnover, absenteeism, and industrial disputes. Second, STS theory may to some extent inform the debate about labour market impacts of technological change such as employment effects, deskilling, training, and industrial relations. Certainly the notion of important interrelationships between technological and organizational change is intuitively plausible and in keeping with general observation.

A number of points are, however, much less clear. To what extent, for

example, can the application of QWL principles be expected not just to improve productivity but to contribute to an improvement in its rate of growth? Proponents of QWL would probably point out in response to this question that QWL initiatives are not simply a one-shot deal but a continual dynamic process, a process, moreover, that interacts synergistically with another important generator of growth in productivity — namely, technological change. In my view, however, this must remain, for the moment, an assertion. A great deal of empirical work is required and the theoretical and methodological frameworks are as yet undeveloped.

Next, the prospects for the adoption of QWL principles and practice are uncertain. To some management skeptics, QWL is no more than a formalized fad — an extravagantly packaged set of work humanization principles that, in more modest guise, have been around for years. Many recall that fashions change: 20 years ago labour market scholars and practitioners made pilgrimages to Sweden; then West Germany's *Mitbestimmung* was the object of adulation; today, it is Japan's labour market practices. To skeptics on the labour side, QWL may be a way of undermining the unions or raising productivity norms. "If you want to enrich our jobs," some say, "give us more money." There are also understandable reservations on the part of many observers about the wisdom of trying to transplant specific overseas models of industrial democracy or STS to Canadian soil.

Nevertheless, the number of applications of QWL in the public and the private sectors in Canada appears to be growing. As yet, despite the considerable efforts of researchers, a comprehensive Canadian inventory does not exist, so it is hard to verify this casual observation. It clearly is true, however, that the institutional response in Canada (such as the Ontario QWL Centre, Labour Canada's QWL Unit, and the Canadian Council on Working Life) has been considerable. What remains to be seen is whether such institutions, along with academic researchers and practitioners, can generate the momentum to make QWL widely accepted and applied. And while it is clear that there is a reawakening of interest in participative and collaborative industrial relations modes and in productivity-related or profit-related payments systems, it is by no means clear just what might be the implications for collective bargaining and whether such developments might proceed at both the macro and micro levels.

Notes

This paper was originally written in June 1984. It was presented at the Symposium on Labour-Management Cooperation in Canada held by the Royal Commission on the Economic Union and Development Prospects for Canada on June 22, 1984. It was revised in January 1985.

I am most grateful for Craig Riddell's comments on an earlier draft.

1. See Rosen (1974); a highly readable account is given by Ehrenberg and Smith (1982, chap. 8).
2. Some exceptions are Rosen (1974), Hamermesh (1976), Lucas (1977), Jones (1975), Kwoka (1976), Newton (1978a, 1978b) and Tomer (1981).
3. See Newton, Leckie and Pettman (1979).
4. For an outline of the insights provided by the STS framework for the examination of the interrelationships between organizational and technological change see Newton (1984).
5. Information on the ICQWL may be obtained from Professor A.T.M. Wilson, general strategy, London Graduate School of Business Studies, Sussex Place, Regent's Park, London, NW1 4SA.
6. The executive director, Dr. Hans Van Beinum, may be contacted at Ontario Ministry of Labour, Ontario Quality of Working Life Centre, 400 University Avenue, Toronto, Ontario, M7A 1T7.
7. The chief of the division, Serge Lareau, may be contacted at Labour Canada, 9th Floor, 2 Place du Portage, Hull, Quebec, K1A 0J2.
8. Information may be obtained from CCWL, P.O. Box 567, Station B, Ottawa, Ontario, K1P 5P7.
9. One of the objections to QWL was that, in aiming at productivity increases, it could be used in an exploitive way. Management initiatives tended always, therefore, to emphasize the benefits to workers in terms of job satisfaction: management's motive was good corporate citizenship.
10. Some recent literature, which is also germane to QWL issues in the sense of not assuming a mechanistic production function but permitting effort to be endogenous, uses the principal-agent framework reviewed by MacDonald (1984). Labour market applications are found in Ehrenberg and Smith (1982). For a model of the effects of workplace conformity on effort levels see Jones (1983).
11. Studies measuring welfare losses due to allocative efficiency typically yielded figures of less than one percent. Leibenstein's estimates of motivational inefficiency involve losses closer to 25 percent; see Leibenstein (1966).
12. The recent work of Bowles, Gordon and Weiskopf (1984) in examining the role of social factors in the decline of the rate of productivity growth in the United States has placed some emphasis upon motivational factors as determinants of work intensity.

Bibliography

- Bowles, S., D.M. Gordon, and T.E. Weiskopf. 1984. "A Social Model for U.S. Productivity Growth." *Challenge* (March-April): 41-48.
- Cunningham, J.B., and T.H. White, eds. 1984. *Quality of Working Life: Contemporary Cases*. Ottawa: Department of Labour.
- Ehrenberg, R.G., and R.S. Smith. 1982. *Modern Labor Economics*. Glenview, Ill.: Scott, Foresman.
- Halpern, Norm. 1984. "Sociotechnical Systems Design: The Shell Sarnia Experience." In *Quality of Working Life: Contemporary Cases*, edited by J.B. Cunningham and T.H. White. Ottawa: Department of Labour.
- Hamermesh, D. 1976. "Economic Considerations in Job Satisfaction Trends." *Industrial Relations* 15 (February): 111-14.
- Herzberg, F. 1966. *Work and the Nature of Man*. Cleveland: World Publishing.

- Herzberg F., B. Mauser, and B.C. Snyderman. 1959. *The Motivation to Work*. New York: John Wiley.
- Hirschman, A.O. 1970. *Exit, Voice and Loyalty*. Cambridge, Mass.: Harvard University Press.
- Jones, F.J. 1975. "The Division of Labor is Limited by the Extent of Worker Alienation." *American Economist* 19 (Fall): 18–20.
- Jones, S.R.G. 1983. "An Economic Model of Conformist Behaviour." Discussion Paper 83–15. Vancouver: University of British Columbia, Department of Economics.
- Kolodny, H., and H. van Beinum. 1983. *The Quality of Working Life and the 1980s*. New York: Praeger.
- Kwoka, J.E. 1976. "The Organisation of Work: A Conceptual Framework." *Social Science Quarterly* 57 (3): 632–43.
- Leibenstein, H. 1966. "Allocative Efficiency vs. X-Efficiency." *American Economic Review* 56 (June): 392–415.
- . 1969. "Organizational or Frictional Equilibria, X-Efficiency and the Rate of Innovation." *Quarterly Journal of Economics* 83: 600–23.
- . 1975. "Aspects of the X-Efficiency Theory of the Firm." *Bell Journal of Economics* 6: 580–606.
- Lucas, R.E.B. 1975. "Hedonic Wage Equations and Psychic Wages in the Returns to Schooling." *American Economic Review* 67 (September): 549–58.
- MacDonald, Glenn M. 1984. "New Directions in the Economic Theory of Agency." *Canadian Journal of Economics* 17 (August): 415–40.
- Maslow, A.H. 1943. "A Theory of Human Motivation." *Psychological Review* 50 (July): 370–96.
- Newton, Keith. 1977. "The Theory and Practice of Industrial Democracy: A Canadian Perspective." Discussion Paper 94. Ottawa: Economic Council of Canada.
- . 1978a. "The Division of Labour is Limited by the Extent of Worker Alienation: A Comment." *The American Economist* 5 (Spring): 83.
- . 1978b. "Some Socioeconomic Perspectives on the Quality of Working Life." *International Journal of Social Economics* 5 (3): 179–87.
- . 1983. "The Evolution of the Quality of Working Life Movement." Conference Paper 39. Canberra: Bureau of Labour Market Research.
- . 1984. "The Interrelationship Between Technological and Organizational Change: An Exploratory Approach." In *The Information Economy*, proceedings of a conference at Erindale College, University of Toronto, May.
- Newton, K., N. Leckie, and B.O. Pettman. 1979. "The Quality of Working Life." *International Journal of Social Economics* 4: 193–234.
- Nightingale, Don. 1981. *Workplace Democracy: An Inquiry into Employee Participation in the Modern Work Organization*. Toronto: University of Toronto Press.
- . 1984. "'Continuous Renewal,' Lessons from a QWL Project." In *Quality of Working Life: Contemporary Cases*, edited by J.B. Cunningham and T.H. White. Ottawa: Department of Labour Canada.
- Rosen, S. 1974. "Hedonic Prices and Implicit Markets." *Journal of Political Economy* 82 (January/February): 34–55.
- Tomer, J.F. 1981. "Worker Motivation: A Neglected Element in Micro-Micro Theory." *Journal of Economic Issues* 15 (June): 351–62.



Two Policy Approaches to Labour-Management Decision Making at the Level of the Enterprise

R.J. ADAMS

It is generally conceded in the liberal democratic world that working people should have a right to participate in the making of decisions which critically affect their working lives (see Dahl, 1984; Derber, 1970; Nightingale, 1982; Pateman, 1970; and Summers, 1979).¹ The proposition flows naturally from general democratic principles. As Dahl (1984) notes:

If democracy is justified in governing the state, it must also be justified in governing economic enterprises; and to say that it is not justified in governing economic enterprises is to imply that it is not justified in governing the state.

The principle also has more pragmatic foundations. Joint labour-management decision making is seen to be valuable as a practical means of channelling otherwise unpredictable and destructive industrial conflict (Derber, 1970; Gregory and Katz, 1979; and Woods, 1973). It is considered to be worthy of public support because it forestalls attempts by the stronger of the two parties to the employment relationship (usually the employer) to exploit the weaker, thereby requiring state intervention. Joint employment decision making is also considered to have positive value because of research which suggests that employees who are involved in decision making contribute to the generally higher quality of decisions (Nightingale, 1982). Finally, research suggests that worker participation in employment decision making generally has positive effects on the participants. Alienation decreases and satisfaction increases (Anton, 1980). In short, joint decision making should be supported by public policy because:

- democracy is an intrinsically good thing;
- overt, destructive conflict needs to be controlled;

- in its absence, exploitation is likely to occur;
- productivity is likely to be enhanced thereby; and
- job satisfaction is likely to increase.

Across the Western world, numerous schemes have been invented in order to make employee participation operative. My purpose in this paper is to compare and contrast two modes of addressing the issue: Wagner-style collective bargaining and (what I will call) the statutory works council approach. I have limited my attention to collective decision making in which employees participate by right. Therefore, I have excluded all participative decision making which is initiated and controlled by management. My interest is in plans supported by legislation which employers may not terminate at will. Thus the schemes referred to by Nightingale (1982) in his recent book on *Workplace Democracy* would not qualify. I have also eliminated from consideration innovations designed to increase the rights and bargaining power of individual employees. For example, the right to be dismissed only for just cause — an individual right which has been introduced recently in some Canadian jurisdictions — is beyond the scope of this paper. I have discussed the development of individual rights elsewhere (Adams, 1983).

Since my focus is on decision making at the level of the enterprise, I have made no attempt to incorporate observations on labour-management cooperation at higher levels. For example, I ignore what is generally known in Canada as tripartism (Adams, 1983; Giles, 1982). Finally, I have excluded the phenomenon of worker participation on boards of directors. That topic is, of course, relevant but it is a complex one in need of detailed consideration in its own right.

For the past several decades, the primary Canadian policy instrument concerned with joint labour-management decision making at the level of the enterprise has been the Wagner model.² First introduced in the United States and later adopted in Canada, the stated purpose of the model is to encourage collective bargaining (Summers, 1979; Weiler, 1980, 1983). Toward that end, it has been only partially successful. Since its inception, the practice and procedure of collective bargaining has increased. At the same time, after several decades of experience, only a minority of those affected have made use of their rights as specified by the model (Adams, 1984; Craig, 1983; Summers, 1979; Weiler, 1983).

In recent years, a new Canadian approach to collective employment decision making — the statutory works council (SWC) model — has begun to take shape through proposals put forth by various task forces, commissions and government agencies. Some form of council or committee has been proposed or implemented in regard to a growing list of issues, including work sharing, training and education, profit sharing, pension management, occupational health and safety, plant shut downs and technological change (see Table 4-1).

TABLE 4-1 Existing or Proposed Statutory Works Councils in Canada

Occupational health and safety Joint labour-management committees now are required in most Canadian jurisdictions including, since the summer of 1984, the federal jurisdiction. The function of the committees is to establish enterprise safety and health policy and to oversee the application of legal regulations. The pacesetter act was introduced in Saskatchewan in 1972. See Adams (1983); Bryce and Manga (1983); and Manga, Broyles and Reschenthaler (1981).

Work sharing Under the scheme introduced by the federal government in 1982, employee representatives had to approve work-sharing plans in order for companies to acquire government assistance. See Department of Employment and Immigration (1983).

Redundancies Unorganized as well as organized employees in the federal jurisdiction have the right to negotiate the terms of a plant shut-down. Under this scheme, introduced in 1982, binding arbitration is available in the event of an impasse. See Adams (1983); Bill C-78.

Profit sharing In its budget of February, 1984, the federal government announced plans to encourage profit sharing. To take advantage of government financial incentives, companies would have to set up a joint committee to devise a share formula and to monitor the operation of the plan (Department of Finance, 1984a). In the fall of 1984, a new government assumed power in Ottawa, placing in doubt the future of this proposal.

Pension management The federal government also announced in its February, 1984, budget its intention to require employee participation in pension management. It will only do so, however, if requested by a majority of the employees (Department of Finance, 1984b). The new government has announced its intention to implement this proposal.

Technological change A federal task force on microelectronics and employment recommended in its 1982 report that committees to oversee and negotiate the implications of technological change in the work place be required. These committees would be able to submit impasses to binding arbitration. See Adams (1983); Jain (1983); Labour Canada (1982).

Training and education The Jean commission on adult education in Quebec (1982) recommended the establishment of joint committees which would have the function of developing and overseeing enterprise-level training and education policy. Impasses would be settled by binding arbitration. See Adams (1983); Jean (1981, 1982).

Although the details of the schemes differ considerably, nevertheless they exhibit a number of salient characteristics which, taken as a whole, may be referred to as a distinguishable model. The prototype has much in common with statutory schemes prevalent in Western Europe. Thus, I have drawn on European experience with works councils in my comparison with the Wagner model.

In the mid-1970s Labour Canada sponsored a trip to West Germany by Charles Connaghan. The resulting publication (Connaghan, 1976) produced a national debate, one part of which focussed on the works council concept. The general response of labour and management

groups was negative (Donnelly, 1977; Finn, 1977). Both sides agreed that collective bargaining (under the regulations of the Wagner model) was preferable to statutory works councils. That debate, however, was not informed by an objective comparison of decision making under the two models. Instead, statutory works councils were stigmatized as alien institutions inappropriate in the North American context (Crispo, 1978). Indeed, in his recent book, Nightingale (1982) remarks, "It is difficult to imagine a works council in this country operating in parallel with a trade union" (p. 216). However, what Hanami (1982) refers to as "limited function" works councils do now co-exist with unions in Canada and if current proposals are carried into law many more will soon come into being. Clearly the time is ripe for a careful consideration of these two models.

There are three major dimensions on which the Wagner and the statutory works council models differ: their formation, the agencies through which they represent employees, and their bargaining or decision-making processes. My objective here is:

- to compare and contrast the two models against each other on the three dimensions;
- to assess them against the standards for employee participation noted in the introduction — namely, democracy, conflict control, avoidance of exploitation, productivity improvement and job satisfaction; and
- to suggest ways of altering either or both of them with a view toward improving their performance.

Establishment Procedures

The explicit purpose of the Wagner model is to encourage the practice and procedure of collective bargaining. It does not, however, compel collective bargaining. Instead, a relevant group of employees may, if they see fit to do so, take steps to initiate bargaining. They must form a trade union — usually a local of a larger national or international union — and the union must attract the support of a majority of the relevant employees in order to be certified by the state as the legal bargaining agent of the employees. It is expected and considered reasonable and legitimate for employers to resist unionization so long as they do not engage in blatant coercion, threats and intimidation (Summers, 1979; Weiler, 1980; Woods, 1973). In Ontario, for example, "the [Labour Relations] Board starts with the presumption that employees recognize that employers generally are not in favour of having to deal with employees through a trade union, and that therefore it ought not to surprise them when their employer indicates that he would prefer it if they voted against a trade union" (Ontario Labour Relations Board, 1977).

In contrast to the Wagner model, the SWC model simply requires the establishment of joint decision making in all covered enterprises.

Employees are not generally required to take the initiative. In the schemes reported in Table 4-1, the only exception is the proposal on pension management which requires evidence that 50 percent of the covered employees want to be represented before government will require representation (Department of Finance, 1984b).

Federal plant shut-down legislation requires the employer to take the initiative to begin negotiations with the union or, if the employees are unorganized, with an elected employee committee. The employer may not legally carry through his plans until an employee representative group has been constituted and negotiations have been completed (Adams, 1983; Bill C-78).

Under the federal work-sharing initiative, the government would not fund any scheme unless the employees had been consulted and had agreed to it (Department of Employment and Immigration, 1983). A similar provision appears in the new federal plan designed to encourage profit sharing (Department of Finance, 1984a). Most proposals for joint schemes simply state that councils must be established in enterprises above a certain size. Proposals in regard to technological change (Canada, Department of Labour, 1982) and training (Jean, 1981) follow that approach as does legislation in regard to health and safety (Manga, Broyles and Reschenthaler, 1981).

European experience suggests that legal initiatives designed to require participation might be more symbolic than practical unless careful consideration is given to policing legal requirements. In West Germany, for example, works councils are required in all establishments with five or more employees (ILO, 1980). However, research continually shows that no councils exist in large numbers of small establishments (Adams and Rummel, 1977). One reason for this situation is that, in essence, the onus is on the employees to set up the councils. In companies with no council, the labour court may take steps to establish a council but only on application of three or more employees or from a trade union represented in the establishment (ILO, 1980). The latter provision, introduced in the early 1970s, has led to a large increase in the number of operating councils in some industries. Nevertheless, there are still many companies where the required participation procedures are not in effect.

In Canada, the federal work-sharing and profit-sharing plans have a built-in monitor in that evidence of ongoing participation must be produced in order for government funds to be granted. The occupational health and safety schemes also have policing procedures. In Saskatchewan, for example, the committees must keep minutes of their meetings. Copies of the minutes are carefully monitored by the provincial labour ministry (Manga, Broyles and Reschenthaler, 1981). Thus, failure to receive a set of minutes is evidence that a committee is not working or not working satisfactorily. Committees are also required in Ontario to keep minutes, but there does not seem to have been a concerted effort to

monitor them. Not much attention has been paid to this issue in regard to the proposed technological changes and training committees. The federal government's new pension management proposal practically assures a development where unionized employees will participate in overseeing pensions but non-union employees will not. Unions will be able to mobilize the required 50 percent but most likely few non-union employees will make the effort.

Why do the two models differ so drastically in their approach to establishing joint decision making? One of the main reasons is that collective bargaining is considered to be primarily an economic rather than a political phenomenon whereas the reverse holds with respect to joint committees. Despite the democratic rhetoric used by many industrial relations scholars (Derber, 1970; Summers, 1979), collective bargaining is seen primarily as a device whereby employees may place themselves on a stronger economic footing in dealing with their employers. It is considered a power resource to which employees may turn when they are dissatisfied and angry with unilateral employer policy. It is viewed as a tool for improving the position of the sellers with respect to the buyers in the process of determining the price for labour. From that perspective, it is perfectly reasonable to require those who will benefit to take the steps necessary to enhance their bargaining position. It is also reasonable to accept that those who will be disadvantaged will attempt to avoid a change in status. With no apparent embarrassment, American textbooks provide advice to management on how to avoid unionization and collective bargaining. One recent Canadianized American textbook advises management:

- to be continually alert for signs of low employee morale;
- if a union organizing campaign begins, the company should give "full responsibility to a single decisive executive" to "manage the campaign" against unionization;
- to be aware that employees are concerned about more than money and benefits;
- to pay "serious attention to needs and attitudes of employees"; and
- to centralize strategy in companies with several plants so that unions are unable to get a "wedge" into the company by organizing scattered plants.

These writers also provide advice to management on how to train supervisors so that they will not "hinder their employers' attempts to limit union organizing activity" (Dessler and Duffy, 1984, pp. 47-49). Finally, it is also reasonable to assume that employees who have not taken steps to acquire additional bargaining power must be relatively satisfied with the status quo and that the state should not interfere with buyers and sellers who are apparently satisfied with their market rela-

tionship. In his recent writings, Beatty (1980, 1983) explores in some depth the implications of this pervasive image of labour as a commodity which he laments.

Quite different conclusions flow from a political theory of the employment relationship. From a political perspective, employees may be thought of as citizens of a work society which, like all societies, must be governed (Dahl, 1984; Derber, 1970, 1980; Summers, 1979). In the absence of collective decision making by right, the form of governance is command-and-obey authoritarianism (Nightingale, 1982). One group (management) makes, administers and adjudicates the rules with respect to another group (the employees). From this point of view, employee efforts to unionize in order to bargain collectively may be thought of as attempts to replace authoritarian enterprise governance with a form of democracy (Dahl, 1984; Derber, 1970). This perspective leads to quite different implications from the economic perspective.

First, instead of a market factor legitimately attempting to maximize economic advantage, management instead takes on the character of an authoritarian government acting to avoid democratization. From the political perspective of the confirmed democrat, such actions are contemptible and intolerable in democratic society. Second, from the perspective of the democrat, the Wagner model system appears to be perverse. If the objective is to encourage the spread of democracy, why are employee-citizens required to surmount numerous obstacles in order to establish democratic decision making?

The Wagner model appears to answer the question: What may be done to provide employees with more bargaining power when they are forced to accept intolerable bargains? From the democratic perspective, the appropriate question is: What may be done to involve all employee-citizens in the enterprise governance?

Third, unlike the typical cost-benefit logic of economics, to the democrat, employee attitudes about the goodness or badness of substantive conditions under authoritarian forms of enterprise governance are entirely irrelevant. The economic problem, to the confirmed democrat, is not one of choice between democracy and autocracy. Democrats would not choose dictatorship even if it could be demonstrated unequivocally that their material well-being would be improved thereby. From the point of view of the democrat, the economic problem is how to maximize material advantage within the context of democracy. Political democracy itself is an *a priori* given, not something to be assessed against an economic rationale.

The statutory works council model flows more naturally from the political than from the economic theory. As a policy approach, it is much truer to the proposition that employees should, as a matter of right, be able to participate in the making of decisions which critically affect their working lives. As Beatty (1983, p. 320) notes:

In liberal democratic theory enfranchisement is a universal and equal right. If collective bargaining really was industrial democracy all workers would have to be included among its citizens.

The development of the SWC approach places the Wagner model in a new perspective. If worker participation in employment decision making is an inherently good thing, why not require that it take place in all relevant establishments and that it address all relevant issues? If collective bargaining is the preferred form of industrial democracy, why require workers to surmount multiple barriers in order to implement it? We do not permit our municipalities and school boards to choose between authoritarianism (no matter how benevolent) and democracy. Why should we permit such a choice to our enterprises?

Bargaining Agents

Another major difference between the two approaches has to do with bargaining agents. In Wagner-style collective bargaining, the employee agent is always a trade union or an association which is independent of the employer. As it has developed in Canada, the SWC approach requires (or permits) the local union to assume the rights and obligations of the employee representative in those firms where a local union exists. This approach is unique in the international context. In countries with statutory works councils, the usual practice is to require councils in addition to trade unions (Adams and Rummel, 1977; Carby-Hall, 1977; Sturmthal, 1983). For example, in West Germany, the councils are the primary worker representative mechanisms inside the enterprise (Adams and Rummel, 1977). Unions negotiate multiple-employer collective agreements but councils oversee their implementation. The councils usually have close relations with the unions. Indeed, councillors are for the most part active trade unionists. But the councils are not structurally a part of the trade union. They are separate legal entities.

One potential problem with the Canadian approach is that, by granting unions legal rights and obligations, the unions become agencies of government to a degree. They improve their capacity to be of benefit to members but, in so doing, surrender some part of their autonomy. This aspect is not new but is, rather, an extension of practice under the Wagner model. Here, unions accept the responsibility to represent fairly both union members and non-unionists in the bargaining unit and, in so doing, take on quasi-governmental functions. Free unions are essential components of democratic societies. Thus, their loss of freedom should give rise to some concern. However, most unions have few qualms about accepting increased authority and power through legislation.

Under the emerging Canadian statutory works council model, the employee bargaining agent in unorganized enterprises varies from pro-

posal to proposal. The most common format is to require that employees be elected from among their peers to sit on a joint committee with an equal number of representatives appointed by management. That is the present practice in regard to occupational health and safety and it is called for in the proposals for technological change and training and education (Adams, 1983; Canada, Department of Labour, 1982; Jean, 1982; Manga, Broyles and Reschenthaler, 1981). Proposals for employee participation in regard to pension management and profit sharing provide few details. Under work sharing, the policy is simply to require evidence that the employees have been consulted and have agreed to the scheme.

One potential problem with the development of the SWCs in non-union companies is that they may not be effective. How is an isolated group of employees supposed to acquire sufficient knowledge about issues as complex as training and technological change in order to participate effectively? (Adams, 1983) The answer in West Germany is that the works councillors associate themselves with the unions and the unions provide them with resource assistance. Works councillors are permitted to take time off with pay to attend relevant courses (Adams and Rummel, 1977). The Saskatchewan health and safety legislation also permits committee members to take time off with pay to acquire relevant training (Manga, Broyles and Reschenthaler, 1981). Without the resources of a union or comparable worker organization behind them, however, it is doubtful whether independent committee members can be optimally effective. In West Germany, the councils with the closest union ties are the most effective. Very little comparative union/non-union research on committees exists in Canada, though one relevant datum appears in the report prepared by Gunderson and Swinton (1981). Under Ontario occupational health and safety legislation, almost all cases of refusal to do unsafe work take place in unionized settings. The unorganized workers apparently are unwilling to make use of their statutory rights.

The obvious answer to ineffective non-union committees is unionization. However, while a good case (from the political perspective) may be made for mandatory collective bargaining, mandatory unionism raises numerous problems. Compulsory, universal unionism is not entirely unknown in Canada. It exists, for example, in the Quebec construction industry and in primary and secondary education in Ontario (Adams, 1984). However, the preponderance of opinion begins with the proposition that unions are independent institutions with their own history, philosophy, customs and traditions, which people should be able to join if they choose. To compel people to join voluntary organizations like unions is generally considered to be improper.

What then may be done? One solution would be to require universal collective bargaining through unions chosen by the relevant employees with a proviso that employees who did not want to associate themselves

with the customs and traditions of the labour movement could opt out through a decertification process similar to that which exists under the Wagner model. Such an approach would be much more consistent with the proposition that employees should be able to participate by right in critical employment decisions than is present policy.

Under the Wagner model, the job of union as bargaining agent is to negotiate and oversee a collective agreement (Weiler, 1983; Woods, 1973). The advent of the SWC model has expanded the legal rights and obligations of unions. Under health and safety legislation, they are charged with ensuring that government regulations are implemented (Manga, Broyles and Reschenthaler, 1981). It is easy to envision extensions of this logic. In addition to the list of SWC issues noted above, unions might also be asked to oversee the implementation of employment standards and human rights legislation. Instead of a multiplicity of dispute resolution procedures, the grievance procedure could be used to settle disputes over the application of both collective agreements and employment-related legislation. It would seem to be more rational for the employee bargaining agent to oversee the application of the entire relevant "web of rule," not just the part of the web encompassed by the collective agreement.

In British Columbia, the provincial government has recently taken a step in that direction. Under the Employment Standards Amendment Act, proclaimed in effect as of December 1, 1983, "When a collective agreement already covers certain terms and conditions of employment, the provisions in the corresponding part of the Employment Standards Act will not apply." At the same time, "If a collective agreement does not contain those terms and conditions of employment then that part of the Act will apply as if part of the agreement." As a result, "Disputes arising from those provisions will now be processed through the normal grievance and arbitration procedures of the collective agreement rather than by lodging a complaint with the Employment Standards Branch" (British Columbia, Ministry of Labour, 1983). The act has two major effects: it removes "the risk of double jeopardy for employers," and it places new responsibilities on trade unions to oversee the application of relevant legislation.

Once again, this development must be considered from the perspective of union freedom as well as from an efficiency point of view. Increasing union responsibilities should be more efficient than current procedures, and it should provide covered employees with greater assurance that their rights will be adequately protected. However, by accepting new legal responsibilities, unions become less free to develop and implement policies of their own.

A more comprehensive approach to employment decision making at the level of the local enterprise could also be achieved by providing statutory committees with a broader mandate than is currently envi-

sioned for them. Proposals in Canada generally call for multiple, issue-specific committees. It would seem to be more efficient to establish one multiple-purpose committee for each enterprise which would share responsibility for all of the issues noted above. The committees might also be asked to oversee the full range of applicable employment legislation. Multiple-purpose councils are prevalent in Europe, although in some systems special purpose committees for issues such as health and safety also are required ("France," 1981; Hanami, 1982).

In addition to dealing with the substantive issues noted above, joint committees might also be asked to decide issues concerning wages and benefits. After all, no issue is more critical to employees. Perhaps the biggest problem with this option is that it could undercut the appeal of trade unions and weaken the free labour movement.

Should the concept of statutory committees be discarded altogether then? Some analysts believe that statutory councils with authority to decide any issue are a threat to independent trade unionism because they assume functions which otherwise might be performed by unions. At the same time, many employer-sponsored representation plans initiated in the 1920s and 1930s evolved into independent unions in the 1930s and 1940s. Statutory councils may give unorganized employees experience in dealing collectively with their employers and whet their appetite for more. If statutory committees had the right to negotiate not only the issues noted above but also wages and benefits, would there be any need for unions? The answer, from history, is yes. Independent statutory councils would be similar in many respects to independent local unions of the 19th century. Like their predecessors, they would be at a disadvantage in dealing with their employers because their resources would be very meagre. In West Germany, the councils work best when they maintain a close relationship with the trade unions who provide them with training, research and other valuable resources. It is very likely that many independent SWCs in Canada would turn to unions for assistance. Indeed, instead of discouraging union growth, SWCs with a mandate to negotiate wages and benefits might foster growth. But that course of action is risky. It would be prudent for the foreseeable future to limit the prerogative to negotiate over wages and benefits to certified unions.

Bargaining Process

In bargaining, according to the Wagner model, the parties begin with extreme positions and move toward centre ground. At the start, there are many issues "on the table." As bargaining proceeds, some issues are traded off. Management is expected to defend strongly its unfettered ability to decide. Thus, in order for unions to influence issues such as those proposed for SWC decision making, they usually must pose a credible strike threat (Craig, 1983; Kochan, 1980; Nightingale, 1982;

Weiler, 1980). The strike threat is the primary dynamic producing concessions on both sides because strikes usually have negative consequences for both parties. On many of the issues noted above, unions have not been able to compel management to include a clause in collective agreements. Table 4-2 provides some relevant data. Of bargaining units containing 200 or more employees (with construction excluded), unions in 1982 participated in the administration of only 134 pensions funds or 6 percent of the total. They participated in the administration of 5 percent of the health and welfare plans. There was a committee whose task it was to look specifically at technological change in fewer than 10 percent of the units. In only one-fifth of one percent of the agreements was there a provision which called for the collective agreement to be reopened in the event of a technological change.

There was provision for training or retraining of some sort in almost 60 percent of the agreements. However, Table 4-3, which reproduces data drawn from a broader sample of employers, indicates that the incidence of negotiated training plans was much lower. Respondents to a survey of establishments with 20 or more employees were asked whether they had a negotiated plan or policy on training and development during normal working hours for their employees. The percentage of establishments answering in the affirmative is reported. Many respondents, it should be noted, did not answer the question and thus the data may understate to some extent the actual rate of union participation in training.

Finally, the very low rate of union involvement in quality of working life programs may be noted. Does this lack of employee influence on many issues in which public inquiries say employees should participate indicate a lack of union and employee interest? Perhaps. But data from the United States on employees' attitudes suggest that, whereas wages and benefits have priority with most union members, they would like their unions to influence issues concerning quality of working life and management issues also (Kochan, 1980). Moreover, when employees are provided with the opportunity to participate in key enterprise decisions without incurring any costs, as they are under health and safety legislation, for example, they almost never refuse to participate. The problem is that, under Wagner model bargaining, making headway with regard to non-strike issues is very difficult. Faced with managements' unwillingness to see its presumed rights further eroded, many unions simply abandon efforts to negotiate issues such as training and technological change. Others never put such demands on the table, knowing that to do so is futile; failure to achieve concessions on such issues might suggest to the members that the leadership is deficient.

Works council negotiations are quite different from Wagner model collective bargaining. Instead of considering multiple issues simul-

TABLE 4-2 Collective Agreement Provisions, December 1982^a

Provision	Agreements with Provision	
	Number	Share
Total number of agreements	2235	100
Administration of pension funds		
Union/management jointly	128	5.7
Union only	6	0.3
Training or retraining not related to technological change	1298	58.1
Administration of health and welfare plan		
Union/management jointly	106	4.7
Union only	9	0.4
Labour-management committee — Technological change	215	9.6
Technological change reopener	5	0.2
QWL committee	24	1.1

Source: Labour Canada survey cited in D. Wood and P. Kumar, eds., *The Current Industrial Relations Scene in Canada* (Kingston: Queen's University, 1983).

a. All industries with 200 or more employees excluding construction.

TABLE 4-3 Negotiated Training and Development Plans in Canadian Industry, 1979

Industry Sector	Percentage of Units Reporting a Negotiated Plan		
	Executive, Professional, Management Employees	Office Employees	Non-Office Employees
Logging and Mines	0	2	19
Manufacturing	0	7	4
Transportation, Communication and Utilities	0	1	2
Trade	0	6	5
Finance	0	0	0
Service	23	21	14
Public Administration	n.a.	2	2
All Industries	n.a.	10	7

Source: Labour Canada, *Statistics from Survey of Educational Leave and Training and Development* (Ottawa: Labour Canada, 1981), based on a survey of establishments with 20 or more employees.

taneously, each issue is addressed separately from the others. Labour and management are expected to reach agreement on each of the issues instead of trading off one against the other. For example, in regard to health and safety, labour and management representatives are supposed jointly to develop procedures designed to ensure a safe workplace. It would be a bastardization of the process for the employee side of the committee to agree to allow management complete discretion with regard to safety in return for a 10-cent wage increase. Such a tradeoff, however, would be perfectly proper under Wagner-style bargaining.

The two decision processes also are different in terms of their relationship pattern (Walton and McKersie, 1965). Works councils are intended to be cooperative in nature while collective bargaining is adversarial. In a works council relationship, the parties ideally work together to solve perceived problems instead of seeking to win at the expense of the opponent (Derber, 1980; Nightingale, 1982; Walton and McKersie, 1965). The German Works Constitution Act (ILO, 1980, p. 99) states that:

The works council and the employer shall work together in a spirit of mutual trust and in co-operation with the trade unions and employer's associations for the good of the employees and of the establishment.

Evidence indicates that, by and large, the mandate has been carried out (Adams and Rummel, 1977; Anton, 1980). In Canada, evidence from Saskatchewan on the performance of the health and safety committees indicates that those committees have worked effectively and in harmony toward mutually beneficial solutions to perceived problems (Adams, 1983; Manga, Broyles and Reschenthaler, 1981).

One school of thought on worker participation in enterprise decision making holds that cooperative, problem-solving behaviour cannot be compelled by law but must instead be embraced willingly by the antagonists. European experience does not support that theory. It suggests instead that, if participation is not compelled by law, most employers will not magnanimously share power and decision making with employees. It also suggests that cooperative problem solving can proceed even when joint decision making is required by law.

In the West German context, the key dynamic providing employees with real power is the ability of the council to submit issues to binding arbitration in the event of an impasse.³ Both employers and employees try to avoid arbitration in the belief that arbitrators may impose inappropriate conditions. Thus arbitration is not used very often (Adams and Rummel, 1977; "West Germany," 1983). However, because they cannot proceed with impunity in the event of an impasse, employers must negotiate in good faith. Joint decision making in other European countries (France is a notable example) has been less than satisfactory because schemes in those countries depend almost entirely on employer good will to reach terms acceptable to the employee side. Because of

generally unsatisfactory performance with non-coercive schemes, in recent years the power of the employee side has been expanded in many systems (Canada, Department of Labour, 1982; Sturmthal, 1983).

In Canada, as in Europe, statutory works council proposals almost always forbid the use of strikes as devices to resolve impasses. Implicitly, the strike is a device considered to be intimately and inextricably bound up with trade unions. The most common alternative to strikes is arbitration. Proposals with respect to both technological change and training call for arbitration (Canada, Department of Labour, 1982; Jean, 1982). The federal scheme for negotiating the impact of plant shut-downs requires a form of mediation-arbitration (Adams, 1983; Bill C-78). Health and safety legislation implicitly expects government inspectors to act as arbitrators should disputes over unsafe conditions occur. Employees are, however, permitted to refuse to engage in work they consider to be unsafe. That right is tantamount to permitting a type of work stoppage. The right must be exercised with care, however, because employers may discipline employees who frivolously disobey orders (Manga, Broyles and Reschenthaler, 1981). Because the right to arbitrate is not made explicit in occupational health and safety legislation, the performance of joint decision making is dependent to a large degree on government administrators. In Saskatchewan, where the government has made it known that it wants the parties jointly to settle issues in dispute, the experience has been regarded favourably by labour and management groups. In Ontario, where the government authorities apparently have been less vigilant and demanding, the effectiveness of the process has been called into question (Martel, 1983).

If collective bargaining is said to be a strike-threat system, then SWC decision making may be thought of as an arbitration-threat system. In all of the schemes noted above, arbitration is intended as a final step, not the primary means of deciding. In theory, arbitration can become addictive and it may stifle bargaining. The extent to which it actually has these effects, however, is ambiguous. In a recent review, Gunderson (1983) concludes that "the available evidence does not allow one to say that arbitration destroys collective bargaining." The German experience indicates that the parties under SWC procedures will probably try to avoid arbitration. When there is a deadlock between a works council and the employer in West Germany, a conciliation committee composed of equal numbers of employer and employee representatives with a neutral chairman (usually a member of the labour court) is struck. With the help of the chairman, the committee attempts to resolve the impasse. If it fails to do so, the chairman decides. A recent major study of 6,240 works agreements negotiated between 1972 and 1979 found only 70 cases that were submitted to conciliation committees. The chairman was required to decide only 20 percent of those cases. In short, less than one-half of one percent of the agreements had to be arbitrated ("West Germany," 1983).

The narcotic and chilling effects of arbitration may be more prevalent when the issues to be decided are easily quantified. Two positions on a money wage increase are easily split or may be effectively resolved by reference to standards such as equity and ability to pay (Gunderson, 1983). It is much more difficult for an outsider to make a reasonable decision about enterprise policy with regard to issues such as training, safety and technological change. For that reason, strong pressure is exerted on both sides in order to avoid arbitration. At the same time, arbitrators tend to be conservative, and it has proven to be more difficult for unions operating under arbitration systems to make new breakthroughs than it is for unions which may exercise the right to strike.

In the folklore of North American industrial relations, collective bargaining is considered to be far superior to alternative employment decision making procedures. But it is inferior to the SWC model in some critical aspects. By specifying the issue to be jointly decided and by providing for binding third-party resolution of impasses, the council approach ensures employee participation in deciding specified issues. If the law says that a labour-management committee will jointly develop a plan for the introduction of new technology with any impasse subject to arbitration, then the employees involved will participate in the making of that plan. Under Wagner model bargaining, the employees have no such assurance. If they want to participate in the development of a technological change plan, they must be willing to give up something else and/or be ready to forego work and income for an indeterminate period of time in order to make their "demand" credible. Why should employees be expected to suffer in order to participate in decisions which critically affect their working lives? The answer is to be found, once again, in the contrary theories underlying North American labour policy. If the parties to the employment relationship are simply market hagglers arguing over the terms of exchange of economic commodities, then they must have the right to withhold those commodities from the other side.

Workers may be regarded as shoppers at an employment bazaar. They may exchange the quantity of labour they are willing to make available for some combination of wages, hours and participation in decisions regarding training, technological change, and so on, but the more they purchase of one, the less they may have of another. From the opposite point of view, management may be considered to be the shopper for labour, offering wages, hours and participation in exchange. Within this theoretical tradition, management historically has been much more willing to agree to bargains that include concessions for high wages and low hours of work than to packages which include participation by right in decision making. By and large, unions have been willing to settle for those terms. The strike within this tradition may be thought of as a market mechanism which, when other devices fail, helps the parties to

sort out priorities and identify mutually acceptable commodity packages. Suffering clarifies priorities on both sides. In order not to distort this market-sorting process, the state is expected to limit its intervention. The objective sought is efficient exchange of valued commodities.

From a political perspective, however, the strike threat system is an anomaly. It is analogous to the medieval method of dispute resolution known as trial by combat. When two parties had a dispute, they would physically confront each other. The winner of the test of strength was declared to be in the right by virtue of his victory. The assumption was that a higher power had provided the victor with the wherewithal to prevail and by doing so had indicated the virtuous one. Under democracy, disputes should be settled by reference to appropriate standards, not by the imposition of raw power or by the mysterious intervention of God. However, under the strike-threat system, winners and losers are determined by factors such as technology, business cycles and strike funds, not by reference to relevant objective standards. Moreover, the ability to pose (or withstand) a strike threat is not equitably distributed. Some parties have a lot of clout (autoworkers, for example) while others have very little (clerks in small retail stores, for example), but the distribution has nothing to do with democratic values. In short, the strike threat system is a very inadequate device for ensuring that all employee-citizens have the capacity to participate in decisions which critically affect their working lives.

The strike is the primary tool in the kit of the independent labour movement. Given the North American history of hostility to unions (Craig, 1983; Kochan, 1980), it is certain that organized labour will not part willingly with the strike. Nor should the labour movement be asked to do so. Nevertheless, in the light of the development of the SWC model, policy makers should consider the possibility of providing unionized employees with a choice of procedures in the event of an impasse (Ponak and Wheeler, 1980). If unions could either strike or submit issues in dispute to arbitration, unionized employees would better be able to participate in critical decisions. Such a choice already exists (with restrictions) in the federal public service (Craig, 1983). In British Columbia, first contracts may be arbitrated (Weiler, 1980). Why not a system where second, third or fourth contracts could be arbitrated? (Adams, 1981). Research suggests that the incidence of strikes is likely to be substantially less under choice of procedures than under simple strike systems (Ponak and Wheeler, 1980, p. 305).

If abuse of the provision were feared, labour ministries could be given the power to vet intentions to arbitrate. Under the version of the Wagner model in place in several Canadian jurisdictions, the requisite machinery is already in place (Craig, 1983; Weiler, 1980). Conciliation boards which now issue only non-binding recommendations could be made into arbitration boards at the discretion of the minister responsible. When an

impasse occurs and a conciliator is appointed, the union might ask the conciliator to recommend that an arbitration board be appointed. If, in the judgment of the minister, some combination of democracy, justice, labour peace, productivity and job satisfaction were to be best served by arbitration, then he or she would agree to the request. If, however, the minister felt that the requesting party was not negotiating in good faith, he or she could refuse to allow the request.⁴ The availability of choice of procedures would also, as Adams (1981) and Gunderson (1983) note, enhance the "demand" of unorganized employees for collective bargaining. Many unorganized workers in Canada are in occupations and industries where the strike threat is not credible (Beatty, 1980, 1983). Since current Wagner model policy requires unionists to be prepared to strike if they hope to win concessions from management, many of the unorganized workers have concluded that certification would be a futile effort.

One other aspect of the bargaining process on which the models differ needs to be pointed out. SWC bargaining is continuous, whereas Wagner model bargaining is usually disjointed. Joint committees meet on a regular basis to discuss and resolve issues as they arise. Under the Wagner model, the parties bargain comprehensive collective agreements periodically. Between bargaining rounds, management has the right of first interpretation of the collective agreement and typically maintains the unilateral right to decide any issues beyond the collective agreement (Weiler, 1980; Woods, 1973).

These aspects of Wagner model bargaining are the result of management's insistence that it could not manage effectively if it had to engage in continuous negotiations with a trade union (Woods, 1973); once an agreement is signed, the union should let management alone so it can get on with its functions. In the abstract, the argument is compelling. There is also evidence from countries such as Britain, France and Italy which suggests that management's worst fears might indeed materialize. However, continuous negotiation in the context of the West German works council experience has not caused serious problems.

Because it is impossible to see into the future with clarity, continuous negotiations make sense if the prime objectives are to provide employees with a meaningful say in decision making and to improve productivity through employee involvement. However, the risk of disruption and conflict clearly increases.

A Program for Action

The following proposals emerge from the analysis presented above:

- The works council approach should continue to proceed. Legislation should be introduced, providing for councils to participate in health and safety, work sharing, redundancies (if necessary), profit sharing,

pension management, technological change, and training and development. The councils should also be asked to take responsibility for overseeing the implementation of human rights legislation and employment standards.

- Works council impasses should be arbitrable. In each enterprise, there should be a general council to oversee and coordinate the work of the various committees.
- A one-time referendum should be held which would allow employees in all covered workplaces to vote for union representation.
- Enterprise-based unions should be permitted to assume the responsibilities of works councils if they choose to do so but they should not be required to do so.
- Binding arbitration should be available as an option in the event of a collective bargaining impasse.

These principles all follow from the political conception of the work enterprise. If they were all put into effect, it is quite certain that:

- democracy would be enhanced;
- working people would be better protected against exploitation; and
- job satisfaction would be more prevalent.

It is not as clear what would happen in regard to conflict control and productivity.

One function of unions in our system of industrial relations is to secure the best possible conditions of employment for their members. The presence of unions pursuing that objective puts pressure on management to manage as efficiently as possible. At the same time, unions sometimes use their power to secure inefficient job security provisions in collective agreements. Where union-management relations are embittered, productivity may suffer. At present, a major debate is raging within the academic community over the aggregate economic effects of unionization. One conclusion appears to be clear: unions and collective bargaining in North America have no systematic negative impact on economic performance. Indeed, the weight of the evidence suggests that the overall impact is positive (Freeman and Medoff, 1984).

What can be expected in regard to industrial conflict? Will a higher level of unionization produce a higher level of conflict? European experience suggests that the opposite effect may be expected. The most highly organized countries (Scandinavia, Austria) have a very low incidence of conflict (Sturmthal, 1983; von Beyme, 1980). The labour movements in those countries are secure and confident about their role in society. Business has long since abandoned the union-bashing efforts now experiencing a resurgence in North America. Because labour is so highly organized, business considers its major labour relations challenge to be one of coming to terms with the labour movement instead of putting its energies into avoiding unions and escaping collective bargaining. Some

U.S. research suggests that the same effect of high unionization may be expected in North America. Survey research in the United States indicates that large companies tend to abandon anti-unionism once they are about 40 percent organized (Kochan, 1980). As in Scandinavia and Austria, management strategy in such organizations tends to be one of cooperation instead of confrontation. Strong unions find fewer occasions when they consider it essential to demonstrate their militancy than do weaker unions. Strong unions have less reason to fear that the real intention of government and business in seeking cooperation instead of conflict is to undermine and destroy the labour movement.

Increased unionization is not the only aspect of the proposed program likely to have the effect of reducing overt conflict. Adopting the option of giving a choice of procedures in settling impasses should also help to ameliorate the incidence of strikes. As noted above, strikes and lockouts are comparatively rare in those jurisdictions where a choice of procedures is available.

This benign prediction of reduced conflict is not meant to deny that there are risks involved in implementing the program. If suspicious adversarialism survives the expansion of collective bargaining, conflict rates will, no doubt, go up instead of down.

I do not need to be told that the program outlined here is "unrealistic" in the sense that it is likely to meet stiff opposition from those who benefit from the status quo. I also realize that it must be implemented in eleven jurisdictions if it is to become a national reality. Therefore, I have no false illusions about its quick acceptance. At the same time, I am confident that anyone of good will who would carefully review the experience outlined here would come to the conclusion that this program, if implemented, would be of significant benefit to Canadians and to Canada. Should that opinion become widespread, the impediments to its implementation will appear much less imposing.

Notes

This paper was originally written in June 1984. It was presented at the Symposium on Labour-Management Cooperation in Canada held by the Royal Commission on the Economic Union and Development Prospects for Canada on June 22, 1984. It was revised in December 1984.

I would like to express my deep appreciation to all of those who took time to read and comment upon an earlier version of this paper and in particular to Tony Giles, Joe Rose, Naresh Agarwal, Dave Lewin, Craig Riddell, Oliver Clarke, Tom Kochan, Joe Weiler, Mark Sproule-Jones, Mike Atkinson, Al Ponak, Frank Reid and Steve Deutsch.

1. Admittedly, the strength of the consensus in favour of the proposition waxes and wanes. At present, it is on the wane in some countries — Britain and the United States, most notably. Nevertheless, several industrial relations authorities have recently reaffirmed the continued existence of the principle despite challenges to it. See, for example, the articles by St. Antoine (1984) and Kassalow (1984).
2. The term "the Wagner model" is used to refer to the pattern of labour-management interaction implicit in the U.S. National Labor Relations Act — known generally as

- the Wagner Act. Although there is no definitive description of the "model," most students of industrial relations would agree that the following aspects are fundamental:
- Employees have the right to negotiate collectively with their employers over terms and conditions of employment.
 - Trade unions are the appropriate vehicle through which employees should be represented.
 - Employees have a right to join or form trade unions free from coercion or intimidation.
 - Employers have a duty to bargain in good faith with unions certified by a specialized government agency (e.g., in the U.S., the National Labor Relations Board) to represent a majority of their relevant employees.
 - Should negotiation impasse occur, both parties have the right to stop work (e.g., the right to strike or lockout).
3. On several issues, German works councils have co-determination rights and it is those issues which may be arbitrated. On other issues, the councils have only lesser rights to information and consultation. If an impasse occurs on those issues, the employer decides; see Adams and Rummel (1977).
 4. In the spring of 1984, the Manitoba government issued a discussion paper on proposed changes in labour legislation. That paper included a proposal whereby bargaining impasses would be submitted to final offer selection (a form of arbitration) if either side chose that option and if the majority of bargaining unit employees concurred. The proposal was, however, greeted with considerable opposition and was not included in the final version of the new legislation. See Dolin (1984) for a description of the scheme.

Bibliography

- Adams, G. W. 1981. "The Ontario Experience with Interest Arbitration Problems in Detecting Policy." *Relations Industrielles* 36 (1): 225-50.
- Adams, R. J. 1982. "The Federal Government and Tripartism." *Relations Industrielles* 37 (3): 606-16.
- . 1983. "The Unorganized: A Rising Force?" Proceedings of the 31st Annual McGill Industrial Relations Conference. Montreal: McGill University Industrial Relations Centre.
- . 1984. "The Extent of Collective Bargaining in Canada." *Relations Industrielles* 39 (4): 655-67.
- Adams, R. J., and C. H. Rummel. 1977. "Worker's Participation in Management in West Germany: Impact on the Worker, the Enterprise and the Trade Union." *Industrial Relations Journal* 8 (1): 4-22.
- Anton, Frank R. 1980. *Worker Participation: Prescription for Industrial Change*. Calgary: Detselig Enterprises.
- Beatty, David M. 1980. "Labour Is Not a Commodity." In *Studies in Contract Law*, edited by John Swan and Barry Reiter. Toronto: Butterworth.
- . 1983. "Ideology, Politics and Unionism." In *Studies in Labour Law*, edited by K. Swan and K. Swinton. Toronto: Butterworth.
- Bill C-78, An Act to provide for the payment of benefits to laid-off employees and to amend the Canada Labour Code, First Session, Thirty-second Parliament, 29-30-31 Elizabeth II, 1980-81-82 (*Labour Adjustment Benefits Act*).
- British Columbia. Ministry of Labour. 1983. "Employment Standards Amendment Act Comes into Effect." Victoria: The Ministry.
- Bryce, G. K., and P. Manga. 1983. "Committees to Guard the Workplace." *Policy Options* 4 (5) (September): 49-51.
- Canada. Department of Employment and Immigration. 1983. *A Preliminary Evaluation of the Work Sharing Program*. Ottawa: The Department.
- . Department of Finance. 1984a. *Gain Sharing for a Stronger Economy*. Ottawa: The Department.

- . 1984b. *Action Plan for Pension Reform*. Ottawa: The Department.
- . Department of Labour. 1982. *In the Chips*. Ottawa: The Department.
- Carby-Hall, J.R. 1977. *Worker Participation in Europe*. London: Croom Helm.
- Connaghan, C.J. 1976. *Partnership or Marriage of Convenience: A Critical Examination of Contemporary Labour-Relations in West Germany with Suggestions for Improving Canadian Labour-Management Relationships Based on the West German Experience*. Ottawa: Labour Canada.
- Craig, A.W.J. 1983. *The System of Industrial Relations in Canada*. Scarborough: Prentice-Hall.
- Crispo, J. 1978. *Industrial Democracy in Western Europe*. Toronto: McGraw-Hill.
- Dahl, R.A. 1984. "Democracy in the Workplace." *Dissent* 31 (1): 54–60.
- Derber, Milton. 1970. *The American Idea of Industrial Democracy 1865–1965*. Urbana: University of Illinois Press.
- . 1980. "Collective Bargaining, Mutuality and Workers' Participation in Management: An International Analysis." *Relations Industrielles/Industrial Relations* 35 (2): 187–201.
- Dessler, G., and J.F. Duffy. 1984. *Personnel Management*. 2d ed. Scarborough: Prentice-Hall.
- Dolin, Mary Beth. 1984. "Information Concerning Proposed Changes in Manitoba's Labour Legislation." Winnipeg: Manitoba Department of Labour.
- Donnelly, W.C. 1977. "Participative Management Is a Grassroots Process." *Labour Gazette* 77 (6): 278–79.
- Finn, Ed. 1977. "In Praise of Participation." *Labour Gazette* 77 (1): 5–8.
- Freeman, R.B., and J.L. Medoff. 1984. *What Do Unions Do?* New York: Basic Books.
- "France: Major Workers' Rights Plan." 1981. *European Industrial Relations Review* (December).
- Giles, A. 1982. "The Canadian Labour Congress and Tripartism." *Relations Industrielles/Industrial Relations* 37 (1): 93–125.
- Gregory, C.O., and H.A. Katz. 1979. *Labor and the Law*. 3d ed. New York: Norton.
- Gunderson, Morley. 1983. *Economic Aspects of Interest Arbitration*. Toronto: Ontario Economic Council.
- Gunderson, Morley, and Katharine Swinton. 1981. *Collective Bargaining and Asbestos Dangers at the Workplace*. A study prepared for the Royal Commission on Matters of Health and Safety Arising from the Use of Asbestos in Ontario. Toronto: The Commission.
- Hanami, T. 1982. "Workers' Participation in the Workshop and the Enterprise." In *Comparative Labour Law and Industrial Relations*, edited by R. Blanpain and F. Millard. Kluwer, Netherlands: Deventer.
- Hirsh, B.T., and A.N. Link. 1984. "Unions, Productivity and Productivity Growth." *Journal of Labour Research* 5 (1): 29–37.
- International Labour Office. 1980. *Co-determination in the Federal Republic of Germany*. Geneva: ILO.
- Jain, H.C. 1983. "Micro-electronics Technology and Industrial Relations: Federal Task Force Recommendations." Proceedings of the 20th annual meeting of the Canadian Industrial Relations Association, Vancouver, June.
- Jean, Michèle. 1981. *Adult Education in Quebec: Possible Solutions*. Commission d'étude sur la formation professionnelle et socio-culturelle des adultes. Montreal: Government of Quebec.
- . 1982. *Apprendre: Une action volontaire et responsable*. Commission d'étude sur la formation des adultes. Montreal: Government of Quebec.
- Kassalow, Everett M. 1984. "The Future of American Unionism: A Comparative Perspective." *Annals of the American Association of Political and Social Science* 473 (May): 52–63.
- Kochan, T. 1980. *Collective Bargaining and Industrial Relations*. Homewood, Ill.: Irwin.

- Manga, Pran, Robert Broyles, and Gil Reschenthaler. 1981. *Occupational Health and Safety: Issues and Alternatives*. Ottawa: Economic Council of Canada.
- Martel, Elie. 1983. "Not Yet Healthy, Not Yet Safe." A Speech in the Ontario Legislature, April.
- Nightingale, D.V. 1982. *Workplace Democracy*. Toronto: University of Toronto Press.
- Ontario Labour Relations Board. 1977. *Amalgamated Clothing and Textile Workers Union, Toronto Joint Board vs. Dylex*.
- Pateman, C. 1970. *Participation and Democratic Theory*. London: Cambridge University Press.
- Ponak, A., and H.N. Wheeler. 1980. "Choice of Procedures in Canada and the United States." *Industrial Relations* 19 (3): 292-308.
- St. Antoine, Theodore. 1984. "Changing Concepts of Worker Rights in the Work Place." *Annals of the American Association of Political and Social Science* 473 (May): 108-15.
- Sturmthal, Adolf. 1983. *Left of Center: European Labour Since World War II*. Urbana: University of Illinois Press.
- Summers, Clyde W. 1979. "Industrial Democracy: America's Unfulfilled Promise." *Cleveland State Law Review* 28: 29-49.
- von Beyme, K. 1980. *Challenge to Power*. London: Sage.
- Walton, R.E., and R.B. McKersie. 1965. *A Behavioural Theory of Labor Negotiations*. New York: McGraw-Hill.
- Weiler, Paul. 1980. *Reconcilable Differences*. Toronto: Carswell.
- . 1983. "Promises to Keep: Securing Workers' Rights to Self-Organization Under the NLRA." *Harvard Law Review* 96 (June): 1769-1827.
- "West Germany: Works Agreements Reassessed." 1983. *European Industrial Relations Review* 119 (December): 14-15.
- Woods, H.D. 1973. *Labour Policy in Canada*. Toronto: Macmillan.



The Japanese Labour Relations System *Lessons for Canada*

JOSEPH M. WEILER

Industrial relations scholars have written that for a particular country's industrial relation system to be a viable model for another country, three essential conditions must be met. First, there must be a fundamental consensus among the three actors in the system, i.e., workers and their organizations, management and government. Second, the model must show a high rate of achievement within its own society. Third, "the will to export" or "the will to demonstrate" must exist in the industrial relations model country.¹ Writing in the early 1960s, John Windmuller was persuaded that, despite its economic achievements, the Japanese industrial relations system did not meet these criteria because the ideology of Japan's largest labour organization, Sohyo, was hostile to the prevailing social and economic order.² Windmuller's conclusion was based on the reasoning that if the Japanese system was unpopular in the eyes of the major labour centre in that country, why would foreign analysts be interested in adopting this model in their respective economies?

Two decades later the leaders of Sohyo still express disenchantment with some of the capitalist features of Japanese economic policy. However, the remarkable growth of the Japanese economy in recent years and the recognition that its industrial relations system has played an important, positive role in achieving this vibrant economy present a compelling case for countries like Canada facing economic problems similar to those that the Japanese seem to be dealing with in a successful manner. For this reason it seems foolish to ignore the Japanese experience if we are looking for concrete solutions based on the actual experience of a modern, industrialized, democratic country.

Some words of caution are in order before examining the essential ingredients of the Japanese industrial relations system. Analysts with

long memories will recall that within this century, during their periods of economic leadership, Britain, the United States, Sweden and West Germany have all been praised as representing the "wave of the future" in industrial relations policy. Leadership in economic development seems to be the key criteria for the popularity of a country's labour-management system in international circles. However, economic leadership has been a transient phenomenon. We must ask ourselves, by the time we can implement those features of the Japanese system that we feel are transportable, will the baton of economic leadership have passed to Austria, Australia or Singapore, in which case the Japanese-inspired mechanism might be obsolete? Of course, we cannot answer this question in 1984. All we can do is analyze what has occurred in Japan and attempt to learn from this experience.

In the mid-1970s, the Organization for Economic Co-operation and Development (OECD) sent to Japan a study mission comprised of employer and union representatives from various Western industrialized countries. Their report concluded that the cultural differences are so great that it is unlikely that any particular element in Japan's industrial relations system could be extracted for emulation outside Japan. However, the report went on to state that useful lessons could be learned about union-management cooperation and the benefits of a system that provided workers with confidence in continued employment.³ More recently, other study teams that have travelled to Japan have reached similar conclusions. In 1981 the Central German Employers' Federation (BDA) sent a group of officials to Japan. Their report concentrated on the continuing plight of the non-organized work force in Japan's dual economy and the inferior working conditions and benefits of Japanese workers as compared to their German counterparts.⁴

A study mission composed of officials from the Ford Motor Company and the United Automobile Workers visited auto and other manufacturing plants in Japan in 1981. They also conferred with many unions and employer groups. They agreed that nothing in Japanese auto technology had particularly impressed them as new. The "principal revelation to the touring group" was that "the Japanese manage human relations a hell of a lot better than we do in this country."⁵ It seems that the parties were influenced by what they learned on this mission. In their 1982 collective agreement they agreed to experiment with a system of "lifetime employment" for employees at two plants. In addition, they initiated an employee involvement program modelled after the quality control circles used in most large Japanese enterprises.⁶

It is important to mention these experiences at the outset of this paper because there has been an overreaction in the popular media to the Japanese "economic miracle," Japanese "Theory Z" management, quality circles and the like in the past few years. These superficial analyses of the Japanese system see Japanese management as the pan-

acea for moribund North American industry. Serious research teams that have visited Japan in the past decade have been impressed with some but certainly not all aspects of the Japanese industrial relations system. The critical task is to isolate those features of the Japanese system that are particularly worthwhile and to transplant these ideas into the Canadian cultural, historical and economic context. The OECD report concluded that cultural differences between Japan and the West were so great that the transplant would not take hold. I am not convinced that some of the worthwhile aspects of the Japanese industrial relations system are so culture-bound that they could not be adopted here. My reading of the history of the development of the Japanese system is that many of these features were direct responses to economic problems the Japanese encountered in the 15 years after World War II. I am skeptical about claims that the key features of the Japanese labour relations system are based on cultural and spiritual traditions unique to Japan and thus qualitatively different from the situation in the West. Rather, it seems that the various union-management cooperation mechanisms now operating in Japan were adopted by the parties precisely because it was to their advantage to do so. In other words, these devices were the result of rational economic decision making and organizational behaviour analysis which are not unique to the Japanese archipelago.

What is beyond dispute is the impact on labour productivity of the relatively harmonious relationship between unions and management in Japan. Despite the fact that Japan has almost no domestic energy resources and must rely on imported fossil fuels to sustain its high economic growth, it weathered the second recent oil crisis better than any other industrialized nation. The average inflation rate in the OECD countries was 8.6 percent in 1979 and 11.25 percent in 1980. In Japan the corresponding figures were 3.6 percent and 8.0 percent. OECD countries experienced an average real growth rate of 3.3 percent in 1979 and 1.0 percent in 1980. Japan's growth rate was 5.9 percent and 5.0 percent. What is remarkable about the growth rate of the Japanese economy during these years is that it was accomplished despite the fact that in 1978 the proportion of imported oil to total energy supplies in Japan was 73.4 percent in 1978 as compared to 35.2 percent in the OECD countries.

A key factor in the ability of the Japanese economy to grow and yet keep inflation down during this period was the fact that labour productivity in Japanese manufacturing increased by 12.1 percent in 1979 and 12.3 percent in the first half of 1980. At the same time, the per worker wage increase rate stayed at 6-7 percent. As a result, the unit labour cost actually went down by 4-5 percent. Therefore, despite the fact that there was an increase in production cost owing to rising energy prices, it was possible to hold down the overall unit labour cost increase because wage costs went down. International economic conditions that might have produced a substantial deterioration of business profits and a decline in

real income in Japan were thus avoided because of the increase in domestic labour productivity.⁷

These statistics on labour productivity in Japan are important because the discussion which follows will focus on the Japanese industrial relations system from the perspective of the extent to which the various ingredients of that system contribute to the remarkable increase in Japan's labour productivity. It would be foolish to attribute all the credit for this success to union-management cooperation. Labour-management relations are only one essential ingredient in the growth of labour productivity.⁸ For the purposes of this study, the essential point is that the success of the labour-management cooperation mechanisms must be viewed in the context of a nation that is geared to long-term rather than short-term solutions; that embraces rather than fears technological innovation; and has a government that plays an active role in leading the economy through various stages of industrial development by means of taxation and financial inducements. The net result of all these ingredients is that the Japanese people have a growing sense of confidence, mixed with a dose of caution, that they can solve their own economic problems as long as the world remains open to free trade. Bearing in mind these preparatory comments about the context of Japanese labour-management relations, let us examine the development of the various features of the system and look at how they contribute to a more productive labour force.

The Japanese Labour Relations Setting

The labour-management cooperation mechanisms in Japan that are of most interest to Western analysts are the joint consultation system; the annual, nation-wide coordinated collective bargaining round called *Shunto* (the spring labour offensive); the Japanese Productivity Center; and the quality control circles. In order to understand how these devices operate, we must be familiar with some other features of the Japanese system. What are frequently referred to as the "three pillars" of the Japanese industrial relations system are enterprise unionism, lifetime employment, and a seniority-based wage system.

As indicated earlier, the Japanese labour relations system was not devised according to some abstract plan and then imposed on a compliant population. Rather, the main features of the system were introduced in response to practical problems facing the industrial relations community. If the device worked well, it was maintained. If it did not, it was abandoned. Let us examine these measures, trace their development, and analyze how they contribute to the current enviable state of union-management relations in Japan.

Enterprise Unionism

Japanese trade unionism is a creature of the labour law imposed by the allied occupational forces in 1946. The military government was concerned about the power exercised by the leading Japanese enterprises (Zaibatsu) before the war. It was believed that these enterprises, together with the militarists, had promoted Japanese economic and military expansionism in the Western Pacific during the 1930s. In an effort to democratize and thus weaken this element in Japanese society, the allied occupational forces encouraged the formation of labour unions. At that time, the management of these companies was in a weak economic and political position. As a result, workers in Japan were in the almost unique situation where, if they wished to form unions, they faced no objections from either government or management. Since there was no opposition from the employer, it was natural and convenient for workers to organize openly within the enterprise where workers came in contact with each other, rather than be forced to organize at surreptitious, off-the-premises meetings, as was often the case in North America.

The result of this accident of history was that virtually every major industrial enterprise in Japan was organized within a few years after the end of the war. Rather than be organized along guild, craft or industrial lines as in North America, about 95 percent of Japanese industrial unions are structured along enterprise lines. In enterprise unions, members must be employees of that particular enterprise, and union representatives must be employees of that enterprise.

Western industrial relations analysts tend to suspect enterprise unions as being weak, dependent and perhaps even dominated by management. However, as noted above, the Japanese enterprise union did not owe its development to the employer but rather to historical chance. At the same time, there is little doubt that the combination of enterprise unionism and lifetime employment does influence workers to identify with their own working group and to be less interested in the welfare of workers in other enterprises. The system militates against achieving worker solidarity across enterprise lines. As a result, members of an enterprise union are likely to be more loyal to and cooperative with management. Their bargaining power is inevitably limited by their natural tendency to pay particular heed to the financial viability of their enterprise and its competitive position in the Japanese and world economy. At the same time, the feeling of being in the same boat with the employer helps to resolve workplace disputes and contributes to industrial peace. Collective bargaining tends to be more focussed, down to earth, and less ideological when it is conducted at the enterprise level. Settlements do not have to conform to distant and broad-ranging national agreements. Under the lifetime employment system, which will

be explained in more detail below, workers do not expect to change employers. Consequently, they are not particularly interested in wages or working conditions in other industries or geographic regions.⁹

Perhaps the key merit of enterprise unionism is that it is in the interests of the union to raise efficiency in its own plant. Since the elected union officers are also employees of the enterprise, they are more familiar with the history, personalities, operations and future prospects of the company. This contributes to a more informed input into the various union-management consultative forums which operate on a frequent, regular basis in many enterprises. The net effect of this structure is that union representatives play a far more active role in the management of the enterprise than do their Western counterparts. It is not surprising that many union officials are promoted to management positions. Approximately 10 percent of the directors of Japanese companies were former union representatives within that company.

There is no sign that this enterprise union structure will disappear. It has served the parties well, and both sides are satisfied with it. While in Western eyes enterprise unionism creates the hazard of employer dominance, there is no evidence that Japanese union members have fared worse in monetary terms nor have they been less protected from manipulation by management than they would have been under North American-style industrial unionism. The potential weakness in negotiations with employers that might be assumed to be implicit in the enterprise union structure has been counterbalanced by the spring offensive system of coordinated industry-wide negotiations.¹⁰

Lifetime Employment

The second critical theme in the Japanese labour relations system is the expectation of lifetime employment. This practice applies to all regular (permanent) employees of the major enterprises, particularly those in technologically advanced as opposed to technologically mature firms (e.g., electronics versus stainless-steel cutlery). The practice of career commitment also exists in many smaller firms, but to a lesser extent. It does not apply to temporary employees or half-way workers who join a firm in mid-career. Consequently, women who interrupt their employment career in order to have a family do not enjoy this benefit.

There is no real, legal distinction between temporary and regular employees in terms of what duties they perform. In practice, however, temporary employees do not enjoy the job security, guaranteed advancement in rank and pay, extensive on-the-job training, or generous retirement allowances that are provided for regular employees. Temporary employees serve as the shock absorbers in the firm as they are the first to be laid off during slack periods in the economy.

The notion that an employee will be kept in employment for his entire

career is not derived from any statutory requirement nor is it the subject of a clause in an individual employment contract or collective agreement. The practice became widespread after World War II as a result of the acute shortage of skilled employees needed to rebuild the industrial base of Japan. Management undertook the task of providing on-the-job training of its work force. In order to insure that it would recoup this investment in human capital, management offered the incentive of job security as well as the expectation of yearly increases in wages under a seniority-based wage system.

In normal circumstances, Japanese firms draw almost their entire regular work force directly from formal education institutions. The gradation of company jobs, and salaries, is directly related to formal educational attainment. Once hired, workers expect to remain employed by that enterprise until they reach retirement age, between 55 and 60. During his term of employment a worker expects to receive considerable training in many jobs within the enterprise. He takes for granted that his employment is secure unless he engages in gross misconduct. The more able and energetic workers are promoted into higher ranked positions. On reaching retirement age, a worker may be offered a new, lower paid or temporary position, perhaps in a subsidiary enterprise. In addition, he is given a substantial lump-sum severance payment to tide him over until he qualifies at age 60 for a government old-age pension.

What are the advantages and disadvantages that flow from the lack of labour mobility in this career commitment system? Foreign observers wonder how Japanese firms can respond to fluctuations in product demand. Do Japanese firms suffer from lack of cross-fertilization of skills and management expertise? Is it detrimental to the national stock of skills that Japanese workers are provided with company-specific training in the first few years of employment? What about the social costs of tying a worker to a firm where he is unhappy with his work or cannot get along with his fellow employees?

There is enough flexibility in the Japanese employment system to allow firms to adjust to peaks and valleys in sales. The Japanese enterprise can reduce subcontracting and annual recruitment. It can terminate temporary workers, reduce overtime, and take advantage of slack time to carry out extensive retraining of its work force. For example, at the bottom of the economic decline in the spring of 1983, approximately one million members of the metalworkers federation (IMF-OC) in the steel, shipbuilding, automobile, and heavy electrical manufacturing industries were underemployed but still reported for work and put in their normal work day. Rather than dismiss or lay off regular employees, management reacts to adversity by allowing substantial overstaffing. Government employee-assistance programs pay management to retrain workers on the job rather than lay them off.¹¹

In contrast, North American manpower policy encourages manage-

ment to adjust the size of the regular work force to meet demand. Government social security programs such as unemployment insurance are designed to cushion workers when they are laid off. One result of these open-entry, open-exit labour market policies is that selection and screening practices of North American firms need not be very sophisticated, because a worker is simply laid off when the economic terms of the employment contract are unfavourable to management.

In the Japanese lifetime employment context, labour is not a variable cost but a fixed cost. Recruitment and selection of regular workers are of critical importance because, unlike the North American labour market approach, regular employees cannot be dropped during an economic downturn. As a result, Japanese workers are viewed as a resource just like any other high-cost capital item. Hence, the best use is made of them. Japanese firms provide continuous training, job rotation, even foreign postings in order to provide employees with thorough, comprehensive knowledge and experience in a variety of aspects of the operations. Since regular workers are not laid off, they must be continually trained so that their contribution to the enterprise is meaningful in economic and social terms. The career commitment practice, coupled with the *Nenko* or seniority-based wage system, provides Japanese management with a powerful incentive to maximize labour productivity and increase its market share. Market growth provides the outlet for increased production, which allows the company to hire new workers who, in turn, lower average wage costs.¹²

The combination of lifetime employment, extensive on-the-job training, and a seniority-based wage system creates an attitude among the workers which is a distinct advantage to the enterprise. If a worker is asked about his occupation, he is more likely to say "I am a Mitsubishi man" than "I am a sheet-metal worker." Since he will likely do a variety of jobs in his career at Mitsubishi, his current tasks are much less important than the identity of his employer. He is much more likely to change functions within Mitsubishi than take his sheet-metal skills to another employer.

As a result of these attitudes, Japanese firms have greater freedom to adapt their work force so that the enterprise can take advantage of new technology. New products and new production processes are viewed by workers as adding to their job security rather than threatening it. When the workers are deployed on new tasks as part of a firm's program of adopting new technology in the workplace, disputes about occupational differentials are unlikely to arise. In view of the fact that neither a worker's pay nor his job security is undermined when he changes tasks within an enterprise, there is no reason for him to resist technical or organizational change. At the same time, the employer is more likely to invest in on-the-job training programs because there is little chance that an employee will leave the enterprise. Besides, much of the on-the-job training tends to be company-

specific and would be of little advantage to a different employer. As a result of all these factors, employees have positive incentives to remain with the firm which provides them with career advancement opportunities, increasing pay, and job security. Similarly, an employee's movement to a new firm is deterred by his low skills adaptability and the lower pay that would result from the seniority-based wage system. The net effect of these influences is that the separation rate in Japan is extremely low (about 2 percent for large manufacturing firms) by North American standards.¹³ With respect to the national stock of skills, the evidence of Japanese workers' success in international apprentice skill competitions suggests that the extensive on-the-job training programs in Japan do produce skilled workers. Nevertheless, the policy of the Japanese ministry of labour is to develop further private and public vocational training, both quantitatively and qualitatively, in order to avoid shortages of skilled workers over the long run.¹⁴

The Seniority-Based Wage System

The third pillar of Japanese industrial relations is the seniority-based wage system (Nenko). Under this practice, a worker is recruited to a firm after high school or university and he commences employment at a relatively low starting salary that is related to his age and formal education rather than to his ability. His wage will gradually increase until he retires. At retirement he will receive a lump-sum severance pay, which can amount to as much as two years' pay for employees of 30 years' service, as well as a pension of roughly the same value.

The advantage of the seniority-based wage system to the worker is that his automatically rising wages not only provide him with income security but also coincide with his increasing personal needs as he gets married, has children, buys a house, and prepares for retirement. Since age and service are unmistakably objective criteria, manipulation or favouritism are eliminated as operative factors in fixing wages. At the same time, the Nenko system acts as a powerful disincentive to worker mobility.

As pointed out above, the seniority-based wage system, coupled with lifetime employment, provides management with a stable work force and the assurance that it will recoup its substantial investment in training its workers. Since remuneration is primarily a function of age and service rather than skill and job function, management has the flexibility to move workers within the enterprise in order to adapt to technological innovations in its production process. The disadvantage to management is that as the work force ages, labour costs increase and, if a firm is hit with low market demand, it has difficulty making ends meet.

In recent years, aggressive competition among firms to recruit graduates has resulted in higher starting wage rates, thus narrowing the overall span of wages. Management is slowly implementing individual merit

allowances for an individual worker's productivity and high rates of attendance. Employers are also starting to pay premiums for supervisory tasks and other special jobs. The trend is to move slowly toward a closer correspondence between a worker's wage and the work that he performs, or at least what he is capable of. However, the flexibility in the deployment of the work force that the seniority-based wage system provides to management is still perceived as having an advantage over a functional or ability-based wage system.

Summary

It is important to emphasize how the three pillars of the Japanese industrial relations system were implemented. These practices are not the result of cultural or spiritual influence, or any so-called feudal structure of Japanese enterprises. Rather, they emerged as key features of an industrial relations system that developed quickly in the post-World War II period. Enterprise unionism was a natural response to the labour law regime forced on the Japanese government and corporations by the allied occupational forces. Lifetime employment was the trade-off management had to give in order to acquire and maintain a loyal work force and the flexibility it needed to deploy that work force in response to technological innovations. Seniority-based wages guaranteed that management's heavy investment in on-the-job training of its employees would be recouped. These three predominant features of the Japanese system did not appear overnight: they developed and matured over the 15-year period following World War II. Contrary to the current international perception that Japanese labour relations have been harmonious and strike-free, the 1950s saw considerable labour conflict as the Japanese labour-management system evolved into its current form. At the start of the decade, violent lengthy strikes and lockouts occurred in the automobile industry at Nissan and Toyota and in the steel industry at Nippon Kokan. In 1960 a famous strike occurred at Mitsui Mining Company's Miike coal-mining station in Kyushu. Each of these disputes involved the issue of whether and how management could rationalize its operation by terminating large numbers of regular employees. In essence, the nature of the career commitment practice was being tested, and the relative power of the union and employer in controlling the destiny of the firm was at stake in these disputes.

It is no coincidence that during this period the political situation in Japan was unstable and the leading labour centre, Sohyo, was ideologically committed to changing the existing capitalist economic and political framework for a more socialist system. The Japanese social order was in flux and the labour disputes carried an ideological as well as a bread-and-butter character. Under North American management norms, the existence of weak market demand in Japan made it obvious

that the work force had to be drastically reduced. True to this vision, Toyota ordered 1,600 workers to accept "voluntary retirement." Mitsui proposed the same fate for 2,000 miners at the Miike mine. In response to these efforts to rationalize the work force, Toyota workers struck for several months before the company finally had its way. Miike miners occupied the mine through mass picketing and control of the mine hoppers. Court injunctions to allow access to the mine were ignored. Sohyo sent 15,000 supporters to bolster the picket lines, and the central government dispatched 13,000 police to the site. A truce was eventually arranged by the new minister of labour. The parties agreed to accept a settlement formula prepared by the Central Labour Relations Commission. Much to the consternation of the workers, the company's position was almost completely vindicated in the commission's report.¹⁵

For the purpose of this paper, what is interesting about these disputes is that management's right to make the critical operational decisions in these industries in the face of union opposition was being tested. In each case, the employer's position was upheld, but what is more important is what happened immediately after these confrontations. When the strike ended at Toyota, management embarked on a systematic program to mollify workers by drawing them into the embrace of the enterprise. Personnel practices, training programs, social agencies and joint union/management consultation mechanisms were established. The purpose of all these undertakings was to socialize the workers into thinking of themselves as "Toyota men." Renewed demand for its products as a result of the outbreak of the Korean War meant that wages and employment opportunities increased at Toyota's operations.¹⁶ The combination of these factors contributed to a mellowing of labour-management relations. Similarly, after the Miike dispute, major Japanese businesses were no longer willing to take drastic measures such as outright dismissal to cut manpower. Nor were the labour unions prepared to engage in violent actions such as paralyzing management and destroying products in order to achieve their goals. Thereafter, unions concentrated their efforts on channelling their complaints into the collective bargaining process, labour-management joint consultation, or grievance adjustment procedures. The period of sustained high economic growth that began in the 1960s helped to avoid the violent union/management struggles of the previous decade. At the same time, the labour-management cooperation mechanisms that were adopted in response to these strikes had the opportunity to mature and blossom in this favourable economic climate.

The important point to learn from the history of the Japanese industrial relations system is that the successful cooperation mechanisms which are now becoming so popular in foreign circles were hatched during the post-World War II period as a response to turbulent labour relations. In view of this evidence, it seems that labour-management

peace in Japan is not endemic to Japanese culture. Rather, it was nurtured as the labour relations system matured in the 1950s and 1960s. These union-management cooperation mechanisms will now be examined to see how and why they work so well.

Labour-Management Cooperation

The Mores of the System

There are several labour-management cooperation mechanisms at different levels of the Japanese economy. At the shop-floor level are quality control circles. At the plant level are union-management consultation, grievance handling mechanisms, and the collective bargaining structure. At the industry level, union federations and employer federations for that industry are involved in regular meetings and wage negotiations during the spring labour offensive (Shunto). At the national level, union and management officials operate the Japan Productivity Center and, finally, unions, employers and government participate in tripartite consultation schemes such as the Industry and Labour Round Table Conference (Sanrokon), sponsored by the labour minister.

The essence and focus of these cooperative mechanisms is that they are designed to facilitate regular, informed dialogue in order to achieve an understanding of the various interests and points of view of the parties concerned. The strategy is to encourage employees at the shop-floor level and their representative unions at the higher levels to participate actively in the operation of the enterprise. Effort is expended to achieve consensus in virtually all major operational decisions. At the same time, it is recognized that the final word rests with management.

Foreign analysts question whether these consultation mechanisms provide for meaningful participation by the workers and their representatives in the decisions which are critical to the workers' economic and social interests. Does management merely go through the motions of listening to the views of the work force and then proceed with previously conceived plans? What concrete gains, for example in job protection, have the unions achieved through these mechanisms?

In order to understand the operation of these consultative devices it is necessary to emphasize another feature of labour-management relations in Japan. It is dangerous to make general statements about a nation's industrial relations system because there are usually many exceptions to what may be considered the norm. However, with this caveat, the following admittedly sweeping statements are offered about the contrasting attitudes of Japanese and Canadian employers to unions and the different manner in which the union-management relationship is carried on in these two countries.

Japanese management does not share the ideology of its Canadian counterparts in its approach to collective bargaining with trade unions. Canadian managers have traditionally been antagonistic to unions. Management ideology has, with some notable exceptions, been rigidly and defiantly "free enterprise,"¹⁷ and this attitude has produced what Professor Jamieson has called the "protracted and at times violent resistance of many influential employer groups, frequently supported by governments, to recognizing unions or engaging in meaningful collective bargaining."¹⁸ One result of this management posture is that Canada has witnessed a relatively high degree of union militancy, violence and strike activity.

In contrast, Japanese management has never viewed its work force and union representatives with the same negative attitude. The famous 1947 Doy Kai Declaration set the tone of union-management relations when it recognized the essence of a Japanese enterprise to be a coalition of three equals — managers, workers and shareholders.¹⁹ Of course, it is one thing to declare that such a coalition exists; it is quite another to operate in that manner. Yet research on the Japanese system, both in the literature and on a visit to Japan, reveals the same management perception of the union's role in the enterprise. The union is considered to be management's partner. Each partner has its role to play. The interests of the partners are not identical, yet there is a commitment to see the partnership function efficiently for their mutual benefit. Trust is the major lubricant that makes the Japanese union-management partnership work. This sense of trust is maintained through the constant communication, consultation, and consensus-building efforts that are expended in the labour-management consultation mechanisms.

In Canada, the details of the union-management relationship are described in the extensive statutory and regulatory legal framework within which the relationship operates and in detailed collective agreements. Interpersonal trust is suspended in favour of formal, prescribed legal contracts. The parties have chosen to avoid ambiguity and discretion in favour of detailed contractual language that delineates the rights and obligations of adversaries. By means of the comprehensive and exhaustive contract, the parties in the North American collective bargaining system have opted for explicit rather than implicit relations. As a result, the climate and atmosphere of the relationship is qualitatively different from that in the Japanese system. One repercussion of this attitude in North American unionized firms is that efforts to take advantage of technological innovations in the production process have been hampered owing to detailed job descriptions, job classifications, and seniority rights clauses in many collective agreements. One observer has noted the advantage of implicit union-management relations in these terms: "international productivity differences between countries with, or having access to, common technologies are partly to be explained by trust differences which impair or facilitate exchange."²⁰

The Collective Bargaining Structure

Collective bargaining is conducted at various levels in the Japanese labour relations system. The end result of bargaining — the collective agreement — applies only to the enterprise level. Yet bargaining takes place not only at the enterprise level for specific local working conditions, but also at the industry level where the union and management federations are involved in protracted negotiations aimed at settling the annual wage increases or “base-ups” for that industry. This industry bargaining is designed to counteract a potential weakness of collective bargaining at the enterprise level. The greater resources available to industry federations to develop and analyze data about the industry, the national and world economies, wage patterns in other industries, and so forth — all of which are directly relevant to bargaining at the enterprise level — have been of considerable benefit to both the enterprise unions and the individual companies. The industry-wide suggested pay hike arrived at by the federations during *Shunto* serves as a useful standard for negotiators at the enterprise level.

Starting in 1956, *Sohyo* developed for its affiliates a strategy of annual coordinated bargaining for wage hikes. It might seem strange in North American collective bargaining circles to bargain every year, particularly with the threat of a work stoppage looming with each round, but in the 1950s in Japan, owing to the volatile nature of the Japanese economy, one year was considered a long period to have fixed wage rates. After World War II ended, Japan experienced rampant inflation. In order for workers to maintain a decent livelihood during this period, they had to negotiate wage hikes several times a year. However, collective bargaining rounds were conducted on an annual basis as the economy stabilized in the mid-1950s. The practice of annual coordinated bargaining across enterprise lines which was started by *Sohyo* in 1956 gradually expanded in scale as other labour centres such as *Domei* joined this yearly bargaining pattern in the late 1960s. By the 1970s this practice became known as the spring labour offensive (*Shunto*), and has now become the key mechanism for setting wages in Japan. More than 70 percent of organized labour takes part in these wage negotiations which are carried out from March until May each year.

A concentration of wage negotiations in the spring seems appropriate for a number of reasons. April is the month that school graduates are recruited into the company. In order to attract the best new personnel, companies may be forced to raise their starting salaries. It is natural that at the same time many companies make periodic pay increases to their existing employees proportionate to their length of service. Many Japanese companies settle their accounts in March and personnel changes and promotions are often announced during this period. In the political sphere, debates in the Diet about the budget for the new fiscal year (April 1 to March 31)

usually occur from January through March. Labour unions regularly submit policy-related demands to the session of the Diet at which the proposed budgets are debated. In addition, unions often organize mass political demonstrations during this period in an effort to create politically and socially favourable conditions for wage negotiations. All these factors make it logistically sound that wage negotiations be held at this time.²¹

In actual fact, the spring labour offensive starts immediately after the end of the offensive from the previous year. At that time individual unions make a fundamental evaluation of the results of the previous offensive and propose ideas for the next year's Shunto. Enterprise unions hold their regular conventions between June and October. At these conventions, union officers are elected; education and international union activity policies are reviewed; industrial relations, social security and tax policies are formulated; and plans are endorsed for the next spring offensive.

In late October or November the labour centres set up their spring offensive committees and by mid-December they release written statements in the form of a white paper outlining their wage-increase demands and policy-related proposals to the government. A uniform wage-increase demand is formulated on the basis of the estimated consumer price increase for the previous year (and what is projected for the next year), plus a rate which would represent an improvement in the workers' standard of living calculated in relation to the projected real economic growth rate in Japan for the following year. The strategy of these white papers is to present an argument in a rational, objective manner, based on statistical data available from the ministry of labour, about what the Japanese worker should earn in order to keep abreast with inflation and the growing wealth of the nation. The white papers are aimed not solely at the employers but also at the general public, the media and the government in order to gain widespread community support for the wage demands.

In response, Nikkeiren (the Japan Federation of Employers' Associations) will announce its fundamental policy regarding pay hikes. Rather than focus on the cost of living, the employers' statement concentrates on the productivity standard as the appropriate gauge for any pay hike. The employers typically maintain that wage hikes should not exceed productivity increases, or else the wage increases will create an unwanted domestic source of inflation.

The labour centres hold their annual conventions in January and February where they finalize their demands and coordinate their positions. In early March, enterprise unions present their demands to the employer and then the parties begin negotiations. Meanwhile, the labour centres submit policy-related demands to the government and begin an aggressive lobbying effort to influence the budget debates in the Diet. In some years the labour centres have organized huge rallies and demon-

strations outside the Diet to support their positions. These policy-oriented activities peak as the budget for the next fiscal year is passed by the Diet at the end of March. In April, attention shifts to the final stage of industry wage negotiations for the annual "base-up."

Not surprisingly, the trend-setting wage negotiations in the Japanese economy are conducted in the four major industrial organizations — iron and steel, electrical machinery, shipbuilding and heavy machinery, and automobiles. Since the early 1960s iron and steel has been the most influential. The long-established practice in the spring labour offensive is that wage negotiations end when the employers make an offer. This offer is delivered on a specific day in April set by the unions. The employers' offer is considered to be a first and final reply after negotiations. The unions will reply to the offer on the same day. If the unions do not accept the offer, a strike will follow.

Labour and management in the other major industries go through final negotiations over the next ten days, using the steel industry settlement as a point of reference. The average wage hike from these four industries is called the spring labour offensive rate and it sets the pattern for the wage negotiations in private railways, public corporations and national enterprises. The spring labour offensive comes to an end with the wage settlements in the latter group of enterprises. This normally occurs just before Golden Week, a period with several national holidays between April 29 and May 5. Wage negotiations in smaller firms take place immediately following Golden Week.

An important feature of the spring offensive is that the subject of these negotiations is limited to the annual wage hike or "base-up." Once the benchmark rate is established in the steel industry and the other major manufacturing industries adjust their rates accordingly, the individual firms within that industry will then quickly settle their respective rate increases, depending on the profitability of their particular enterprise compared to the industry as a whole. It is quite common for this wage agreement to be incorporated into a document separate from the collective agreement. The reason for these separate agreements is that collective bargaining on other terms and conditions of employment in the workplace is conducted at other times of the year. The product of these other forms of collective bargaining may or may not be reduced to contractual language and incorporated into the collective agreement. For an observer from North America who is familiar with a collective bargaining system wherein negotiations are conducted every two or three years, the Japanese system seems remarkably different in the sense that the parties are almost continuously engaged in various forms of collective bargaining through the mechanism of joint consultation committees or else through other more adversarial formats.

There are several advantages to the spring labour offensive bargaining practice. While enterprise unions are autonomous in the negotiation and

administration of their collective agreements, they receive assistance in their individual negotiations from the multi-tiered Shunto practice of setting the annual pay raises for their industry. Individual unions and companies are responsible for the details of the financial and operational profile of their particular enterprise. However, in determining the appropriate wage increase for that year they have access to the sophisticated data gathering and analysis provided by their industrial federations, multi-industry and national union and employer centres, as well as government agencies. In a real sense, the enterprise union and company have the best of both worlds. Bargaining takes place across the local table and is conducted by persons who are well acquainted with each other. Yet this local bargaining is influenced by data sharing from the industrial and national centres.

The spring labour offensive is really a 12-month exercise of information gathering and analysis, priority setting, and attempts at rational persuasion on the basis of shared data. Consequently, the parties are not caught off guard by wild demands from either side based on some mythical or ideological goal.

Since the spring labour offensive is an annual event and virtually all major employers participate, the practice avoids a nagging problem that has plagued North American industrial relations in the recent years of shifting high inflation — the catch-up strike. There is little chance that Japanese firms would be forced to gamble on inflation and profitability when the annual wage hike is settled. Wild deviations from projected inflation within Japan have not occurred since the aftermath of the first oil shock in 1974. Unlike their counterparts in Canada, Japanese negotiators need not attempt to anticipate the inflation rate and their firm's profitability when they attempt to gain labour relations peace by settling a two- or three-year deal. One unfortunate experience in the last 15 years in Canada has been that workers who come off a three-year agreement during which they have lost to inflation feel they are justified in making demands that are clearly inflationary. Their neighbours in other industries may have negotiated in another year, in more favourable economic conditions. The net effect of this sequence of events is that traditional pecking orders may be destroyed and inequities in the economy created. When external forces such as statutory wage controls are injected into the system, particularly if these are short term and non-retroactive, the symmetry that might have existed between various sectors of the economy is upset even further.

The Shunto wage-hike structure avoids these disruptive influences by providing a nation-wide timetable for wage adjustments and a mutually acceptable means of gathering and analyzing the economic data necessary for negotiations. If there is going to be a work stoppage that disrupts the economy, the parties anticipate that it will be in April, which, conveniently, is a season of national holidays. The public is spared the

spectre of persistent year-round threats of work stoppages as various sectors of the economy commence negotiations for new collective agreements. There is still considerable drama in the Shunto as it gets close to the day of the employers' first and final offer in April. Work stoppages by unions that reject the employers' offer have the same cathartic effect for members as they do in North America. Because wage negotiations are conducted across the entire economy, there is the threat that the whole economy will shut down if the benchmark offers from the employers are totally out of line with union demands and thus create widespread disenchantment within the ranks of the national labour centres. Coordinated work stoppages and demonstrations across industry lines tend to bring the situation to a head quickly and produce an early settlement of the dispute. In view of the fact that the industrial sector leads the way in wage offers, there is less chance of public sector unions using their bargaining leverage to extract gains that exceed the productive capacity and profitability of the private sector.

With respect to another key part of the wage package, negotiations for the biannual bonuses commence immediately after the spring labour offensive is concluded. Not surprisingly, these negotiations are carried on almost exclusively at the enterprise level because the bonus reflects the profitability of the individual company rather than the industry standard. However, what Toyota awards as a bonus will certainly influence discussions at Nissan, and vice versa. In addition, the objective criteria and method of analysis used to determine the profitability of a company are developed across enterprise lines. In the last decade, bonuses have usually amounted to three or four months' salary. However, in some cases, for example in the banking industry, bonuses of up to 11 months' pay have been awarded. Bonuses are paid twice a year, coinciding with the periods when employees usually take their vacations, and/or engage in gift giving — in August and at New Year's.

There are several advantages to this dual wage-payment system that provides for annual base wage adjustments and a semi-annual bonus. Japanese workers tend to live off their monthly salary and save their bonus. The dual remuneration system for workers is conducive to the tremendous personal savings rate in Japan which has helped finance its industrial conversion and expansion.

The bonus is awarded according to objective standards on an enterprise-wide basis. There is no management discretion involved in awarding the bonus to some workers but not to others. There is no chance of favoritism in its administration. At the same time, because the amount of the bonus is considerable, it operates as a major incentive for workers to perform their duties at maximum capacity. It also provides management with a significant economic cushion because, despite the fact that monthly salaries need be paid even to an inflated work force during an economic downturn, the bonuses need not be awarded if the firm is not

profitable. In addition, the incentives that are implicit in the bonus system create significant peer pressure in the workplace. Absenteeism and sloppy work by fellow employees reduce the output and/or quality of production of the work group and ultimately reduce the company's profitability. Workers who are interested in the bonus keep an eye on the work habits of fellow employees and admonish any worker who is not carrying his weight. This phenomenon reduces the need for the costly and authoritarian supervisory mechanisms that exist in many North American firms.

Collective Bargaining and Joint Consultation

As can be seen from the foregoing discussion, collective bargaining in Japan is conducted on a significantly different basis from that in North America. Wage increases are negotiated on a fairly rigid annual timetable in the spring wage offensive. Bonuses are negotiated and concluded in August and December. Wages and bonuses are usually contained in documents which are separate from the collective agreement that is negotiated at various other times of the year.

A typical collective agreement in Japan addresses issues such as retirement allowances, working hours, days off, holidays, criteria for dismissal, disciplinary action, transfers, compensation for injury and sickness, welfare, safety, sanitation, union shop clauses, collective bargaining procedures, advance notice of industrialization, union activities while on duty, grievance procedures, and the system of labour-management consultation. Ordinarily, matters concerning management and production, such as the introduction of new machinery, mergers with another company, changes in organization, and subcontracting a part of the corporate business, are not included in the collective agreement. It is generally assumed that if these matters significantly affect the workplace and working rules, they may become subjects of collective bargaining. In most cases, however, these matters will be dealt with separately from collective bargaining under the labour-management joint consultation system.

What is the distinction between collective bargaining and joint consultation within the Japanese system? The answer is not clear. Rather, these two mechanisms are closely related, complementary, and may even be overlapping. Some historical information may help to illustrate how these procedures operate.²²

As mentioned above, immediately after World War II the allied occupational forces attempted to democratize Japanese companies by imposing labour legislation which encouraged the growth of unions. Initially, union-management relations, both collective bargaining negotiations and consultation, were conducted at joint councils. There was virtually no distinction between collective bargaining and mere consul-

tation at these joint councils. Every problem within the business enterprise was discussed at the joint council. While the occupational forces may have intended that these joint councils merely provide workers with a forum in which to participate in management, unions within the joint council structure pressed for an equal role in deciding production matters. Unions implemented production control measures, or strikes, to back up their demands.

As discussed above, during this period there was real confusion about whether the union or management, or both, were in command of the shop. Ultimately, after several significant, well-publicized strikes over this issue, management emerged as the party responsible for making decisions about production matters. Legislative amendments to the Labour Union Act in 1949 and subsequent administrative guidance from the government drastically changed the role of the joint council.

Under this new format, a more American-style labour-management relations system was adopted as a model. Collective bargaining would produce an agreement which described the conditions of employment. A peace maintenance clause in the agreement would prohibit strikes about matters mentioned in the agreement. Disputes about the application of the agreement would be handled through the grievance procedure leading to binding adjudication. In addition, there would be a union-management production committee which would serve as an advisory body on issues outside the collective agreement. However, under this model, the Japanese labour movement's drive for participation in management was greatly set back, while management's rights were firmly established. While many joint labour-management consultation bodies were retained in one form or another, their names were changed in order to avoid signifying any real participation in management. Matters relating to management were either excluded altogether from the agenda of these labour-management consultation mechanisms or adopted only as subjects for discussion, not for joint decision making.

In the decade beginning in 1955, joint labour-management consultation in Japan entered a new phase. The productivity movement initiated by the government was designed to modernize the Japanese economy through implementation of new production procedures and extensive plant investment in technology. However, in the mid- to late 1950s these efforts to streamline production were resented by the unions as a threat to job security. Attempts to rationalize outmoded plants often resulted in violent strikes. The unions demanded that any change in the workplace should be the subject of collective bargaining, but employers claimed exclusive management control over all matters of production.

In 1955 the Japan Productivity Center was formed by moderate labour and management leaders as a mechanism to improve labour relations, facilitate the modernization of the Japanese industry, and ensure that the benefits were distributed between employers, workers and consumers.²³

The centre promoted the joint consultation system as a key ingredient in achieving the necessary cooperation between labour and management so that new technology could be implemented and productivity increased. The collective bargaining system would ensure that the profit from the expanding economy would be fairly distributed.

The initial experience with joint consultation focussed on efforts in the mid-1950s to streamline Japanese industry. In its earliest forms, joint consultation took the form of prior consultation about technical innovations in the workplace. It was assumed that the ultimate decision on whether or not to implement the change rested with management. The focus of discussion was on how to implement the change, what benefits would be gained by the introduction of the new technology, how jobs would be secured, and how the financial status of the company and its employees would be enhanced by the measures. While these discussions were conducted in a non-confrontational forum, the distribution of profits became a subject of collective bargaining.

During the 1960s, labour-management dialogue on production matters that were critical to the growth of the enterprise was established as a regular practice in Japanese industry. At the same time, the Japanese economy experienced rapid growth and steadily increasing productivity. While the earlier experience with joint consultation was limited to prior consultation on matters directly related to employment conditions, topics of discussion gradually expanded in the 1960s and 1970s to include the output of the company's operations, details of its accounting system, medium- and long-term management plans, recruitment and personnel practices, sales strategy and sales targets, the rise in employees' average age, the extension of the retirement age, and many other issues.

In the early 1970s the idea of practical participation in management received further support in Japanese business circles as new management-participation systems in social democratic countries in Western and Northern Europe became frequent subjects of policy discussions. At the same time, environmental pollution caused by Japanese industry raised concern among citizens about the uncontrolled decisions of management. The oil shock of 1974 caused both rapid inflation and a marked decline in economic expansion in Japan. Taken together, these events resulted in a renewed interest in employee participation in management decision making. The idea of appointing workers as executives or board members of the enterprise was seriously discussed. However, these novel forms of management participation were rejected by both workers and management in favour of enlarging the joint consultation system already in place within many Japanese enterprises. Consequently, there was a marked growth in the number of enterprises using joint consultation. In addition, the range of subjects discussed within these consultation structures was expanded, and unions pressed for more joint decision making rather than mere information sharing at these forums.²⁴

How, then, does joint consultation in Japan differ from collective bargaining? Obviously, there is substantial overlap. Talks are involved in both procedures, the same people are usually involved, and the same meeting place is used. In both processes, the object is to achieve cooperation through a full and frank exchange of information. The distinction appears to be that collective bargaining achieves a more formal result — a written rule in a collective agreement. In the absence of agreement on an issue in collective bargaining, there is the threat of confrontation. In contrast, the essence of joint consultation is not to negotiate an agreement but to exchange information and reach a consensus about matters relating to the management of the enterprise.

The process of joint consultation, however, has various forms. In many medium and small business enterprises joint consultation functions as a virtual substitute for collective bargaining. In most of these firms, there is no union. Yet management still finds it advantageous to communicate frequently with its work force through this relatively informal, non-confrontational mechanism. In many medium-sized and some larger firms with union representation, joint consultation operates as a preliminary step to collective bargaining. In other words, if the efforts at joint consultation do not lead to a consensus on the matter discussed, then a changeover to collective bargaining is effected. Virtually every topic that would ordinarily be dealt with in a collective agreement is handled in joint consultation. Common understanding is reached without the need for formal negotiation and written agreements. In many of these firms, memories of strikes in days past have caused the parties to avoid using collective bargaining to resolve labour-management issues. These firms do not want to fail in their attempts to achieve a negotiated settlement and then be forced to undergo a test of will or economic power in order to break the bargaining impasse. Joint consultation in these situations avoids the need for assuming adversarial positions.²⁵

In the larger enterprises, there are two distinct types of joint consultation. The first type is carried on at meetings which are held at the corporate level three or four times a year. These sessions are attended by top management and union leaders. At these meetings, management representatives report to the union representatives in considerable detail on subjects such as the business performance of the firm, plans for expansion, investments, marketing strategy, new product lines, and so forth. If the company is planning to make adjustments that affect employment or working conditions, it will certainly place these issues on the agenda of the joint consultation meeting. Where significant technological innovation or changes to management organization are proposed, it is not uncommon for the parties, having discussed the matter at joint consultation, to create a joint technical committee to deal with the personnel problems that may result from the proposed changes.²⁶ The second type of joint consultation that exists in many larger firms, espe-

cially in the steel-making industry, is the Seisan-iinkai (production committee). This forum provides labour and management representatives at the workshop level, usually union officers and foremen, with the opportunity, on a regular monthly basis, to consult about production and work schedules. Typically this committee will operate in the following manner. Upper-level management will propose a three-month production plan. This plan will be discussed at the workshop level by union and management production committees. An agreement that reflects the wishes of the workers on the factory floor about how the production schedule is to be implemented — the manning, overtime, and rest days — will be reached at this level. This accord is then sent to the corporate-level production meeting where it is routinely adopted without modification. This is a classic Japanese form of “bottom-up” decision making (*Ringi*). The advantage of this type of committee is that the individuals most familiar with the actual situation in the shop have an important role to play in formulating the work rules which govern their employment setting.

Some concluding observations can now be made about the joint consultation system in Japanese labour-management relations. Joint consultation exists in a variety of forms that reflect the needs and character of the enterprise. In some settings it acts as a substitute for or complement to collective bargaining; in other situations it acts completely independently. Joint consultation is carried on both at the plant floor and at the corporate level. The parties use this mechanism on a regular, even on a monthly basis. The range of subjects discussed at joint consultation vary from long-term planning policy to short-term production scheduling. In all cases, the object of joint consultation is to provide a forum for exchange of information and open discussion in order to achieve the cooperation of both parties in managing the enterprise. The strategy of joint consultation is that cooperation can be attained when the parties reach a common understanding about the issue. Mutual understanding will in turn lead to a consensus about what should be done. The atmosphere is non-adversarial, non-confrontational. The outcome of the joint consultation process is not usually incorporated into a written document.

Joint consultation is conducted within a theoretical framework wherein the employer is assumed to have the final word about management decisions that are not incorporated into the written collective agreement. Does this mean that joint consultation is just a sop to the unions, a mere courtesy shown to the workers by managers who have fixed ideas about the matters on the agenda? Again, the answer to these queries varies between enterprises. A survey conducted by the ministry of labour in 1978 showed that when the subjects of joint consultation were management and production issues — keeping in mind that these were matters not incorporated into a collective agreement — 13 percent of firms surveyed simply made explana-

tions to the unions; 23 percent sought opinions from the unions; 46 percent discussed questions with the unions; and 8 percent needed approval from the unions for making a decision. When the two parties were unable to reach a consensus about management and production issues at joint consultation, 14 percent of firms surveyed waited for a certain period of time before actually putting such plans into effect; 52 percent modified the proposed decisions by partially adopting opinions from the unions; 10 percent made decisions unilaterally; and 24 percent handled the problem in other ways. In the years since this survey was conducted, the evidence of how the parties used the joint consultation process reveals that, particularly in the larger enterprises, there was a distinct trend toward full exchange of information, bilateral discussion, and efforts to achieve consensus before any significant management plans or production policies were implemented.²⁷

In joint consultation the parties emphasize bilateral, constructive input into the management of the enterprise; the effort is made to involve the entire community within the firm to achieve common objectives. Joint consultation is not designed to be a rule-making device that produces detailed contractual obligations and limitations. Rather, joint consultation consists of regular meetings where mutual problems are addressed and accommodation is reached. With respect to technological adjustment, joint consultation is the process through which the parties produce flexible guidelines about how this change is to be effected. These guidelines can be altered as conditions warrant. In the context of lifetime employment and seniority-based wages, joint consultation has served the parties well as the forum to resolve problems in the implementation of technological change.

Joint consultation and collective bargaining in Japan can be contrasted to the way in which collective bargaining in North America has attempted to cope with technological adjustment. Again, these are generalizations, but it is fair to say that typical Canadian union-management relations are focussed on the negotiation of a detailed contract which describes the terms and conditions of employment. These negotiations take place every two or three years, and often are negotiated by representatives of the international union, legal counsel, or industrial relations specialists who may have little or no daily contact either with the workplace or each other. During these negotiations, the issue that occupies most of the negotiators' attention is usually the monetary package, in particular, wage increases. Negotiations take place under threat of strike and are often conducted within a centralized bargaining structure involving a master contract, either industry- or province-wide, with standard terms. Variations on these standard contracts that may be necessary to meet the needs of local bargaining units can be problematic if they undercut or exceed the industry average.

In this confrontational bargaining setting, where negotiations are often conducted in the glare of media coverage and with threats from

both sides, the parties may also attempt to negotiate detailed contract language that anticipates the impact of technological innovation possible during the term of the agreement and/or subsequent agreements. Complicated seniority clauses, bumping rights, red-circling, blue-circling, and severance pay are all affected by technological change. Is it surprising that the contract language produced in these long negotiations is often complicated and difficult to apply in concrete situations? Is it surprising that these problems are eventually dumped into the laps of legal counsel and arbitrators, if and when layoffs and transfers occur?

Joint consultation in Japanese labour relations avoids this sequence of events. The wage hike is negotiated on a separate annual basis during Shunto. When technological change is discussed at joint consultation, the parties can focus on the issue without being distracted by other crucial economic issues on the bargaining agenda. The opportunity for reaching a consensus on how the difficult issues of technological change should be handled is enhanced when the parties can address the subject in a non-confrontational forum. If a consensus is reached on the issue, this understanding may or may not be reduced to writing or be incorporated into the collective agreement.²⁸

Collective bargaining about other conditions of employment occurs at different times of the year. Collective agreements in Japan tend to be open-ended documents, expressing obligations and intentions in general language and funnelling difficult management and production issues into the joint consultation system. Grievance procedures exist in only 40 percent of unionized Japanese enterprises. If grievances are not resolved by agreement, they are mediated by a third party, often the local labour relations commission, or by upper level union-management organizations. Grievance arbitrations occur only once or twice a year in the entire Japanese industrial relations system. Rather than crystallize conflicting workshop positions into a legal dispute and grievance procedure, Japanese unions and management prefer to resolve the problem at regular joint consultation meetings. Through joint consultation, small workshop issues are resolved without the need for third-party assistance. If joint consultation operates successfully, the parties become accustomed to reaching accommodation. This mutual accommodation can then be applied to larger issues where, at first glance, respective interests may conflict. In dispute resolution Japanese-style, arbitral jurisprudence is virtually non-existent. The Japanese experience must lead the North American analyst to wonder how well our legal system has served us in our industrial relations system.

Joint Consultation at the Industry Level

In addition to the joint consultation mechanisms that exist at the enterprise level, the Japanese labour-management community has also been

developing joint consultation at the industry level. The focus of this type of joint consultation is to cope at a higher level with industrial reorganization caused by broad economic trends, both domestic and international. The purpose of these joint consultation meetings is to share information and discuss economic, monetary and trade issues that affect the various industries. Joint consultation at the industry level became much more popular after the 1974 oil crisis sent shock waves through the Japanese economy. Industry-level consultation between employer and union federations now exists in all the major, private production industries. These examples of joint consultation vary in structure, administration, method and frequency of meetings. The ministry of labour occasionally sponsors tripartite meetings at the industry level to discuss labour-management issues.²⁹

Tripartite Joint Consultation at the National Level

The three major participants in the Japanese economy — labour, management and government — have established a system of tripartite consultation on matters of national, economic and social policy. In an effort to achieve deeper mutual understanding of national issues in order to develop a public consensus about desirable policy making, the three parties have created forums for information sharing and discussion. The most important tripartite joint consultation machinery at the national level is the Industry and Labour Round Table Conference (Sanrokon). This forum, established in 1970, is sponsored by the labour ministry and presided over by a person of learning and experience taken from government, business, labour or academia. The participants at Sanrokon consist of the top leaders from labour, management and government.

The presidents and general secretaries of the four national labour centres and other leading union leaders from the industry federations and the largest enterprise unions represent the labour movement at the conference. The business community is represented by officials from Nikkeiren (Japan Federation of Employers' Associations) and Keidanren (Japan Chamber of Commerce and Industry). The public interest in these discussions is represented by delegates from government, economic and academic circles. The purpose of the conference is to attain cooperation and support for the government's industrial and labour policies from as broad a spectrum of representation as is feasible within the structure. The conference meets roughly once a month for discussion of issues such as wages, prices, employment rights, and prospective labour legislation. The labour minister and various other cabinet ministers attend these meetings, and the prime minister is present at the conference at least once a year.³⁰

A similar national tripartite consultation mechanism was established for public corporations and national enterprises in 1978. This forum is

called the Round Table Conference for Public Corporations and National Enterprises Labour Problems (Korokon). Korokon is sponsored by the labour ministry and is composed of top union and management officials from three public corporations — Japanese National Railway, Nippon Telephone and Telegraph Public Corporation, and Japan Tobacco and Salt Public Corporation — and five national enterprises — postal service, forest service, government printing, the mint, and the alcohol monopoly. These officials include the presidents of all the related nationwide labour unions and public corporations and the administrative vice-ministers and directors general of the bureaus responsible for the business operation of the four national enterprises.³¹

In addition to these public and private labour round table conferences, Japanese multinational enterprises have also developed a separate forum to discuss labour relations issues involved in the overseas operations of Japanese firms as well as the labour problems of foreign firms operating in Japan. This committee is called the Labour Liaison Council for Multi-National Enterprise Problems. It was established by the government and the multinational enterprise union federation and its employer counterpart for the purpose of joint consultation and cooperation. Interchanges with labour and employer organizations in developing countries are also included in its activities.³²

The keynote of all these tripartite joint consultation mechanisms is to have a forum so that the three parties can talk on a regular basis about mutual problems away from media attention and bargaining crises. A mutual understanding of their respective viewpoints is achieved, and public policy is developed with some input from leaders of all parts of the community.

In addition to the regular tripartite joint consultation meetings discussed above, the government has set up advisory councils within each ministry to achieve effective planning and efficient, impartial administration. Labour unions are represented on most of these advisory councils, such as labour standards, industrial homework, worker's accident compensation insurance, minimum wages, worker's property accumulation, women's and young workers' problems, employment security, physically handicapped persons' employment, vocational training, and smaller enterprise retirement allowance mutual aid. The government will not propose draft legislation or policy outlines in these areas before they have been thoroughly discussed at the advisory council meetings.³³

Quality Control Circles

In this paper we have described the various types of labour-management joint consultation mechanisms that exist at all levels of industrial relations in Japan — from shop-floor committees to government tripartite conferences. An additional forum for discussion that is not strictly

speaking a labour-management mechanism, because the union is not involved, is the quality control circle. Quality control circles have been discussed in many trade and management periodicals in North America and will not be described here in any detail.

The operation of the quality control circles is not perceived by the union as a mechanism that undercuts its role in participating in the management of the enterprise. The quality control circle has contributed not only to increased productivity, efficiency and profitability but also to the quality of working life in the plant. The union movement is fully supportive of this mechanism of employee, as opposed to union, involvement in management.

Quality control circles consist of informal discussion sessions, usually conducted outside regular working hours, in which workers make suggestions to improve their specific job, work area, production process, product line, and the like. In most cases, the quality control circle is composed of eight to ten employees plus one supervisor who works in the same area. Participation in the quality control circle gives the worker a sense that he is a necessary element in the larger scheme of things. Because the worker has the opportunity to voice his own thoughts and listen to his fellow workers' suggestions, he becomes more aware of his workplace and is thus more likely to identify with the interests of the enterprise. In essence, the quality control circle is a reaction to the scientific human resource management philosophy that is typical in American mass production industries. The quality control circle gives the worker the sense that he is actually making things; that his ideas about the production process and the quality of work life in the plant are important; that his suggestions are invited, will be discussed, and may be implemented if his fellow employees think they are worthwhile.

Quality circles operate within the larger system of company-wide quality control that relies on the voluntary and continuous participation of all employees in the enterprise. In the 1960s and 1970s Japanese enterprises had the onerous task of creating an international reputation of quality and precision for Japanese products. The phrase "made in Japan" has taken on an entirely new connotation in the past 20 years. Initially, workers were expected to ensure that the merchandise they handled had no defects. However, employee involvement in quality control goes far beyond a checking system. Workers who participate in quality control circles discuss not only product defects but also better product design, production methods and workplace improvement. While workers attend sessions of quality control circles in their immediate production area, they have typically received years of on-the-job training in various parts of the enterprise. Consequently, these employees have a keen sense of the impact of their immediate work on production processes down the line. The suggestion system of the quality control circle meetings provides the worker with an opportunity

to express his views about how to improve the entire production process in order to please the customer.

Japanese management practices now rely heavily on this type of employee involvement in quality control. As a result, Japanese firms employ far fewer staff whose exclusive function is quality inspection. Workers are encouraged to make suggestions at the quality control circles by the offer of bonuses if their suggestions are implemented. Time spent at quality control circle meetings is usually paid for by the company. An added incentive for active employee participation in quality control is that management is obviously interested in their suggestions. According to a 1981 survey of Japanese industry, the implementation rate for employee suggestions in Japanese firms was roughly 70 percent. At Toyota Motor Company in 1980, the implementation rate reached a high of 91 percent. By 1980, in a survey of 300 firms, the average annual number of suggestions per company grew to the astonishing figure of 55,000. Of those suggestions that were implemented, 90 percent resulted in added compensation to the employees who made the suggestions. In 1980 the estimates of total economic benefits to the employer derived from these suggestions was 34,180,236,000 yen, roughly US\$170,000,000.³⁴

In summary, quality control circles have contributed to the productivity and profitability of Japanese firms in an impressive way. They utilize the ideas and creativity of all employees in the workplace, and as such may be an important driving force for industrial democracy in Japan. Quality control circles diminish the potential adverse effects that may result from professionalism, minute division of labour, and sectionalism and compartmentalization of the workplace. In addition, they play a significant role in promoting among the workers a sense of identity with the company. Perhaps most importantly, quality control circles serve to promote the humanization of work in the plant.

The Japan Productivity Center

The Japan Productivity Center (JPC) has been an important institution in improving labour-management cooperation in Japan over the past 30 years. Its role should be of interest in Canada because of a similar institution created here in recent years — the Canadian Labour Market and Productivity Centre.

As mentioned earlier, in the 1950s Japanese labour relations were in an unstable, strike-torn state. The roles of management and unions in the final decision-making process within the enterprise had not been settled. While the Japanese economy had returned to pre-World War II production levels by the mid-1950s, it still lagged far behind other Western industrialized states. In an effort to close this gap, the allied occupational authority initiated a slow but deliberate program to increase productivity

within Japanese industry. Technical and financial assistance was provided primarily by the United States to improve the state of the Japanese economy. In 1955 the ministry of international trade and industry proposed to cabinet that a national "productivity movement" be promoted. The government later approved the initial funding for JPC, though the centre was to be operated by the labour movement, management from the private sector, and leading academics. The JPC was seen as the centrepiece of the national movement which would improve both the technical efficiency of management and labour-management relations in Japan. Consequently, it was important that the union movement participate fully in the leadership and policy development of the JPC and in the productivity movement as a whole.

Initially, it was difficult to get the labour unions to join the productivity drive and to participate in the JPC. The left-leaning and largest labour centre, Sohyo, would not become involved at all. Sohyo leadership perceived the centre as an employer-dominated institution dedicated to increasing productivity at any cost. They felt that productivity improvement would lead to loss of jobs resulting from the rationalization of plants and that workers would be forced to work harder and faster for the sole benefit of the capitalist managers. However, the more moderate labour centre, Domei, whose members comprised the majority of manufacturing enterprise unions, saw that there were long-term benefits in the productivity movement. They agreed to participate in the JPC when they saw that the union movement could play a significant role in developing the focus and style of the centre.

In May 1955 a Productivity Liaison Conference sponsored by government officials and employer and labour leaders from the JPC enunciated the three guiding principles of the productivity movement:

1. In the long run, improvement and productivity will increase employment. However, during the transition, before the full effects of improved productivity have yet become apparent, the government and the people, in order to minimize temporary frictions which may disturb the national economy, must co-operate to provide suitable measures, such as the transferring of surplus workers to areas where needed, in order to prevent unemployment.
2. In developing concrete measures to increase productivity, labour and management, conforming to the conditions existing in the respective enterprises, must co-operate and discuss it, studying and deliberating such measures.
3. The fruit of improved productivity must, in correspondence with the conditions of the national economy, be distributed fairly among management, labour and consumer.³⁵

This formal declaration was instrumental in overcoming suspicions, and, as a result, almost all private sector unions decided to participate actively in the productivity movement.

In its initial stages, the focus of the productivity movement in Japan was primarily to promote technical exchanges between Japan and the United States. Interestingly enough, during its first 25 years of operation, the JPC sent over 22,000 participants to the United States, while only 200 American specialists were invited to Japan. The members of these Japanese overseas study teams were drawn from all strata of Japanese society: the executives and staffs of large-, medium-, and small-scale businesses, labour union leaders, statesmen, scholars, government officials, journalists, high school teachers and housewives. This broad spectrum of participants provided useful channels for disseminating the results of the study programs. The overseas exchanges brought important knowledge back to Japan about all phases of the economy. However, their main contribution was the introduction of modern management techniques to such fields as executive level management, marketing, industrial engineering, and materials handling. The union study teams acquired a deeper knowledge of trade union activities in advanced industrialized countries. In particular, they learned that rationality and good human relations were the secret to successful labour-management relations in the West.³⁶

On the domestic front, the JPC sponsored committees, study groups, lecture seminars, domestic study teams, and management guidance on the subject of productivity improvement. Initially, attention was focussed primarily on publicizing the theory and practice of productivity, through newspapers, magazines, reports of the overseas study groups, films, and radio and television programs. The word "productivity," which at first had sounded strange and academic to the Japanese, gradually entered common parlance. Regional productivity centres were established in locations outside of JPC headquarters in Tokyo, eventually forming a complete national network: in Chubu, Kansai, Kyushu and Shikoku in 1956, for example, in Chugoku and Tohoku in 1957, and in Hokkaido in 1960.

JPC management seminars and consulting services were at first heavily dependent on American experts. By 1958, however, Japanese-trained faculty replaced the imported talent, and the JPC was able to expand its management seminars from one-day meetings to lengthy courses. In 1965 the Academy for Management Development was founded within the JPC to provide six- to twelve-month courses for executive-level, middle and junior managers. By the end of the 1960s the JPC expanded its role to provide services in management education and guidance, international technical exchange, data processing systems development, productivity research, and public information and extension.

The role of the JPC in improving labour-management relations has proved to be its most significant contribution to the Japanese economy. In particular, the centre has championed the development of the joint consultation system as a device to improve labour-management communication and cooperation. A standing committee on joint consulta-

tion was established in 1957 for the purpose of providing research, guidance and consultation services to both unions and management. On the request of both parties in an enterprise, the JPC will send a team of consultants to the workplace, and joint consultation in one form or another now exists in approximately 95 percent of Japanese firms with over 300 employees.

Joint consultation, along with lifetime employment and seniority-based wages, has facilitated the process of technological innovation in Japanese firms. The JPC considers union and employee participation in management as an important ingredient in the effort to avoid labour relations conflict and thereby improve productivity in the 1980s.³⁷

Conclusions

This paper has attempted to provide a description of the essential features of the Japanese labour relations system. Many of the ingredients of the Japanese system do not seem to be as culture-bound as some earlier analysts have alleged. The recent history of Japanese labour relations shows that the key practices, institutions and labour-management cooperation mechanisms in the system developed as a response to the violent, lengthy labour confrontations that occurred when the Japanese economy went through major transformations in the 1950s. As such, many of these labour relations practices can be viewed as rational, pragmatic responses to economic problems that are shared by Canadians and Japanese alike. The successes and failures of the Japanese industrial relations system are obviously important to Canada. The Japanese have been studying foreign labour relations for three decades, yet international interest in Japanese labour relations is a recent phenomenon. English-language analysis of Japanese labour relations, particularly the operation of the joint consultation system and its relationship to the collective bargaining process, is sparse. The need for further study of these mechanisms and the role of the Japanese Productivity Center would seem to be particularly worthwhile for Canadians in the 1980s.

It is beyond the scope of this paper to suggest whether and how any of the features of Japanese labour-management relations would be implemented in Canada. Before starting to experiment with Japanese labour-management cooperation mechanisms in the Canadian setting, we should keep in mind how integrated the Japanese system is. We should not expect to transplant quality control circles without also giving thought to the possibilities of plant-wide bonuses, lifetime employment, on-the-job training, and so forth.

In conclusion, the observations of the OECD study team about the lessons that can be learned by the Western industrialized nations from the Japanese labour relations system bears repetition. While the report

was skeptical about OECD member countries adopting many of the Japanese labour relations practices, it made this observation about the Japanese system:

[T]his is not to say that other countries cannot learn from [the] Japanese experience. In this respect perhaps the most important observation is to appreciate what can be accomplished towards both national prosperity and improvement in workers' conditions by the single minded co-operation of labour and management within the enterprise. Coupled with this, at least in the best Japanese enterprises, is the confidence that important decisions, even if they do not satisfy everyone, will be reached by consensus and are not likely to result from management using a strategically powerful position to achieve something at the expense of the workers, or workers using their power to make management accept a policy which may be detrimental to efficiency.³⁸

Perhaps the prime reason for the success of Japanese management is the recognition that the enterprise *is* its people, that workers and their union representatives are the partners of management and the shareholders in the enterprise. This acceptance of the mutual interests and obligations of partners allows the parties to look at long-term gains rather than short-term advantages. Only with a similar recognition of the role of workers and the unions within Canadian firms can any success in using Japanese labour-management techniques be expected.

Appendix A

Memorandum on Introduction of New Technology

Nissan Motor Company (hereinafter called the Company) and the Japan Motor Industry Labor Union Alliance, All Nissan Motor Labor Association (hereinafter called the Union) hereby agree to this memorandum regarding the introduction of automated labor-saving facilities and equipment based on microelectronics and other advanced technology (hereinafter called New Technology).

1. Objective

In common recognition of the fact that technological process is vital to corporate survival and development and also to community progress the Company and the Union will cooperate with each other to smoothly implement New Technology.

2. Management-Labour Discussion

- (a) In compliance with the "Agreement of the Management Council" concluded on October 14, 1955, the management and the Union shall discuss the introduction of New Technology in a spirit of trust and cooperation.

(b) Prior to the introduction of New Technology, the Company shall submit to the Union and discuss introduction plans, projected effects on Union members as well as countermeasures.

3. Job Security

The Company shall never dismiss or lay off employees due to the introduction of New Technology.

4. Guaranteed Working Conditions

The Company shall not demote employees or reduce salaries or other working conditions due to the introduction of New Technology.

5. Ensuring Safety and Hygiene

The Company shall take every possible measure to ensure safety and hygiene with the introduction of New Technology.

6. Training Programs

If New Technology is introduced, the Company shall offer training programs to Union members involved with respect to their aptitudes and abilities.

7. Personnel and Job Changes

When relocating Union members or changing their jobs because of the introduction of New Technology, the Company shall fully consider each individual's aptitude and ability and provide necessary training.

8. Valid Term

(a) This memorandum shall be valid for one year from March 1, 1983 to February 21, 1984.

(b) If neither the Company nor the Union expresses an intention not to renew this contract one month prior to its expiration date, this memorandum shall automatically be renewed for another year and onwards in the same manner.

Source: S. Asano, "Automated Production and Labour Management Consultation System," a paper presented to the International Productivity Symposium sponsored by the Japan Productivity Center, 1983.

Appendix B

Labour-Management Joint Consultation Systems at the Industry Level

Metal Mining

The Sohyo affiliate Nippon Hitetsu Kinzokuy Roso Rengokai (Japanese Metal Mine Workers' Union) and its corresponding employers' organization, and Domei's Shigenroren (Federation of Japanese Metal Resource Workers' Union) and its related employers' groups, exchange views and opinions on various issues.

Textile

The Japan Conference of Textile Industry has been established by Zensendomei (Japanese Federation of Textile, Garment, Chemical, Distributive, and Allied Industry Workers' Unions) and the employers' organization in cotton, chemical fibre, woolen and linen industries to discuss jointly the problems surrounding the textile industry as well as employment security measures and minimum wages.

In this industry labour-management joint consultation machinery is also set up by each of the industrial divisions, i.e., chemical fibre, cotton, wool and linen, of Zensendomei and their corresponding employers' organizations for talks on methods of wage negotiations as well as business trends.

Iron and Steel

The five major steel companies and their respective enterprise labour unions, all members of Tekkororen (Japanese Federation of Iron and Steel Workers' Unions), meet for joint consultation on industrial trends and policy, etc.

Electrical Wire

Zendensen (All Japan Electric Wire Labour Union — Churitsuroren affiliate), the corresponding employers' organization and individual member enterprises exchange views and opinions on business trends, the spring labour offensive, etc. Several missions have already been sent abroad for study.

Machinery and Metal

In accordance with the industrial divisions (machine, steel frame and iron bridge, iron casting and forging, and precision) of Zenkindomei (National Federation of Metal Industry Trade Unions — Domei affiliate), organizations have been set up by the member enterprise unions belonging to the divisions and corresponding enterprises to promote mutual understanding on wage issues.

Electrical Machinery

Denkiroren (All Japan Federation of Electric Machine Workers' Unions — Churitsuroren affiliate) and the corresponding employers' organization meet for an exchange of views and opinions on business trends, the spring labour offensive and problems concerning international trade.

There is also an organization set up by member unions belonging to

the Electrical Machinery Division of Zenkindomei and corresponding enterprises as in the cases above.

Shipbuilding

Zosenjukiroren (National Federation of Shipbuilding and Heavy Machinery Workers' Unions — Domei affiliate) and the corresponding employers' organization meet for talks on industrial trends and policy, safety and sanitation, etc. Labour and management also jointly dispatch fact-finding missions abroad.

Automobile

Jidoshasoren (Confederation of Japan Automobile Workers' Unions — independent) and corresponding employers' organizations (automobile and parts manufacturing, automobile sales and products transport service) exchange views and opinions on industrial trends, international trade issues and measures for safety and pollution control. As in the case in the above-mentioned machinery and metal industry, the member unions of the automobile division in Zenkindomei (National Federation of Metal Industry Trade Unions) and their respective enterprises also have such meetings.

Shipping

Kaiin (All Japan Seamen's Union — Domei affiliate) and the corresponding employees' organization (ocean-going liners, coastal liners and fishing boats) discuss all issues related to seamen's well-being.

Electric Power

Denryokuroren (Federation of Electrical Workers' Unions of Japan — Domei affiliate) and the corresponding employers' organization meet for talks on business trends and problems concerning electric power such as nuclear power generation, pollution, utilities rates, etc.

Source: Labour Unions and Labour-Management Relations, Japan Institute of Labour, Tokyo, 1983, pp. 30–31.

Appendix C

Government Advisory Councils

Prime Minister's Office: Employment Council, Advisory Council on Social Security System, Tax System Committee and Council for Stabilization of National Life.

Administrative Management Agency: Ad Hoc Council on Administrative Reform.

Economic Planning Agency: Economic Council and Economic Welfare Council.

Environment Agency: Central Council for Control of Environmental Pollution.

Ministry of Finance: Customs Tariff Council and Interest Rates Adjustment Council.

Ministry of Health and Welfare: Council on Social Insurance and Central Social Insurance Medical Council.

Ministry of International Trade and Industry: Industrial Structure Council, Central Mine Safety Committee, Chemical Product Council, Textile Industry Council, Mining Industry Council, Coal Mining Council, and Small and Medium Size Enterprises Modernization Council.

Ministry of Transport: Council for Transport Policy, Council for Rationalization of Shipping and Shipbuilding Industries, and Council for Maritime Safety and Seamen's Training.

Ministry of Construction: Central Council on Construction Contracting Business, Housing and Building Land Council, and Building Council.

Source: Labour Unions and Labour-Management Relations, Japan Institute of Labour, Tokyo, 1983, p. 32.

Notes

This study was completed in December 1984.

I am grateful for the help that my research assistants, Donald Kidd and Randy Kaardal, provided in the preparation of this paper. My thanks also to Elizabeth Zook, Nancy Wiggs, Magda Ewers and Irene Hull who typed the various drafts of the manuscript. I am also most appreciative for the suggestions for improving the text that I received from Craig Riddell, who reviewed an earlier draft of the paper.

1. John P. Windmuller, "Model Industrial Relations Systems," in *Industrial Relations Research Association Proceedings* (December 1963): reprinted as *N.Y. State School of Industrial and Labour Relations, Reprint No. 15* (Ithaca: Cornell University, 1964), pp. 7-9. See generally, Everett M. Kassalow, "Japan as an Industrial Relations Model for Other Countries: An Historical-Comparative Treatment," *Industrial Relations Research Association: Proceedings* (Spring 1983).
2. Windmuller, "Model Industrial Relations Systems," p. 7.
3. Organization for Economic Co-operation and Development, *The Development of Industrial Relations Systems: Some Implications of Japanese Experience* (Paris: OECD, 1977), pp. 40-41.
4. The comments of the BDA group are drawn from "Mission d'étude du patronat allemand sur les relations industrielles au Japon et à Singapour," *Social internationale* (January 1982). This is a monthly journal of the *Union des industries métallurgiques et minières*, the French metal and mining industries employers' association, Paris, as cited in Kassalow, "Japan as an Industrial Relations Model," p. 189.
5. *Daily Labor Report*, May 26, 1982 (Washington, D.C.: Bureau of National Affairs).
6. Figures in the last two paragraphs are taken from Kassalow, "Japan as an Industrial Relations Model," pp. 189-90.
7. Saburo Okita, "Labour Productivity and Economic Development: The Japanese Experience," Research Paper No. 83 (Australia-Japan Research Centre, February 1982), pp. 15 and 22.

8. A variety of other factors are thought to have played a role in the high rate of labour productivity growth in Japan. These include the degree of plant and equipment investment by industry which is made possible by the high rate of personal savings of Japanese people; the shift in the labour force from low productivity sectors (primary industries) to higher productivity businesses in the tertiary sector which are more affected by the adoption of new technology; the high proportion of production facilities that use newer and more efficient technology such as industrial robots; management norms that place a higher value on long-term growth, domestic or world market share, and new products ratio and accord lesser importance to investment profit ratio, dividend payments, and stock market activity. In the Japanese management setting, with its focus on the long term rather than the short term, firms are more likely to invest in expensive technology that may not pay for itself in the immediate future. Another key ingredient to this growth has been the role of the government ministries in the restructuring of industry, the development of energy policy, as well as regional development and technological development policy. For a more comprehensive analysis of Japanese industrial policy see Charles J. McMillan, *The Japanese Industrial System* (Berlin: de Gruyter, 1982). See also Michio Morishima, *Why Has Japan "Succeeded"? Western Technology and the Japanese Ethos* (Cambridge: Cambridge University Press, 1982).
9. OECD, *The Development of Industrial Relations Systems*, p. 23.
10. See the section on collective bargaining and joint consultation below.
11. Charles J. McMillan, "Human Resources Policies, Labour Markets and Unions: Canada-Japan Comparisons," in *Canadian Perspectives on Economic Relations with Japan*, edited by K.A.J. Hay (Montreal: Institute for Research on Public Policy, 1979), p. 149. See also McMillan, *The Japanese Industrial System*, chaps. 6, 7 and 8.
12. The wage-setting mechanisms in the Japanese collective bargaining system also play an important role in allowing the system to adjust to shocks in demand. Wages are set each year during Shunto. Enterprise-wide bonuses, reflecting the profitability of individual companies, are negotiated twice a year. The combination of frequent negotiations and the flexibility implicit in the bonus system, which depends on the performance of the enterprise over the previous six months, allows for a wage system that can adjust quickly to fluctuations in the inflation rate and demand for production. See the section below on the collective bargaining structure for a description of the spring offensive and the bonus system. For a more thorough analysis of the bonus system see H.G. Grubel and Z.A. Spindler, "Bonus Pay Systems for Greater Economic Stability," *Canadian Public Policy* 10 (1984): 185-92; see also Craig Riddell, "The Responsiveness of Wage Settlements in Canada and Economic Policy," *Canadian Public Policy* 9 (1983): 9-23, for a discussion of the need to inject more flexibility into the wage setting mechanisms in the Canadian collective bargaining system. See also Martin L. Weitzman, *The Share Economy — Conquering Stagflation* (Cambridge, Mass.: Harvard University Press, 1984). Weitzman claims that the standard practice of paying workers a fixed wage, regardless of how well the firm is doing, is a key contributor to America's chronic stagflation. He argues that American firms should adopt profit or revenue sharing plans with their employees as a measure to gain a level of immunity against stagflation.
13. McMillan, "Human Resources Policies," p. 151.
14. OECD, *The Development of Industrial Relations Systems*, p. 17.
15. See Gary Allinson, "The Moderation of Organized Labour in Postwar Japan," *Journal of Japanese Studies* 7 (1981), p. 424; Benjamin Martin, "Japanese Mining Labour: The Miike Strike," *Far Eastern Survey* 30: (February 1961): 26-30.
16. Allinson, "The Moderation of Organized Labour," p. 425.
17. Stuart Jamieson, *Industrial Relations in Canada*, 2d ed. (Toronto: Macmillan, 1973).
18. Stuart Jamieson, "Patterns of Industrial Conflict," in *Canadian Industrial Relations*, edited by S.M.A. Hameed (Toronto: Butterworth, 1975), p. 343.
19. M. Yoshino, *Japan's Managerial System: Tradition and Innovation* (Cambridge, Mass.: MIT Press, 1969), as cited in McMillan, "Human Resource Policies," p. 145.

20. Oliver Williamson, *Market and Hierarchies* (New York: Free Press, 1975) as cited in McMillan, "Human Resource Policies," p. 151.
21. *Labour Unions and Labor-Management Relations*, Japan Industrial Relations Series, no. 2 (Tokyo: Japan Institute of Labour, 1983), pp. 26–28.
22. This history of the development of the joint consultation system in Japan is based on *Joint Labor-Management Consultation System — Its Features and Status* (Tokyo: Japan Productivity Center, 1982).
23. The Japan Productivity Center is examined in greater detail in the next section.
24. *Joint Labor-Management Consultation System — Its Features and Status*, pp. 15–16.
25. *Ibid.*, pp. 18–20.
26. Takeshi Inagami, *Labor-Management Communication at the Workshop Level*, Japanese Industrial Relations Series, no. 11 (Tokyo: Japan Institute of Labour, 1983), pp. 23–24.
27. *Labour Unions and Labor-Management Relations*, p. 28.
28. *Ibid.*, pp. 29–30. A rare example of a written accord on technological change that grew out of the joint consultation system at Nissan is attached in Appendix A. For a more comprehensive analysis of the role of the legal system in Canadian industrial relations, including a discussion of dispute resolution and technological change, see Joseph M. Weiler, "The Role of Law in Labour Relations," in *Labour Law and Urban Law in Canada*, volume 51 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada (Toronto: University of Toronto Press, 1985).
29. A description of the major examples of industry-level joint consultation appears in Appendix B.
30. *Labour Unions and Labor-Management Relations*, p. 31.
31. *Ibid.*
32. *Ibid.*, p. 32.
33. Other examples of such councils are listed in Appendix C.
34. Inagami, *Labor-Management Communication*, p. 23.
35. *Productivity Movement in Japan* (Tokyo: Japan Productivity Center, 1983), p. 4.
36. *Ibid.*
37. The first model of joint consultation promoted was introduced by the Japan Productivity Center in 1964. In 1978 the JPC published a modified version of joint consultation which it is promoting for adoption in the 1980s.
38. OECD, *The Development of Industrial Relations Systems*, p. 40.



The Evolution of Labour-Government Consultation on Economic Policy

K.G. WALDIE

Introduction

When formulating economic policy, governments routinely seek the advice and viewpoints of private sector representatives. The mechanisms of this consultation have become more formal as government involvement in the economy has grown. Interest groups, including business, labour and consumers, have become increasingly politicized, and have established permanent facilities for influencing government decision making. This consultative process has become competitive. Interest groups must consider not only the potential positive effects they might have on public policy, but also the negative effects of failing to counter representations by competing groups. For example, some labour representatives interviewed for this study mentioned the need to offset business lobbying as one of their motives for making submissions to the Royal Commission on the Economic Union and Development Prospects for Canada.

From a public perspective the issue is not whether consultation should take place, but how much consultation is appropriate, what kind should be encouraged, and at what stages of the policy formation process it should take place. These questions are particularly interesting in the case of government consultation with labour.

Organized labour has had considerable influence on social legislation through both political action and the exemplary advances achieved in collective bargaining. Many of today's social programs, including public pensions, workers' compensation, unemployment insurance and public health programs, were the direct result of aggressive and persistent lobbying by the labour movement. No other organized group in society

can point to such a consistent and successful track record. Labour's influence on economic policy has been less apparent. The Canadian Labour Congress, the only organization with any claim to represent the labour movement as a whole, does not have a firmly established mandate from its membership for economic consultation with government. In any case, it is of the opinion that governments have displayed reluctance to accept labour on an equal footing with business where national economic issues are concerned.

Nonetheless, there are frequent calls from government, business, labour representatives, newspaper columnists and public policy analysts for more consultation with labour. These proposals are sometimes based on an exaggerated notion of the disruptive power of organized labour and the need to reduce the amount of confrontation in our society. In some cases the presumed benefits of following European models of consultation are adduced from rather casual comparison.

This paper presents an account of the evolution of government-labour consultation in Canada and an evaluation of its current state. This examination is confined to consultation at the federal level. In some provinces there have been attempts to consult labour on matters of economic policy, but these fall outside the scope of this paper.

The remainder of this introductory section offers a definition of consultation as it is understood in Canada. The following sections deal with the origins of labour-government consultation, the creation of a unified labour movement, and the development of labour philosophy toward government, and present a discussion of every major attempt at formal consultation on economic issues from 1960 to the present. A concluding section evaluates the current status of labour-government consultation, and enumerates the options facing public policy makers.

Consultation Defined

As usually understood in the context of Canadian public policy formation, "consultation" means some form of non-adversarial, two-way communication between government and private sector decision makers. While the particular objectives of such communication can be complex, they will in general fall within these categories:

- establishing a common information base;
- identifying common and conflicting interests; and
- reaching consensus or an accommodation of positions on as many issues as possible.

Consultation can be institutional or non-institutional. Some important consultations have taken place on a strictly ad hoc basis between individuals, while others have involved the establishment of large-scale permanent institutions such as the Economic Council of Canada.

Some of the most interesting examples of formal consultation have been three-way rather than two-way, involving labour as well as government and the private sector. It would be misleading, however, to refer to this as tripartism. Business and labour may seek to identify areas of common policy in order to present a united front and thus increase their leverage; but they continue to advocate their separate positions on many issues, even within a common consultative framework. From a government perspective, consulting with labour and business together is efficient, and forces the other two parties to challenge each other when their policies conflict. Tripartism, as practised in some European countries, involves much more formal institutional relations between government, business and labour. This is clearly a different proposition from the joint bipartite consultation practised in Canada.

The motives of the parties to this consultation vary. Private sector representatives seek to influence government to implement policies that will benefit their constituents. They also seek to improve government regulation and programs by suggesting methods of targeting policy instruments more accurately. A number of briefs to the Royal Commission have commented on the need for government to achieve a better understanding of "real world" conditions, and consultation is often seen as a means to that end.

Government has several motives for participating in consultation. By expanding its information base, the bureaucracy can attempt to improve its own effectiveness. By obtaining up-to-date information and advice from those with direct knowledge of market conditions, it may also be possible for government to speed up adjustments in policy to make the economy more adaptable to changing conditions. It is also suggested that insofar as consultation may reduce the amount of confrontation in society, it can improve the investment climate and increase the rate of economic growth. Government may also engage in consultation either to forestall interest groups from taking more aggressive activities, or to foster the appearance of acceptance of government decisions by the other parties.

This paper is concerned with consultation on economic issues. There is also, of course, much consultation on social policy and industrial relations. Consultative practices in these fields are extensive and are now widely accepted.

The author has wide experience in the consultation process both as a consultant to government and as a trade union representative. This involvement has provided a better understanding of the motivations of labour than those of government, and the paper treats the former in somewhat greater detail. It is hoped that this viewpoint will result in a more useful contribution to the literature, since relatively little has been written about this subject from a labour perspective.

The Origins of Labour-Government Consultation

Early History

While central labour bodies had been formed in the 1890s for the purpose of lobbying government, labour gained little recognition until World War I. Government concern over work stoppages in war production led to a labour-government conference in 1918, followed by a series of 14 private meetings with some 50 labour leaders. Subsequently, labour representatives were named to a number of government bodies, including those responsible for vocational training for returned soldiers, immigration, war purchasing and the food supply.¹

These consultations established a new status for labour generally, and for some of the leaders of the Trades and Labour Congress (TLC) personally. At that time the TLC was recognized as the predominant labour central and this recognition was reinforced after the war when Mr. P. Draper, the former TLC president, was invited to participate as a labour adviser on the Canadian delegation to Paris for the Peace Conference of 1919. This conference led to the establishment of the International Labour Organization (ILO), to which many labour representatives were appointed. Tom Moore, who was elected TLC president in 1918, was also subsequently appointed to a number of public boards, including that of the Canadian National Railways.

Labour and business were represented equally on the Royal Commission on Industrial Relations (the Mathers Commission) which in 1919 inquired into industrial unrest, as well as on the labour subcommittee of the reconstruction and development committee of cabinet. Following the report of the Mathers Commission, the Government of Canada convened the national industrial conference in September 1919, to consider the recommendations of the commission. The conference included 75 business and 75 labour representatives, as well as 40 others. Sixty-five of the labour seats were allocated to the TLC, six to the railway brotherhoods and four to the civil service unions. One of the recommendations of this conference was the establishment of joint industrial councils to foster industrial harmony.

This early government-labour consultation was restricted mainly to gaining labour cooperation in dealing with problems associated with reconstruction of the country's economy. After the war labour resumed its often bitter struggle for recognition, in circumstances now exacerbated by high unemployment and steep price rises that had taken place during the war. Although governments continued to appoint some labour representatives to the boards of public bodies after the war, consultation was mostly reduced to annual legislative proposals submitted to the cabinet by the TLC. Most labour representatives did not consider these

annual delegations as serious consultation and they came to be known in labour circles as "cap-in-hands."

The formation of the Canadian and Catholic Confederation of Labour (CCCL) in 1921 and the All-Canadian Congress of Labour (ACCL) in 1927 led to increased pressure on government to appoint labour representatives to boards and commissions. These new central labour bodies adopted the TLC procedure of presenting annual briefs to the federal cabinet, and all three organizations regularly included in their briefs demands for more such representation.

In March 1936 the dominion government, following the recommendation of a dominion-provincial conference the previous December, set up the National Employment Commission to facilitate cooperation among government, corporations and labour in dealing constructively with the problems of unemployment relief. The commission's mandate was to provide financial assistance to the unemployed and bring forward measures designed to create employment. Tom Moore left his position as president of the TLC, which he had held since 1918, to become one of seven full-time members of this board. The commission's subsequent recommendations were endorsed by both the TLC and the ACCL. The committee recommended that a permanent board be established to carry on its work, but instead the dominion government dissolved it in 1938 shortly after it had issued its final report. Moore was re-elected president of the TLC the following year.

World War II

With the outbreak of World War II, the government again sought the cooperation of labour in ensuring uninterrupted production of war materials. Several days before Canada declared war on Germany, the minister of labour conferred with the leaders of five major trade union groups. The TLC and the ACCL met the government jointly on September 1, 1939, and the CCCL and Railway Brotherhoods met with the minister the following day. The discussions involved advance consultation about the impending reimposition of the War Measures Act of 1914.

During the war, labour and management were both represented on the National Labour Supply Council, whose mandate was to ensure an adequate supply of labour for the war industries, and on the regional and national war labour boards, which administered the wage controls imposed in 1941 by Order-in-Council P.C. 8253. There was considerable dissatisfaction on the part of labour with the operation of the wartime wage controls. The National War Labour Board was reorganized in 1943 with a board of three members, one of whom was a labour representative.

After the war the government actively courted labour cooperation in the reconstruction effort. In 1940 the All-Canadian Congress of Labour had merged with a number of industrial unions, which had been expelled

from the TLC because of their association with the Congress of Industrial Organizations in the United States, to form the Canadian Congress of Labour (CCL). Thus there were now two large national labour centrals in addition to the CCCL and the International Railway Brotherhoods.

In September 1945, the TLC and the CCL joined forces in a delegation to Prime Minister Mackenzie King. Earlier the same year C.D. Howe, the minister for reconstruction, had written to all four labour centrals asking for participation on national and regional reconstruction committees, and all four agreed. At this stage, however, the consultations were restricted mainly to matters involving labour-management cooperation. Although issues of productivity and economic efficiency were involved indirectly, consultative efforts focussed on local problems rather than national economic policy.

Labour-Management Production Committees

One of the initiatives taken by government immediately after the war was to foster the continued growth of labour-management production committees. These committees, with equal representation from labour and management, had been set up during the war on a plant or industry basis with the primary purpose of increasing war production. By the end of the war there were some 250 of these committees in operation. In 1947 the Labour-Management Co-operation Service was set up within the Department of Labour, which included a private sector advisory group whose purpose was to foster the growth of labour-management production committees. The program was endorsed by both the CCL and the TLC and continued for almost two decades; it included an active program of advertising through the sponsoring of National Film Board films, the publication of a monthly bulletin and the distribution of posters and pay-envelope stuffers. The Labour-Management Co-operation Service provided field officers to assist any labour-management group to set up a committee. Although initially preoccupied with productivity, the committees eventually broadened their interests to include such issues as safety and health and the quality of working life.

The Labour-Management Co-operation Service was discontinued after the Department of Labour was split in 1965, but by that time the service claimed more than 1,800 committees in operation under its auspices, covering more than 500,000 workers. Well before the program was discontinued, however, there had been a substantial decline in the average size of the bargaining units covered. The committees were specifically restricted to covering issues outside collective agreements. As bargaining relationships matured, more and more collective agreements began to incorporate labour-management committees as a routine part of collective bargaining. Today, about half of all major collective agreements include some reference to labour-management committees.

Labour Philosophy Toward Government in the 1950s

The methods by which labour should exert influence on government were much debated in the movement during the years after the war. The subject of political action was regularly discussed at both TLC and CCL conventions. Put simply, the debate was between the alternatives of active participation in a "labour party" that would seek seats in Parliament and "Gomperism," which advocated pressuring individual legislators as well as the government of the day to adopt policies favourable to labour and providing electoral support to labour's "friends." The latter approach had been used successfully in the United States, but many labour leaders held the view that it was ineffective under the Canadian parliamentary system, where lobbying individual members of Parliament is of limited usefulness.

At its 1916 annual convention the TLC had given moral support to the formation of an independent labour party along the lines of the British Labour party; however, no resources were set aside by the convention to achieve this objective. At the 1919 TLC convention a resolution criticizing the TLC's attempts at influencing public policy through lobbying and stating that "the time has arrived to enter the political field and elect men of the working class to represent them in our legislative halls" met strong opposition and was replaced by a reaffirmation of the stance taken three years earlier. By the early 1920s, Gomperism was well entrenched in the TLC philosophy and actions.

The TLC held to its position of non-involvement in federal politics and reaffirmed this policy at its 1945 convention. The CCL, in contrast, had endorsed the Co-operative Commonwealth Federation (CCF) as its political arm during its convention of 1946. Moreover, by this time, the CCL had established a more broadly based legislative program than the TLC's. It had appointed a director of research in 1943, and its 1944 convention approved a comprehensive program for political action that included a demand to "participate in the formation of government policies" through "equal representation with industry on all government boards and agencies, both administrative and advisory, whose functions in any way affect workers and their families." The TLC shied away from formal affiliation with the CCF. The 1949 convention endorsed the CCF on the basis of its support for the TLC legislative program, but left the matter of local affiliation a voluntary decision. The 1952 convention took a stronger position and called for all affiliates to get involved in political action, but it stopped short of an assessment on affiliates to provide financial support to the CCF.

Another perennial debate concerned labour unity. It was recognized that a unified voice would give labour more clout with government, but the problems of rivalries between affiliates in overlapping jurisdictions interfered with early efforts for TLC/CCL joint action. Joint statements by all four central labour bodies on compulsory arbitration of the 1950 railway strike

led to the formation of the Joint National Consultative and Co-operative Council, designed to present a common front to government. In early 1951 a joint submission was made to the dominion government asking for price and rent controls, but later the same year the TLC convention approved a resolution calling for withdrawal from these joint actions. Nevertheless, labour unity was again endorsed at the 1953 TLC convention; a no-raiding agreement was concluded in 1954, and the TLC and CCL finally merged in 1956 to form the Canadian Labour Congress (CLC).

At its founding convention, the CLC was able to effect a compromise on the issue of political action. The preamble to the new constitution stressed the need for the new congress to attain its economic, social and legislative objectives, and the convention endorsed the establishment of political education committees and discussions with the CCF on future political action; but there was no affiliation with or endorsement of the CCF.

The 1958 convention approved a resolution to transform the CCF into a broadly based political movement, and referred the details to the incoming executive. At the 1960 convention the delegates approved, almost unanimously, the participation of the CLC in the formation of the New Democratic Party (NDP). The resolution called for the CLC to "assist and encourage" the formation of the new party. Affiliation by local unions was voluntary, but at least one public service union withdrew from the congress in protest.

The 1960 convention was a milestone in another respect; it endorsed a much more comprehensive package of economic policies than had previously been adopted by labour, dealing specifically with inflation, monetary policy, economic growth and industrial strategies to deal with depressed industries. It included, for the first time, the establishment of an economic policy committee. The broader scope of labour's public policies arising from the formation of the CLC and the NDP increased the frequency and extent of labour's interaction with government.

At the same time, the increase in government involvement in the economy during the 1950s heightened the motivation for both government and private-sector interest groups to engage in consultation. Thus the scene was set for the more formal consultation in the 1960s.

Formal Consultation

The 1960s saw several attempts to formalize consultative relationships among government, business and labour, notably the National Productivity Council announced in December 1960 and the Economic Council of Canada formed in 1963. Labour was active in making submissions to royal commissions during this period, and the traditional "cap-in-hand" sessions continued.

The National Productivity Council

The National Productivity Council (NPC) was established in 1960 by the Diefenbaker government. The legislation provided for twenty-five members, five from industry and commerce, five from organized labour, five from agriculture and other primary industries, four from the federal government, and an executive director. Appointments were announced in early 1961.

The council met for the first time in late September 1961. It was to last for only twenty months until the defeat of the Conservative government in April 1963. High on the list of the new Liberal government's priorities was the Economic Council of Canada, and when legislation for this new council was passed in the summer of 1963 it absorbed the functions and staff of the old council.

While it lasted, however, the NPC was a precedent-setting venture. In the first place, it was the first fully fledged attempt in Canada (other than during the war) to coordinate business, government and labour in the pursuit of national objectives. Its mandate, in broad terms, was to "promote and expedite continuing improvement in productive efficiency in the various aspects of Canadian economic activity," and in more specific terms, to foster and promote better production and distribution methods, management techniques, human relations in industry, training and retraining, industrial research programs in plants and industries, and the dissemination of technical information. To this end, the act enjoined the council to "organize, assist and enlist the aid of committees, teams and other groups in the implementation on a national, regional or industry basis of programs designed to give effect to any of [the] objects."

The council decided to devote itself, at least initially, to its more specific terms of reference. It viewed itself more as an operationally oriented agency than as a research body, and placed the emphasis on labour-management relations and the dissemination of ideas as a means of improving productivity.² It moved quickly to form five subcommittees to work with its staff in developing projects: these included committees on development of provincial and regional councils; scientific and industrial research; labour-management cooperation; labour training and retraining; and work study and methods improvements. It sought also to establish its identity nationwide, setting up five regional offices and conducting a program of local seminars. That the council members themselves were to be directly involved in a dialogue among interested actors on the possibilities of change is demonstrated by the fact that all this work, at headquarters and in the regions, was to be undertaken with a total staff of only 17.

The council's second precedent-setting activity was to organize a mission to Europe to observe at first hand the operations of similar

consultative institutions and different methods of organizing labour-management relations and economic planning. The mission was headed by a deputy minister of trade and commerce and included two other government officials, four trade unionists, three businessmen, an educator and two council members. The mission visited the Netherlands, West Germany, France, Belgium, England and Sweden, and published its report in 1962.

The mission was impressed by the formal and informal efforts at economic planning in the countries it visited. It found in all cases that "the success of the planning rests to an important extent on the voluntary support of labour and management and on their enthusiastic participation in the planning process."³ The mission examined the approach to consultation and planning in the countries it visited: the forecasting of economic trends; the formal appraisal of these forecasts by labour, management and government, often working together; the formulation of broad economic and social objectives carrying a degree of agreement and commitment by all; and the ability, in the context of a mutually acceptable forecast, to enlist voluntary action to shape social and economic growth toward the objectives. The mission concluded, in light of what it had learned in Europe, that there were "serious gaps in government-labour-management consultation and cooperation on economic and social problems in Canada." It recommended that "to foster high levels of employment and to assist in achieving a greater rate of economic growth . . . the National Productivity Council consider the appropriate steps to bring together responsible representatives of government, management and labour to study the report of the Mission and to explore measures to be undertaken in dealing with [the economic and social] problems."⁴

Yet even as the NPC was moving ahead at what in retrospect was an impressive pace, labour was experiencing increasing unease. The mission published its report in October 1962, and its members proceeded to publicize their findings in several public appearances and seminars. In November the council set up a national tripartite forum; a few months earlier it had moved to set up a special advisory committee on economic studies, headed by John Deutsch, to carry it into consideration of macro issues. The concern of labour, however, was that the thrust of the council's work was too narrow, emphasizing only the productivity concerns of management. The president of the CLC, Claude Jodouin, had resigned from the council in September 1962. In January 1963 the remaining labour representatives made it known publicly that they wanted the consultative process of the council to address itself to economic as well as productivity issues.⁵

The sense here is of a general unease on labour's part which would become more focussed in later consultative exercises. Were they engaged, and thus implicated, in a process over which they exercised

insufficient control? To state this another way: Were they engaged in a process leading to a negotiated, politically acceptable compromise, or in a process of consensus forming from which they would have difficulty disassociating themselves, if the consensus as articulated was not acceptable to them? In the event, the life of the council was not long enough for these issues to come to the fore, but they would remain important in the evolution of government-labour consultation.

The Economic Council of Canada

Legislation establishing the Economic Council was passed by the new Liberal government early in the first session of the new Parliament of 1963. The council was fully formed and at work by December 1963. The council is an independent advisory body to government, its terms of reference reflecting the interest already generated by the National Productivity Council in national economic planning. The enabling legislation assigns to the council the duty of assessing medium- and long-term economic prospects, comparing these results to the potential of the economy and recommending policies to realize the potential. Other duties flow from this mandate: to consider how to improve the balance of payments, Canadian ownership and control, the effects of international economic and technological change, industrial development, regional balance, and labour-management relations.

The council consists of 28 members: a full-time chairperson, 2 full-time directors and 25 part-time members, this last group appointed by the government after consultation with appropriate representative organizations. Until labour withdrew in 1976, 6 of the 25 members were drawn from organized labour, with the president of the CLC always one of them. Other members are drawn from industry, including agriculture and fisheries, and some are selected "as reflecting the interests of the general public."⁶

From the start there was ambivalence as to whether the council should approach its advisory function to government as a consensus-forming, consultative institution or as an institution of economic research and analysis. The consensus/consultation approach to advice implies the means to generate positions of consensus through dialogue and tradeoff of interests, and to articulate these agreements with sufficient political weight to give them meaning in the process of public policy formulation. The research/analysis approach implies the generation of credible and relevant information and argument. The two approaches are not mutually exclusive, research can inform consensus forming, and consensus forming can validate research.

In retrospect it is evident that the Economic Council centred its effort on the research approach. There were two strong indications at the outset that this would be so. Section 11 of the act assigned to the council

as "additional duties" the objectives pursued by the National Productivity Council of promoting, through consultation and dissemination, better production and distribution, management, human relations, and training and research. However, these tasks were explicitly made quite temporary, to be "carried out only until such programs can effectively be continued by other government departments or agencies." Thus, the volume of hands-on dialogue between the council and economic agents would be much less than the NPC had foreseen for itself. After a few years these activities ceased, and the regional offices taken over from the NPC closed. The council did initially stage conferences, but these also ceased in 1969, and none further was held until the national economic conference of 1973, discussed below.

The second early indication of the direction the council would follow was in the role assigned by the government (and the council's first chairman, John Deutsch, the architect of the council) to the part-time members. It was, and is, that they "should each serve in a personal capacity, representing the interests in which the consulted organizations are engaged, but not the organizations as such."⁷ Thus the convention was that part-time members reflected the thinking of the interests they represented in the views they advanced in the council, but did not commit their constituencies to such views.

A corollary to this, also present from the start, was the convention that members, once the debate in council was over, neither disassociated themselves thereafter from the consensus achieved nor tabled dissenting opinions for the public record. These two conventions, never apparently seriously disputed by the members, including those from organized labour, could not but curtail the kind of consensus being reached within the council during its first decade and the weight of its advice to government. The positions taken by the council were more those of the institution itself, the analysts and the full-time members, than of the collectivity of the constituencies represented on the council. The government surely viewed them as such.

Labour was in a particularly invidious position in this situation, although this may not at first have been appreciated. Labour members caucussed and usually spoke with one voice, but they did not bring to the council's conclusions the endorsement of the labour movement they represented. At the same time, unions could not criticize the council without dissociating themselves from the union leadership in the council; thus the safety valve of a recorded dissent was foreclosed. Arguably this mode of consensus forming had two effects: it diminished the political weight of the advice being given to government, and it curtailed the wider, extra-council consensus forming that can ensue from debate among institutions. The utility to the labour movement of the council's advisory function to government was thereby reduced, and the attention and effort devoted by labour to the council was diminished.

As the council deepened and extended its analytic role, it confronted the question of incomes policy. It came to this point in 1966 because it considered conditions were becoming inflationary, and because it had received from the government a mandate to study the relationship of price stability to growth and employment, including "the policies and experiences of other countries in this field and their relevance for Canada." The council addressed this problem in its third review (November 1966), resolutely rejecting the relevance of incomes policies for Canada. It recommended an alternative comprised of two sets of measures, one dealing with economic policy, the other with information and consensus forming. The latter included annual federal-provincial meetings to improve planning and coordination of fiscal matters; the issuance of documents in conjunction with these meetings to serve as a basis for stimulating broader public debate about economic developments, problems and potential; the setting up of a standing committee on economic affairs of the Senate and House of Commons which would hold annual hearings on economic issues, using that documentation as a base; more basic economic research on prices, costs, incomes and productivity and more resources for this research; strengthening the Dominion Bureau of Statistics in price and other economic statistics; and the creation of a new independent institute of economic research along the lines of those in other countries, which would publish a regular bulletin containing analysis of short-term developments, in the interests of better public education and information.

The significance of this list of measures for the evolution of government-labour consultation lies not in their substantive merit but in the very limited role the council saw both for itself as a vehicle for government-private sector consultation in this field, and for other government-private sector consultative institutions. The council confined its role to holding a national conference on labour-management relations in November 1964 and publishing the conference proceedings.

Thus the council effectively dealt itself out of the search for an incomes policy and the supporting government-labour-business consultative mechanisms of such policy. This search was to loom large in the economic preoccupations of the next years, but until 1972, under its first two chairmen, John Deutsch and Arthur Smith, the council held to its course of providing advice founded on research and analysis, with its effort at consensus forming confined to sustaining the nominal consensus of its members within the parameters of the two conventions of personal service and no dissent.

The council did, however, continue to proclaim its consensus-forming role. Its annual report of 1971 (its last year under Arthur Smith) looked back over the council's eight years of existence and explicitly addressed its consensus-forming role. The report noted Prime Minister Pearson's statement on introducing the Economic Council to Parliament that "a

modern government needs to know where the thinking of business, labour and other groups is pointing. Planning . . . means consultation, in order to replace haphazard influence by conscious guidance." The report then states:

It is the two ideas . . . conscious guidance and "consensus" . . . about how to achieve sustained high standards of [economic] performance . . . that shaped the Council's terms of reference as well as its institutional characteristics.

The reality was otherwise. For a further thirty pages of exposition of the council's purposes, activities and cumulative policy positions, there is no further explicit discussion of its consensus-forming role.

In 1971 the Economic Council also issued its eighth review, *Design for Decision Making*. Unlike other reviews, this dealt not with the economy but with the process of government decision making. It examined techniques and systems of government decision in some depth. Its significance in the present context is that no reference was made to private sector involvement in public policy formulation, other than to urge private interest groups to upgrade their capacity for analysis of public policy, and governments to be more open in providing information.

In 1972, under a new chairman, André Raynauld, the council sought to revive its consensus-forming function. Its reviews of 1972, 1973 and 1974 pressed for the adoption by governments of a set of economic performance targets and for "concertation" in Canadian economic policy. The term concertation, which until the early 1970s in Canada had more currency in French usage than in English, implies a measure of agreement on collective action in addition to consultation. The council advocated its use among Canadian governments and between the public and private sectors. As its own contribution to the achievement of this end, the council in 1973 convened a first National Economic Conference. The conference addressed itself more to process than substance. It agreed on the need for clarification of government policy positions; stronger intergovernmental consultative mechanisms; coordination of existing consultation among governments, industry, labour, agriculture and consumers; and expansion of the Economic Council's own program to take into account the priorities of decision makers in the private and government sectors. Such an increase in the council's role would enable it to offer maximum assistance to decision makers in their efforts to relate to the council's performance indicator framework.

The Economic Council saw the conference as an annual event. The next one, planned for 1974, would be more substantive and would have more participation by organized labour. A secretariat was established, and the council looked forward to making the National Economic Conference a significant and useful national institution. This did not materialize. A federal election intervened in July 1974, following which the

focus of consultative energy of business and labour shifted to the consensus consultations of Finance Minister John Turner. Wage and price controls came down in October 1975, which placed the CLC membership on the council in an untenable situation.

Because the CLC withdrew from the council in the context of the imposition of controls, and because at the time this was clearly a component of its strategy of opposition to controls,⁸ the withdrawal has tended to be attributed entirely to that opposition. There were other tensions inherent in the CLC's membership on the council, which the advent of controls brought to a head. In particular the CLC members faced the same conflicts as had the labour members of the National Productivity Council: they were implicated in a process over whose outcome they had little control. The CLC had become more forceful over the course of the 1960s in articulating an economic policy position of its own. In the 1970s this came to be increasingly at variance with the positions being developed by the staff and permanent members of the council for consensus endorsement by the full membership. Furthermore, the council's convention of not tabling dissenting opinions for the public record allowed no release for these tensions, and in the context of the highly contentious issue of controls, the situation became intolerable.

The Anti-Inflation Program was announced on October 13, 1975. Just a week before, on October 6, the council had met in final session to consider the text of the annual review for 1975. Unusually, an account of this meeting was included in the review. It is recorded that

the members of the Economic Council emphasized the gravity of present and anticipated inflationary trends and the urgency of modifying the expectations of both business and labour . . . [and] concluded . . . that additional new policy instruments were required.

More specifically,

The Council recognized that the most desirable course would involve holding back domestically induced cost-push inflation through the impersonal working of market processes reinforced by clear government guidelines on income and price increases.

With this said, the review proceeded to a comparison of a tax-based incomes policy and the Anti-Inflation Program just introduced. The discussion is ambiguous, neither accepting nor rejecting either alternative. Whatever the vagueness of the wording, the import was clearly that the council's perception of the problems confronting the economy conformed with the government's.

This perception, of course, was in no way shared by the CLC, which now found itself apparently endorsing something diametrically opposed to its real position. CLC files show that an attempt was made by CLC staff to have their dissent recorded, but with the president of the CLC, Joe

Morris, unavailable to make the intervention personally, their efforts were unsuccessful. The 1975 review appeared, as had the three earlier reviews under Mr. Raynauld's chairmanship, under the notice: "This report is a consensus document of the Economic Council of Canada." Embarrassing use was made of this report by Prime Minister Trudeau a few months later when on March 22, 1976 the CLC executive council met the cabinet to present their annual memorandum to the government. This was to be the last of the traditional so-called cap-in-hand meetings. As usual, it was a public meeting, and strong opposition to controls was voiced. The prime minister countered by enquiring how the opposition could now be so vehement when the president of the CLC had only recently endorsed something along the lines of the government's program as a member of the Economic Council. On the next day the CLC took the decision to withdraw from the council.

Even before this encounter, however, labour had shown that the lesson had been learned. In late 1975 and early 1976 the Economic Council had been in the process of finalizing a major study, *People and Jobs: A Study of the Canadian Labour Market*, which had been years in the making. Four of the six labour members of the council took the initiative to have their dissent from the study recorded; a fifth labour member was out of the country and could not be reached in time to have his dissent registered. The convention of no dissent had now been breached; council reports could no longer claim to be consensus documents. Dissenting opinions continued to be recorded from time to time, or extended once in a while into statements akin to minority reports, as was the case with a dissenting comment of several paragraphs in the 1978 review made by Mr. Kalman Kaplansky, director of the Canadian office of the International Labour Organization, who had taken one of the labour chairs on the council.

It has been suggested that one reason why labour became less comfortable in its membership as time went on was the composition of the council: almost half the original membership was drawn from the Private Planning Association of Canada. This was the Canadian counterpart to the National Planning Association (NPA), an organization that had grown up in the United States in the 1930s and 1940s.⁹ The NPA was an organization of like-minded economists, business men and women, and labour and farm organization leaders committed to proselytizing Keynesian economic solutions to the problems of the day.¹⁰ Thus the early Economic Council already had a large measure of consensus built into its membership. However, as the 1970s opened, Keynesian economics was no longer seen as yielding the comprehensive solution to economic problems it once had, and the labour movement in Canada was evolving its own distinctive economic views. The council's inherent consensus thus dissipated, and members were now more engaged in overseeing the voluminous technical output of the staff economists. Labour members

therefore had two other reasons for discomfort: the divergence of views within the council and the increasing proportion of their limited time and analytic capacity being spent keeping abreast of developments in the council. Other consultative pressures were now being met, and there was serious question in the labour movement about how high a priority to give to the council's kind of consultation. This latter consideration has, in fact, probably weighed the more heavily in continuing to keep the CLC out of the council.

The Canada Labour Relations Council

The Canada Labour Relations Council warrants a brief mention in spite of its short life-span. Established in early 1975, it ceased to function in October 1975 when labour withdrew following the imposition of wage and price controls.

The council consisted of nine representatives from each of organized labour and business, with the minister of labour in the chair. Its main concern was to be labour-management relations. It could well have become precedent-setting in that while it operated under the auspices of the minister responsible for the federal labour jurisdiction, its terms of reference were carefully silent on whether its purview was to be the national scene or only the federal jurisdiction. When it ceased to function, the council had just started work on the need for a semi-autonomous agency to gather data for use in collective bargaining, and on the feasibility of broader-based bargaining.

Consultation on Incomes Policies

Very early in the 1970s Canada began its process of experimentation with prices and incomes policy as an adjunct to traditional macroeconomic management tools for dealing with inflation. It was among the last of the major industrialized nations to do so.

During Mr. Trudeau's first term as prime minister (1968–72), inflation accelerated disturbingly quickly, compared to the previous 15 years. The government declared war on inflation and, as its first attack, established the Prices and Incomes Commission. Although it started late, once embarked on this course the Canadian government proved to be a more enduring and peripatetic traveller than most. The Prices and Incomes Commission laid some of the analytic and administrative groundwork for the Anti-Inflation Program of 1975–78. In between there was the Food Prices Review Board. Then, after an interlude of still accelerating inflation between 1978 and 1982, the "6-and-5" program was imposed. During that interlude several other instruments of wage and price intervention were considered or tried. These included the Centre for the Study of Inflation and Productivity, the National Commission on Inflation, the

New Forum for Consultation, and the related Prices and Incomes Monitoring Agency, the Petroleum Monitoring Agency, and schemes to coordinate public sector bargaining among federal and provincial treasuries.

Whatever their substantive merits, these experiments served to increase the attention that the federal government and the Canadian labour movement paid to each other. Throughout the decade of the 1970s there was a succession of consultative exercises, each viewed as distinct and extraordinary at the time, between labour and government. The heightened mutual awareness that arose from these exchanges influenced, for the most part beneficially, their ability to consult and relate in other domains.

This section first follows the progress of labour-government consultation on macroeconomic management from the early 1970s to the more recent discussions that took place surrounding the "6-and-5" program in the summer of 1982. An important part of this story is the business-labour consultative dialogue that developed in the mid-1970s. The following section traces the development of labour's consultative relationship with government and business on sector-and policy-specific questions over the last five years or so.

The Turner "Consensus" Consultations

In 1974 inflation was still rising. At issue in the election of that year was a wage-price freeze, advocated by the Conservatives and opposed with effective ridicule by the Liberals. The rate of inflation edged up month by month and remained high throughout 1975. Wage settlements responded, although in many cases not sufficiently to provide the catch-up increases many had come to expect. Union members were increasingly rejecting as inadequate, settlements proposed to them by their leadership. There was concern about the future of wages and prices, and much discussion of controls.

Beginning in November 1974, Finance Minister John Turner began a round of discussions with business and labour which extended into a series of over 20 meetings and came later to be known as the "Turner consensus talks." They aimed at achieving agreement on the necessity for voluntary restraint. The discussions took place at two levels. At the political level they involved the minister, officers of the Canadian Labour Congress, and business men and women selected by the minister. Underpinning this aspect were a series of meetings at the staff or technical level chaired by the Department of Consumer and Corporate Affairs and involving officials of the departments of Finance and Labour, CLC staff, and staff of several of the corporations involved. The technical meetings were treated as confidential by those involved, and they examined analytic material on the state of the economy provided by the Department of Finance. The intent, on the government's side at least,

was to reach a common understanding of Canada's economic situation to serve as a foundation for an agreement on appropriate measures of restraint.

In April 1975 the government proposed voluntary guidelines of 12 percent for wage increases (up to a maximum of \$2,400), with similar limitations on prices and profits. This proposal was quickly rejected by the CLC. The minister saw in this attitude an unflattering parallel between labour's behaviour and that of lemmings rushing to their own destruction.¹¹

Three features of note in these discussions recur in the consultative attempts over the next few years. The first is the central proposition that it is desirable to have a norm or guideline for wage increases endorsed for collective bargaining purposes by the leadership of the labour movement. It is arguable that this was not in 1974, and is not now, institutionally possible for the CLC, since the locus of union decision making in fact and in law in Canada is the union local. Even if it had been institutionally possible, it would probably have been politically impossible at the time for the CLC executive council to be seen to be giving the government any kind of comfort on a 12 percent wage guideline. Wages under collective agreements in 1973–74 were being eroded in real terms by inflation, even when protected by cost-of-living provisions. Settlements were already coming in considerably higher, attracting much media attention. And rank-and-file concern about inflation demonstrated by membership rejection of negotiated settlements was undermining the political position of union leaders.

The second recurring feature of these consultations is the idea that policies and courses of action based on them can come to be mutually perceived as beneficial through a shared examination and analysis of economic data. This is the idea articulated with some care in 1977 in the government's white paper, *An Agenda for Cooperation*:

Discussions . . . could be expected to lead to a better understanding of the realities of the economic situation and of the limits within which the economy is evolving. Everyone around the table would gain a clearer perception. . . .

. . . the range of views about what is possible, and what is desirable, could be expected to narrow as discussions proceed and each participant gains better understanding of the views of others.¹²

Whether the generation of such shared perceptions is possible through such an exchange is arguable. It is clear, however, that the consensus consultations of 1974–75 were too short and sudden to be regarded as a real test.

These first two features are negatively affected by the third — that is, suspicion on the government side that union leaders and staff refuse to see anything except the short-term interests of their members, and on

the labour side that the government is making a premeditated attempt to manipulate them and use them as tools for promoting predetermined policies. These labour sentiments were expressed in a policy statement presented to the CLC's convention by the executive some two years later:

[T]hrough the period of John Turner's "voluntary restraint" programme, labour was confronted time and again with predetermined objectives and fixed strategies which we could not accept. . . . We were asked to "cooperate" . . . but not in the design of these programmes. Labour "cooperation" to this Government has meant only one thing: a commitment to sell Canadian workers a programme which was not in their interests and was therefore totally unacceptable to their elected leaders.

This same statement also set out what it called "explicit understandings" for future consultations. The CLC wanted it recognized by government that:

- (A) the needs and desires of Canadian workers are expressed in fact as well as they are in law, in and through their unions; . . . labour advisors on economic policy [are] advocates for their constituencies and not instruments of government policy;
- (B) labour is entitled to be consulted in advance about *all* aspects of a given policy, and not merely on those aspects that may be selected as suitable for labour's consideration;
- (C) labour is entitled to participate in actual policy formulation and not exclusively in stage-managed consensus exercises;
- (D) labour's advice will inevitably be based on principles of social justice, and for that reason may be difficult to reconcile with technocratic notions of economic efficiency; therefore, "participation" must not in any sense compromise labour's ability to criticize whatever policies are eventually adopted.¹³

The AIB Crisis

After the Anti-Inflation Program of wage and profit-margin controls was introduced in October 1975, the Canadian Labour Congress formally severed the institutional consultative links it had with the government. It relinquished its membership on the Economic Council of Canada, and withdrew from the Canada Labour Relations Council. Day-to-day contact between the CLC and its affiliates and government departments was severely curtailed. Nevertheless, both government and labour gave increasing thought to their future relationships. Three issues had to be dealt with in the immediate circumstances: the policies of structural change and government economic intervention and management that would follow controls; the timing and conditions for ending controls; and the impact of the CLC's "national day of protest," planned as a day of mass demonstrations involving work stoppages proscribed by Canadian labour law.

The CLC's categorical opposition to the government over controls contributed strongly during this period to the development of a new style of consultation: that of the confidential, non-prejudicial exchange of views and information. The CLC did not wish to compromise its opposition, or to give any impression of doing so, yet both the congress and the government had a need to understand each other's positions and their likely evolution. The answer was to look for an appropriate protocol of communication, one that would permit the exchange of information without requiring the immediate adoption of a public or political position on the exchange.

An early instance of this style of consultation was the confidential advance notice of about 72 hours given by government officials to the CLC of the imposition of controls. This became an accepted practice during controls, on an institutional as well as on a personal basis.¹⁴

Post-Controls Consultations

In the five years following the imposition of controls, government, business and labour all perceived the economic situation as increasingly less manageable, or more mismanaged, as the case might be. Each had proposals for policy and institutional change. In this context, a good deal of attention was given to the potential of new consultative arrangements in macroeconomic management.

In May 1976 the Canadian Labour Congress in convention adopted *Labour's Manifesto for Canada*, proposed to it by the executive council. The manifesto made the case, in light of the experience of controls, for a system of national social and economic planning to affect private decisions determining investment, prices and the distribution of income. In this system, organized labour would be deeply involved in economic and social policy making through national bargaining and a tripartite sharing of power with business and government. CLC staff moved quickly to elaborate a set of propositions for negotiation with government to give effect to the manifesto's ideas. The executive considered these in the first week of July and a week later presented the government with a position paper. Principal among the measures proposed in this paper were a council for social and economic planning, comprised of business and labour with government in the chair, to perform general socioeconomic consultative, negotiating and planning functions, and a labour market board, similarly constituted and subsidiary to the council, to perform planning, administrative and regulatory functions in that specific area.

Later in 1976 several of Canada's major corporations established the Business Council on National Issues (BCNI). The council was designed to give business, especially big business, a more coherent and effective voice in national policy making, and to coordinate its interaction with government and labour in consultation on economic policy.

In October 1976 the government issued a white paper, *The Way*

Ahead.¹⁵ The paper was intended, in part, to allay business fears that the government was on a highly interventionist tack and stated that "The role of government should not be to direct the economy in detail. . . . Governments can become too pervasive and oppressive actors in the daily lives of Canadians." Consultation was acknowledged as desirable, but the paper did not specify to what end or in what institutional form. In this, as in all else in the paper, the treatment was at an unobjectionable level of generality.

Some months later, in May 1977, the government did become more specific in the paper, *An Agenda for Cooperation*. The exit from controls was dealt with, as well as some of the government's directions for the near term, and an invitation was issued "earnestly" for "the participation of Canadians in framing the economic decisions which will guide our progress in future years." The case was made for "sharing responsibility"; there is, the paper commented, "a very real limitation on the capacity of governments alone to solve economic and social problems . . . achievement of our goals as a society will be fostered by recognition that responsibility is shared . . . between the private sector and governments."

To foster this participation, the paper proposed a new forum for consultation of 30 to 50 individuals selected by government to provide multipartite representation (that is, to represent others besides business and labour). The forum would not have the power to make decisions, although "arrangements to involve the private sector in the management of specific programs [might] be possible." Its main purpose would be to "influence policies and programs in both the public and private sectors [by exposing] them to major points of view and [promoting] a better understanding of the issues involved." As well, a new agency to monitor prices and incomes was proposed. It was seen as operating in conjunction with the forum in an "influencing" capacity, with a board independent of government, and possibly with advisory groups representing interests such as business and labour.

Neither the CLC's nor the government's proposals came to fruition. They were, however, important factors in the consultative effort during the controls period. Starting in September 1976, at the government's initiative, a series of high-level bilateral government-labour, government-government, and government-business meetings were held to explore the possibilities of an early exit from controls and an agreement on post-controls policy. These meetings involved the prime minister, several ministers and a few senior officials. Business and labour met separately with the ministers. On the business side, the participants were chief executive officers of major corporations and banks selected by the government from a roster it had put together. On the labour side, they were from the executive council of the CLC. The CLC was engaged as a distinct entity, and there was no question of bringing other union

centrals into these meetings. The Confederation of National Trade Unions did in due course have an involvement, but through a separate parallel meeting with the minister of labour.

Unlike the annual meetings between the CLC and cabinet of earlier years, these meetings were confidential. No secret was made of the meetings themselves, but it was understood that each side would limit its public disclosure, if it made any at all, to what it had said at the meeting. It would not comment on what others had said. The subject matter was the prognosis for the economy, the prospects and conditions for ending controls, and the need for some regular, institutionalized arrangement for government-private sector consultations. The importance given to consultative arrangements in these discussions owed much to the proposals in the CLC's manifesto. These had aroused a good deal of interest, positive in some quarters of government, and negative in most quarters of the business community.

The bilateral meetings, three each with business and labour, proceeded until March 1977. The newly launched Business Council on National Issues sought from the outset to perform a coordinating, secretarial function for the business men and women being invited to consult, the majority of whom were in any case its own members.

In February of 1977, after the first of these meetings, the BCNI and CLC made contact in a small meeting arranged by the C.D. Howe Institute, of which both organizations were members. The meeting took place in Montreal and included, among others, Joe Morris, president of the CLC, Ron Lang, its director of research, and W.O. Twaits and Alfred Powis.¹⁶ It has since come to acquire near mythical status, as marking the beginning of what has proved to be an enduring business-labour dialogue, outside the adversarial context of collective bargaining. Certainly, once the contact had been made, the BCNI and CLC found enough to talk about to continue to meet without the mediation of the C.D. Howe Institute. As Carl Beigie, the institute's president, remarked: "There was a need to play a temporary marriage broker of sorts. We played that role and then found that very quickly and very effectively the two sides picked up the ball and we became redundant . . . there was really no need for a third party at that stage."¹⁷

Business and labour now discovered they had both had an interest in an early end to controls, although for different reasons. Business maintained that controls were not affecting prices or profits, since market forces were in any case holding these below the control limits. Business, however, was clearly concerned that controls might begin to bite further on in the controls period, and were anxious about the voluminous disclosures corporations were being required to make to the Anti-Inflation Board. Labour maintained that controls had a disproportionate impact on wages, shifting the distribution of national income in favour of the corporate sector. Business and labour also found that they shared the

sentiment of not being taken seriously by government in the consultations. This was an important motive for continuing to explore the possibility for common cause. In a round table discussion organized by the Conference Board not long after these events, the reasons given by the business and labour participants for proceeding with their own bilateral discussions and the feelings underlying their reasons have a striking similarity:

Alfred Powis:

[There] is perhaps a different perception of the meaning of the word "consult." To me and to others in the private sector this implies the seeking of advice before reaching a decision. To the government it seems to mean informing us of decisions already reached and seeking our support for them.

Ronald Lang:

[Black in the first part of 1977, the CLC was isolated from the main stream, it seemed to us, of political decision making. We had attempted to persuade the government to lift controls. We had had our day of protest. It was all unsuccessful [in ending controls]. That left us, I think, more angry than we had been before. [At the February meeting] we very quietly said — Let's put an end to the run around we are getting from the government and meet with those whom the government has chosen to represent the business community, which is the BCNI.¹⁸

Following that first contact in February, the BCNI and CLC met in March and were able to agree on a joint position to put to the government. The position dealt with the arrangement for consultation rather than its substance. The two groups acknowledged their willingness to look for solutions, offered to meet as often as necessary, and envisaged an ongoing bipartite and tripartite relationship, in which they thought it might be possible to reach consensus on national issues. Meetings with the government then proceeded on a tripartite basis, with business and labour maintaining a parallel bipartite process of their own.

This process ended at a last tripartite meeting on July 29, 1977, at which the government made specific proposals: controls would end in 1977, one year ahead of schedule, if business and labour made certain commitments on wage- and price-setting behaviour; if there was no positive response within two weeks, controls would run their course.¹⁹ The CLC found the proposals unacceptable, rejected them outright and effectively terminated the process.

There is not yet enough distance from the events to make possible a full account of the motives that sustained this process and ended it. Both government and business participants later said they had understood the proposals of June 29 to be the government's initial position and open to negotiation, and were therefore surprised at the CLC's rejection and withdrawal.²⁰ The CLC, for its part, had been able to go as far as meeting

once more with the BCNI to explore the possibility of a joint reply to the government. Then at an extraordinary meeting of the CLC executive council, to which the ranking officers of unions not represented on the council were also invited, the decision was made to terminate.

Certainly, the congress was put in a most difficult position by the proposals. It was offered an early end to controls, for which it could have taken some credit. The end offered, however, was not the immediate cessation the CLC and the BCNI were seeking, but a phase-out which would have seen almost half of the unionized work force still subject to controls, in one way or another, six months later. Any credit to the CLC would have been dissipated by the problem of explaining why some of its membership was still controlled, and such explanation could hardly have avoided the implication that the CLC was now acquiescing in something it had previously opposed on grounds of principle and economics.

More important, the *quid pro quo* proposed for the ending of controls was the CLC's endorsement of a path of real wage increase in the ensuing year of much less than the 2 percent already envisaged in the controls program (as the allowance for productivity advance), and very much less than the increase being experienced in 1977. Depending on what was taken to be a reasonable expectation of inflation for 1978, the real wage path the government was proposing that the CLC commit itself to was one of a zero or negative increase in the real wage level. This, in the CLC's rejoinder to the government, was the first and central reason advanced for rejecting the proposals.²¹

It is difficult to believe that the architects of the government's proposals were not aware of these implications. There was no precedent in Canada for a union central adopting a wage-negotiating guideline. The CLC does not have the internal machinery for assessing any such standard or for generating consensus around it. Thus, even if the CLC leadership had seen such a standard as being in the interest of its members, they would have been making a radical change in their practices by endorsing it, and would have done so only at considerable risk to themselves. They had no mandate from the 1976 convention to engage in this kind of activity, and would have been held accountable for their actions at the 1978 convention. Already the manifesto constituted a major departure from the CLC's past approach to government, and was viewed with serious misgivings in some quarters of the labour movement on the grounds that it was too "corporatist" and concessionary, and that it altered the balance between local and central autonomy.

Moreover, it was the government's position that the CLC make this shift not in the interest of some tangible benefit for its members, but to ally itself with an incomes policy that foresaw the probability of a decline in real earnings. Since nominal earnings were to be held to a given rate of increase, the extent of the probable decline in real earnings would depend on the uncertain movement of the price level. But for prices, the

government eschewed responsibility, as did business. Effectively, the CLC was being asked to underwrite the economic risk of an adverse movement in the price level, as well as take on the political risk of endorsing a wage standard. The government itself was not comparably at risk; public opinion was at the time running in favour of controls.²²

Although unlikely, it is possible that the government was unaware of the import of what it was presenting to the CLC, and thus the strong likelihood that the CLC would reject it. Up to that point there had not been any real negotiating contact between the government and the CLC as a union central, and therefore no need for federal politicians and officials to turn their attention to what was and what was not feasible for the CLC. They may have been beguiled by their theoretical understanding of European practices of wage determination and the role of European union centrals into thinking that something similar was possible in Canada. The CLC's manifesto would have contributed to this misconception. This is the most sympathetic interpretation that can be put on the government's motives. Another interpretation is that the architects of the proposal were so preoccupied with its economic necessity that they could see no further. Least sympathetic is the interpretation that the proposals and the consultative process leading up to them were designed to strengthen the government's political position on controls and diffuse responsibility for economic management.

The CLC executive council was inclined to take a cynical view of the government's motives at its extraordinary meeting. The account of union sentiment leading into that meeting given later by Don Nicholson, a longstanding and experienced labour leader with more knowledge than most of the federal political scene, is entirely plausible: all three possible motives were recognized, but greatest weight was given to the third.

My impression . . . [was of] a great lack of communication with respect to the attitudes of the three participants in the process. I wonder just how that could have happened unless there was, on the part of the senior members of the government, a preoccupation with their own objectives to the point they did not really consider what the responses or suspicions of the others were.

As time went on, we became more convinced that attempts were being made to predetermine the result . . . to manipulate us, not to serve the country, but to serve partisan interests of the government and the Liberal party. . . .²³

Whatever the motives and misunderstandings, it does appear in hindsight that the inexperience of all concerned played an important role in the resulting debacle. No other explanation — unless one attributes outright cynicism to one or other of the parties — can satisfactorily account for the inability of the parties to salvage something from the process. With experience, the CLC might not have laid itself so open to the surprise of an offer it had to refuse; and in framing its proposals the government might have

thought to distinguish between what might and what might not be feasible for the CLC. In the future much more care would be devoted by labour and business to the structure of their consultations with government, and by extension with each other, and to the control that they could exercise over where the consultations were leading.

Following the collapse of the 1977 exercise, there was silence between government and labour for several months. Business and labour maintained their contact. In early 1978 there was a further short trial of consultations on broad subject areas at the prime ministerial/cabinet level. Meetings were held separately with business and labour. By this time it was clear that controls would run their course; incomes policy was thus no longer a pressing issue. The agendas involved an exchange of views on medium-term economic prospects, medium-term economic development policy, and a post-controls prices and incomes monitoring agency. Business and labour were by now insisting on prior discussion and agreement on the agendas. The BCNI had moved into the coordinating/secretarial role it wanted, and was being consulted by government about the individuals to be invited; it also organized their attendance.

Nobody seems to have expected much from these meetings. No overt move was made to terminate them, but the interest of the participants shifted to the process of sectoral policy development taking place in the Department of Industry, Trade and Commerce and under the auspices of the new Board of Economic Development Ministers.

Epilogue

Several years later there were two further short attempts at consultation on macroeconomic policy. The account of these attempts fits appropriately here as a brief epilogue to the discussion of this section.

First, Mr. Clark's government had planned to hold a national economic development conference in early 1980, until it was defeated in the House on December 13, 1979. In anticipation, a series of meetings was held between the minister of state for economic development, Senator de Cotret, and the CLC, the BCNI and other interests. The CLC took the lead in representing to the minister that the structure of the conference should be carefully worked out with the participants beforehand. This was agreed, and a steering committee, headed by the minister and comprised of equal representation from business and labour, was established. As the planning evolved, it was further agreed that the agenda would be set around discussion papers which would be available to the participants well in advance and subject to informal discussion among them before the conference opened.

Second, at the government's initiative two meetings between the prime minister and ministers and the CLC were held in June 1982 on the "6-and-5" program of wage restraint in the federal public sector and the

generally restrictive economic policy the government was then pursuing. Each side presented its views, debated them, and looked for possible accommodations. None was possible. The protocol evolved over 1977 was now strictly held to. On conclusion of the meetings each side limited its public statement to the material and arguments it had presented.

The Sectoral/Task Force Approach to Consultation

As the attempts to consult on macroeconomic policy proceeded over the 1970s, dialogue opened on a second front. This was consultation on sector-specific and policy-specific questions. These discussions, and the institutional arrangements made for them, were for the most part structured so that the subject matter was predetermined, rather than open-ended as in the macroeconomic discussions. In the more successful of these exercises the task force approach was used, in which a group of individuals, selected on the basis of expertise or interest representation, was asked to analyze a particular problem and develop recommendations for its improvement within a definite time.

Four of these sector- or policy-specific exercises are of importance in the evolution of the government-labour consultative relationship: the Tier I and the Tier II industry consultations; the Major Projects Task Force of 1979–81; and the discussions surrounding the BCNI–CLC proposal for an industrial labour market institute, which was recently formalized in the three-way agreement between the government, the BCNI and the CLC to establish a Canadian Labour Market and Productivity Centre.

There is a general agreement among the participants that this form of consultation has so far proved to be the more effective kind.²⁴ The most often advanced reason, understandably, is that it is easier to discuss and reach some common or compromise position on a specific area. This is especially true if the subject matter can be restricted beforehand to areas where the participants see reasonable prospects for a mutually acceptable line of analysis and conclusion. And the prospects for successful consultation will be even stronger if the subject matter can be restricted to a change in policy or practice that a non-participant (such as the government) should make in the light of analysis and recommendations developed by the participants (business or business and labour together). Furthermore, a sectoral orientation reduces to some extent the pressure on the participants to consider the effects of proposed policy changes on third parties (such as consumers), although CLC-affiliated unions have generally recognized the need to maintain consistency with standing policy on broad economic and social issues.

The sectoral consultations had their beginnings in the months following the imposition of controls. The controls program was presented to Parliament and the public both as the necessary response to the pressing

problem of inflation and as a useful hiatus during which the government, and Canadians generally, could focus on questions of long-term economic development and structural change. Within the government, a wide-ranging assessment of departmental policy and program ideas was undertaken. Departments were asked to forward initiatives. These plans were then screened and coordinated for presentation to ministers by a committee of the deputy ministers heading the ten departments and central agencies most directly concerned with economic affairs — the DM-10 committee as it came to be called.

Two departments in particular put forward ideas that had a bearing on the future of government-labour consultations. Industry, Trade and Commerce launched its Enterprise-77 discussions with the business community which were to lead to the Tier I and Tier II sectoral consultations. The Department of Labour put out a 14-point program which formed the basis for a position paper, *Towards a Better Working Environment: Labour Canada Initiatives*, published in December 1976.

Labour Canada's 14-Point Program

The initiatives of the Department of Labour relied heavily on an underpinning of a strong government-labour consultative relationship. As laid out in the position paper, it was envisaged that the entire program would be elaborated and refined through a "concerted program of consultations with organized labour, business, the Provinces and other significant institutions as required." Four of the initiatives envisaged continuing institutionalized consultative arrangements. It was proposed that three new institutions, the Canada Centre for Occupational Safety and Health, the Canadian Quality of Working Life Centre, and the Collective Bargaining Information Centre, would operate under tripartite or multipartite boards including organized labour.

The fourth institution, a national consultative forum, was characterized as "essential . . . if the industrial relations system is to become more responsible and more responsive." It was seen as a multipartite institution "for consultation and exchange of information about broad social issues"; it would bring together "representatives of government, labour, business, the farm community, consumers and perhaps other groups"; it would function "as an influential instrument for persuasion and communication among decision makers"; and it would "provide an umbrella for more detailed consultation in sub-groups created to examine specific problems in areas such as labour affairs, housing and unemployment among others."

With more realism than may have been appreciated at the time, the department's paper concluded with the observation that "implementation, depending on the particular initiative, will range from months to perhaps years. . . ." The 14-point program continued to be the core of

the department's agenda for more than five years. A good number of the proposals have been implemented in some form; few are still on the calendar. There is now a Canadian Centre for Occupational Health and Safety, and there are within the department a Quality of Working Life program and an Industrial Relations Information Service (in lieu of a collective bargaining information centre), but they do not have the consultative underpinning and joint management foreseen for them in 1976. The national consultative forum has not materialized.

There are some striking parallels between the CLC's manifesto of May 1976 and Labour Canada's initiatives of December 1976. The idea of a hierarchically structured, institutionalized consultative arrangement is one. Both the congress and the department saw this as carrying considerable influence in the government's policy development process. Another parallel is the idea of joint program delivery through government-labour-business management structures, distinct from the government department that might otherwise have delivered that program. This implies intense consultation within the management function to make the program work.

The department, and its minister at the time, the Honourable John Munro, were not able to cement the kind of relationship with the CLC needed to launch the initiatives. There were several reasons for this failure. In the first place, Labour Canada's ideas presupposed federal-provincial cooperation. This was not easily obtained in the face of provincial concerns, most forcefully expressed in Quebec, Alberta and British Columbia, about the integrity of provincial labour jurisdiction. Secondly, the initiatives presupposed a degree of interdepartmental cooperation within the federal system. The department thus faced major opposition in rallying governmental enthusiasm for its ideas.

A more telling reason was that while the ideas of the department and the CLC ran parallel, there were still fundamental differences. In essence the congress conceived of institutions which would have substantive influence in government policy development and in program design and delivery, and in which it would have a prominent and assured role. The department had more diffused ideas about the real power the institutions, particularly the forum, would have and the role that would be available to the CLC in the multipartite consultative and managerial structures being proposed. Certainly within the CLC there was skepticism about both how far the government might go to bring the ideas closer together and how far the department was committed to pushing within government for a rapprochement.

The overriding reason, however, why the initiatives did not gel was timing. The ideas emanating from both sides, in their potential application to the industrial relations and labour market policy domains, became caught up in, and subordinated to, the high-level discussions with the prime minister on macroeconomic management and incomes policy.

In the summer of 1976 two exploratory meetings on the ideas of the manifesto took place between the CLC executive and interested ministers. Some accommodation at first seemed possible. The CLC presented a position paper (dated July 12, 1976) elaborating on the manifesto and proposing, among other things, a council for social and economic planning and a labour market board. Ministers gave a carefully vague undertaking to legislate whatever consultative institutional structure emerged as the outcome of three-way discussions between government, organized labour and business.

It was not, however, until February 1977, in a letter from the prime minister to the president of the CLC, that the government formally replied to the CLC. The reply was no more definite than had been the July undertaking. By this time, the high-level talks were under way. When they were scuttled in July 1977, the ideas for consultation between the CLC and the Department of Labour as they might have applied to industrial relations/labour market policy went down with them. By 1978, when the climate might have permitted their revival, the energies of the CLC were fully taken up by the Tier I and II consultations and later by the Major Projects Task Force.

The aftermath is instructive. The legacy of disappointed expectations on both sides, and of disenchantment between the CLC and the Department of Labour, has, if anything, been more lasting and more acute than the general disenchantment between the government and organized labour. People at the CLC wondered about the extent to which departmental officials had, through the initiatives, induced them into the dead-end of the high-level discussions, or, alternatively, had been so powerless or so lacking in interest as to prevent the dead-end from arising. People in the department wondered about the CLC's motives not only in leaving them out on a limb, but in helping to saw it off behind them. They had predicated their initiatives on a substructure of consultative arrangements, but when they achieved a measure of cabinet support for them, the CLC refused to enter into the arrangement, leaving the initiatives hanging. The department pushed on with its ideas, but in the enduring climate of suspicion was never able to secure much CLC support. Without this support, few of the initiatives grew to the scope foreseen for them.

The Tier I and II Sectoral Consultations: Overview

Early in 1977 the Department of Industry, Trade and Commerce began what became over the next 20-odd months one of the most broadly based and intensive consultative exercises yet undertaken in Canada. It started with a program called Enterprise Canada 1977, in which the department, through a series of unstructured discussions with business men and women across the country, sought to take the pulse of the business

community. It wanted, in effect, to improve its understanding of their concerns and of their attitudes toward the department's policies and programs. This beginning was built on incrementally. In due course it unfolded into the following sequence of events:

- A major review exercise within the Department of Industry sector by sector, covering Canadian manufacturing, tourism and construction; there were also reviews of the evolution of Canadian productivity and international competitiveness. This yielded a set of industry sector profiles, which officials first discussed informally with their business contacts and later prepared for official publication to serve as the basis for more structured consultation with the private sector.
- A round of federal-provincial discussions at the level of officials in mid-1977, in which the federal government, comprised of officials drawn from the departments of Finance and Labour as well as Industry, Trade and Commerce, presented some of its thinking about medium-term economic problems and the related policy development process it had embarked on, and explored the prospects for federal-provincial cooperation in policy development.
- A federal-provincial conference of industry and trade ministers in November 1977, covering much the same ground as had the officials, but now dealing also more explicitly with intergovernmental and public-private sector consultation on industrial development.
- A first ministers' conference on the economy in February 1978, which agreed, among other matters, to endorse a process of consultation with the private sector on an industry sector basis.
- With this endorsement of first ministers, 23 sector task forces were quickly put together and began meeting in early March. This was Tier I of the sectoral consultations.
- Working to a deadline of July 1978, the task forces examined the analytic material provided to them by Industry, Trade and Commerce, particularly the industry sector profiles, and each developed its own set of analytic conclusions and recommendations for government policy and program changes. Their reports were presented to the federal and provincial ministers of industry in August 1978.
- A Tier II Committee, composed equally of business and labour representatives, was struck at the end of July to put together a thematic consolidation of the 23 sets of conclusions and recommendations of the task forces. This committee reported in October 1978.
- An extensive interdepartmental process was set in motion as soon as the sector task force recommendations began to come in, to generate an appropriate government response to them. An interim response, *Action for Industrial Growth: A First Response*, was produced by Industry, Trade and Commerce early in November 1978.

- A federal-provincial conference of ministers of industry was held in November to consider the collective federal-provincial governmental response to both the sector task force recommendations and the Tier II report.
- Another first ministers' conference on the economy effectively rounded out the process by receiving the work of the sectoral task forces, the Tier II Committee and the industry ministers.

This extensive consultative exercise formed part of a general shift of government economic policy toward more reliance on the private sector than on government intervention for the restoration of growth and productivity, and toward support for Canadian business through direct and tax expenditures. This shift, arguably, was facilitated by the consultations and may have been one of the objectives in mounting them. Clearly, however, labour's participation in consultations in such a policy context was problematic. The exercise was avowedly investment-oriented. The expectation of business was surely that government would listen to their recommendations for measures to increase the productivity and profitability of investment. Much, therefore, of what could reasonably be expected to be recommended in this climate would not fit easily with trade union economic policy. This problem featured prominently in structuring the Tier II segment of the exercise.

The Twenty-Three Sector Task Forces

Directly participating in the 23 sector task forces were representatives of 305 business firms, 27 unions and the CLC, and 18 universities. At least a couple of hundred federal and provincial officials were also involved, drawn mainly from the federal Department of Industry, Trade and Commerce; the rest came from other interested federal and provincial departments. They functioned as secretaries, advisers and observers.

The process of putting the task forces together began some months before the formal endorsement by first ministers in February 1978. It started with Industry, Trade and Commerce finding 23 business people willing to serve as chairpersons. In this the department benefited from the contacts with the business community which it had made in Enterprise Canada 77. Many of these contacts had been kept active over the course of 1977 as officials put together their sector profiles. Each chairperson then worked with the department to select the other business participants and the academic experts for the task force. The first meeting of the task forces took place in early March 1978. At that point organized labour was not yet involved, nor had the final decision on that subject been taken.

Before labour could participate, two issues had to be resolved. First, it

was necessary to determine whether labour participation would be acceptable to business. Since there was no precedent, this took time. The department had to persuade the task force chairpersons of the value of labour participation, and then its acceptability to the business participants in general had to be tested. This was not fully possible until the business participants gathered for the first task force meetings, which were held in Ottawa in early March. Second, the basis for labour's participation had to be agreed on. Some exploratory discussions took place between the department and the CLC in February and March, and the executive council agreed in principle to participate. It was not, however, until after its convention in May 1978, at which the presidency passed from Joe Morris to Dennis McDermott, and at which there was vigorous debate about the ideas of the manifesto, that the CLC was in an effective position to coordinate the involvement of its affiliates.

Labour's involvement in the sector task forces can best be characterized as uncertain. Many, if not most, of the union officers and staff who in due course arrived at their respective task forces were uncertain about just what kind of process they were engaged in, and how they could contribute to or affect its course. This is not surprising: the process by this time was well launched; the delineation of sectors and subject matter had been agreed upon between the department and chairpersons many weeks earlier, and the task forces had already met once or twice and decided on their terms of reference and methods of operation. And as well as being latecomers, the labour participants were much in a minority position. No stricture had been placed on the number of labour representatives, but only a limited number of labour people could be made available for the process. Finally, they were faced with the momentum of the deadline: the task forces had only about three months and not much more than half a dozen meetings to put together their reports.

Thus, once labour had become involved, it had little option but to wait to see where the process led, and to discover what might be learned and achieved. The CLC officers and staff were not under any illusion about this, as they stated in the general position paper they prepared for submission to the task forces:

The Canadian Labour Congress . . . feels strongly that the time dimension that was imposed on the exercise by the federal government was wholly unrealistic . . . all reports [of the task forces] should be considered interim ones, and the process of consultation on a restructured basis should be a continuing one.²⁵

The Tier II Committee

As the task forces moved ahead, there was concern on the part of the private sector participants about the unwieldy nature of the exercise

they were engaged in. They doubted their ability to exercise sufficient control over both the shape of the final message and how it would be perceived by government, the public and their own constituencies. A number of the more influential participants from both the labour and business sides had had the experience of the 1977 consultations in which they felt they had reason to doubt whether their efforts were being seriously received.

The answer worked out with the department and the minister, the Honourable Jack Horner, was to structure a joint business-labour committee to consolidate the work of the 23 task forces. This was the Tier II Committee. The operative part of its terms of reference was:

to work directly from the Task Force reports and attachments to identify and make recommendations about factors and policies that cut across sector lines. You will pull together the common threads running through the reports to make recommendations on broad economic policy and on issues important generally to manufacturing and tourism. You will, if you wish, make recommendations as well on major sector-specific issues.

Of the "attachments" referred to, the most important to labour was the CLC's *Labour Report to the Coordinating Committee*. Its inclusion in the terms of reference ensured that labour's concerns, which had not been aired as much as they would have wanted in the task forces, fell squarely within the purview of this part of the consultative exercise.

The BCNI-CLC linkage of bilateral discussions now came into play. The joint business-labour committee, it was agreed, should consist exclusively of private sector participants who would structure their own approach and work program and would use for this a non-governmental staff of their own selection. The Tier II Committee was accordingly comprised of five labour and five business representatives. The labour representation was drawn entirely from the CLC executive council: Shirley Carr, executive vice-president, and four other members. The business representation was comprised of the chief executive officers of major Canadian corporations. The committee secured a chairman, drawn from the business community, who had not up to then been involved in the sectoral consultations and who had acknowledged diplomatic skills: Ralph Barford, chairman of G.S.W. Limited. It also added an academic participant, Robert Needham, associate professor of economics at the University of Waterloo. It had a staff of three — Kevin Collins, the CLC's senior economist, H.O. Coish from Canada Wire and Cable, and H.A. Kroeker of Dalhousie University and the Institute for Research on Public Policy — as well as a secretary provided by the department.

The Tier II Committee was convened at the end of July, held a series of intensive meetings during August and September, and produced its report in October 1978. The report dealt with nine issues most commonly identified

by all sectors: trade and trade negotiations, manpower and labour relations, taxation, research and development, energy, transportation costs, regional development, government purchasing policies, and industrial rationalization. By and large, in each of these areas business and labour were able to find sufficient common ground for a fairly definite set of recommendations. In many cases, not surprisingly, there was a considerable distance between the policy perspectives which labour and business brought to bear, though it was possible to accommodate this difference by a carefully worded text that accorded a measure of validity to both points of view. In a few instances, the distance could not be bridged, and the report then recorded two differing views.

Whatever may be thought about the substance of the Tier II report, it was seen at the time by the participants as an effective and precedent-setting consultation, as indeed they stated in their report:

[This] is the first such major national joint effort by business and labour in Canada's history. . . . Possibly its most important contribution is the process itself. This is the first time business and labour, under government auspices, have jointly worked on major economic problems and come up with specific recommendations.²⁶

Four major factors contributed to the success of the exercise, related to both its structure and its mechanics. The structural factors were the defined subject matter of the consultations; the equal representation of the business and labour participants and their freedom to redefine the subject matter as they worked their way through it; and the greater obligation on government to hear and respond to a common business-labour approach. The fourth factor, relating to the mechanics, was the use of a staff dedicated to, and accountable to, the committee.

The first two factors came into play when the committee came to an area that was not amenable to a common or compromise position. It now had scope to devise a way out, so that, unlike the post-controls consultations of 1977, what could not be accommodated did not destroy what could be. Three techniques were used. Two, as already noted, were careful wording to accommodate divergent viewpoints, and the statement, without prejudice, of both positions. The third technique was to defer the issue. This was used for the most intractable issue, labour relations.

Labour relations was different from the other issues in that it required business and labour to consider their interests with respect to each other, as well as their joint and several interests with respect to government. This they found they could not handle in the time available. The answer was to agree that "labour and business will establish a private-sector committee to study labour relations in Canada and report to First Ministers." The terms of reference set out for this successor committee by the Tier II Committee covered most of the sensitive issues of the day in labour relations. Thereafter, the labour relations committee was not

formally heard from again. Whether this fade-out was foreseen by some of the committee is not known, but the device of a successor committee to handle these issues did help shift off the agenda items that otherwise could have put the entire exercise at risk.

The third structural factor contributing to the viability of the Tier II consultations was the belief of the participants that in this mode of consultation, a joint business-labour effort carrying a formal governmental endorsement, they had a formula that gave them greater assurance than they had before that their input into government policy would be seriously received. The belief was surely a significant motivation for the time and effort they devoted to reaching accommodation. In concluding its report, the committee made it clear that it expected to be listened to, and to continue to be listened to through this mode of consultation.

The final contributing factor, of a mechanistic character, was the availability of a staff which was accountable directly to the committee rather than the government. In particular this gave the committee the capacity to generate various formulations of separate and common positions, which could then be examined and debated, with no fear that this staff work could prejudice the final position that would be agreed on for presentation to government.

The federal government did, as the Tier II Committee requested, inform the task forces of its response to their recommendations. In November 1978, in conjunction with the federal-provincial conference of industry ministers, it issued *Action for Industrial Growth: A First Response*.²⁷ Later it made a more elaborate reply to the several hundred recommendations, including those of Tier II, in *Action for Industrial Growth: Continuing the Dialogue*.²⁸ A few of the task forces did subsequently reunite on an ad hoc basis at their own initiative, but Tier II did not formally continue, and there was no successor.

On balance, the volume of positive response by the federal government did not meet the early expectations of the Tier I and II participants. Still, they were reasonably satisfied, except in one major respect, with the structure and operation of the process. The exception was the limited time frame of the process, which they judged to be unrealistic. They applied the lessons they had learned to the next major consultative exercise, the Major Projects Task Force.

The Major Projects Task Force

The sectoral consultations had their genesis in the perennial Canadian concern with the strength of its manufacturing sector. By the time they had run their course there was another focus of policy subject area alongside the interest in manufacturing: the number of large-scale, resource-related projects in extraction and transportation predicated on

what then seemed to many to be an enduring shift in Canada's terms of trade in favour of these sectors.

The Major Projects Task Force had its beginnings in the sectoral task force on construction. Members of this task force, drawn from engineering and construction firms, knew from experience the difficulties faced by the still relatively small and internationally untried Canadian industry in landing the prime contracts for major projects in Canada. They were at the same time seized of the potential for large-scale developments on the horizon. Much the same thinking had been developing within the Department of Industry, Trade and Commerce. By the time of the federal-provincial conference of industry ministers which considered the results of the sectoral consultations in November 1978, the issue of the development potential inherent in major resource-related projects had taken on almost the same importance as the issue of manufacturing renewal:

major industrial projects which are in prospect should provide potential for growth. . . . To this end, [ministers] agreed that a consultative committee of labour, business and the federal and provincial governments should be established to study the benefits which could flow from major Canadian projects. The recommendations of this Committee to the federal and provincial governments, which will assist in the guidance of policy and program decisions, should be presented before April 1979.²⁹

Discussions began at once between the federal minister and Department of Industry, their provincial counterparts and business. The minister was able to announce on December 29, 1978, an initial membership of 25 business people for the task force. They held a first organizational meeting with the minister in Calgary on January 4, 1979, at which it was agreed that the task force would set its own terms of reference and determine its own membership. Robert Blair, chief executive officer of Nova Corporation, was chosen as chairperson.

To this point, although the CLC had been consulted during the course of the discussions, labour was not yet on board. Three conditions were set by the CLC for its participation: it should be a business-labour task force, with governments participating only as observers; labour should have equal representation with business; and any subcommittees formed should be co-chaired by labour.³⁰ Moreover, the time frame to April 1979 originally set by the industry ministers should be relaxed. These conditions were accepted, and labour joined. Later, Shirley Carr was made co-chairperson with Robert Blair.

When the task force was fully organized it had 76 members, giving it broad sectoral and geographical representation. The membership was drawn from the sponsors of major projects (e.g., the oil majors and utilities), and from the suppliers of MEPC (management, engineering, procurement and construction) services and of capital goods. Small and

medium business was also represented. There were in addition 13 government officials in secretarial and observer capacities. All provincial governments except Alberta involved themselves as observers. The task force had its own staff, numbering 26, loaned by corporations and trade unions, and it engaged two coordinators, one for labour and one for business, to facilitate its work. The coordinators were paid by IT&C, but were accountable only to their respective principals on the task force.

The task force formed a series of subcommittees to carry out its work. There were initially four sector-demand subcommittees to analyze and develop a data base on major project demands in the fields of chemicals, hydrocarbons and pipelines; electric power; mining, metals and forestry; and transportation. Subsequently, there were five supply subcommittees on manpower; project management, design and construction; manufactures; finance; and technology; and subcommittees on the role of multinational enterprises and of government. The overall process was run by a steering committee comprised of the task force co-chairpersons and the co-chairpersons of the subcommittees.

It is at once apparent that, largely at labour's insistence, the structure of this consultative exercise contains all the elements that had been thought to contribute to the viability of Tier II: parity for labour in the executive and representational functions of the task force; autonomy to determine the agenda and working procedures; a staff accountable to the task force; and no imposed deadline. Labour was comfortable with this structure, felt it had reasonable assurance that the exercise could be run within politically acceptable confines, and indeed, entered the exercise with a good deal of optimism about its potential.

With more time and more staff at hand, the Task Force on Major Projects accomplished more than Tier II. It was able to address and find much common ground on issues involving the participants' own policies and practices as well as those of government.

The task force had as its objective to report by the end of 1980. Largely because of the intervention of two federal elections it did not do so until June 1981. The central theme of the report was that better information, more forward planning and disclosure, and changes in corporate attitudes, policies and operations were required from owner/sponsors of major projects if benefits to Canada were to be maximized.³¹ The central recommendation was for a vehicle to deliver the required information and to encourage the necessary change in corporate policy and practice. This vehicle, named the Major Projects Assessment Agency, was to be a joint business-labour entity to gather and disseminate demand and supply information, to develop recommendations to government, business and labour, and to encourage research and innovation. In total the task force made some 50 recommendations.

It is unfortunate for the evolution of consultative practices in Canada that the task force report was delayed. The government did not reply

until almost a year later. On May 20, 1982, the minister of industry, trade and commerce and regional economic expansion, the Honourable Herb Gray, announced that the government would cooperate with business and labour in the creation of a Major Projects Benefits Board, to provide a forum for business and labour involvement in securing for Canadians industrial, regional and employment benefits. However, as outlined, the proposed board did not seem much like the pro-active agency recommended by the task force. This was not by then a matter of pressing concern. The world was a year deep into a recession of great severity. There were few major projects left, and not much interest on the part of business and labour in a board that would not have much subject matter to deal with. The board has yet to come into being. Perhaps if the task force had been able to report earlier, when economic prospects were still good, there would have been enough momentum to push the proposed agency into being.

The Canadian Labour Market and Productivity Centre

In January 1984 the minister of employment and immigration announced that the government had reached agreement with the Canadian Labour Congress and the Business Council on National Issues to establish and fund a Canadian Labour Market and Productivity Centre. This agreement followed on a decision the government had reached almost a year earlier, when it announced in the April 1983 budget that it intended to create a National Centre for Productivity and Employment Growth. Over the intervening months this idea melded with the joint proposal for an Industrial Labour Market Institute³² which the BCNI and the CLC had been working on for several years.

The centre was long in gestation and owes much to the endurance of the CLC in promoting the idea throughout the various consultative exercises since the mid-1970s. To recapitulate, the CLC first proposed a tripartite entity to provide services and policy advice in the general field of labour market affairs in conjunction with its manifesto of 1976. This was the Labour Market Board. As conceived at the time, that institution had several potential functions, one of which would be analytic. The economic policy of the CLC called for:

- More careful planning and coordination [of manpower supply and demand], if needs are to be anticipated and resources brought together in the most efficient manner.
- A national inventory of manpower needs and resources.
- Manpower planning [to] provide better training and retraining programs and better matching of people with jobs.³³

The proposed board could carry out this policy. Other possible functions were the direct provisions of labour market services and the operation of

an employment-stimulating regulatory and incentive scheme for investment, along the lines of schemes then operating in Sweden under its Labour Market Board.

The motif was then carried forward to the Tier I and II consultations. An important dimension of this work was the critique levelled at Canada's manpower supply system, in particular at federal and provincial policies and programs. Some criticisms, however, the private sector participants directed at themselves, at least by implication, in their various observations on the Canadian practice of relying on immigration to fill skill shortages rather than developing domestic skill-training capacity. The Tier II Committee concluded that what was required was "a mechanism for maintaining an inventory of possible manpower needs as well as for ensuring that appropriate training and educational programs are in place." It recommended that:

In those industries where manpower resources, training and planning are inadequate, industry and labour should meet regularly to forecast needs and recommend training and education programs to government, sector by sector. . . .

For an overall picture, an autonomous body, jointly supported by provincial and federal governments and by business and labour, should be created to integrate sector inventories of manpower availability and needs, to advise on manpower policy, training and educational requirements . . . [and to] make reports assessing the medium and long-term manpower requirements.³⁴

The government's initial response to these proposals was less than enthusiastic. It indicated that it would form "a national Advisory Council to advise the Minister of Employment and Immigration on the formation of labour market policies and programs," computerize its clearance system, and "explore . . . means of obtaining greater private sector participation in skill training."³⁵

The governments's subsequent and more fundamental response was to create its own internal policy review device, the Task Force on Labour Market Development, almost two years later, in July 1980. This task force was comprised of people drawn from the Canada Employment and Immigration Commission (CEIC). It did not consult formally with the private sector while it was working on its report, but rather produced a report, *Labour Market Development in the 1980s*, which it described as a first step in a process of analysis, consultation, program design, legislation, and implementation.³⁶

The report took a year to produce, and it recommended, among other matters, that to meet the urgent need for better labour market intelligence, CEIC should create an intelligence network to draw on the knowledge and capabilities of business, labour and provincial governments. The structure of the proposed network, to be comprised of

sectoral national industrial manpower committees and an aggregating and analytic function called a Labour Market Intelligence Service, bears a remarkable similarity to the Tier II proposals of three years earlier. There is, however, the central difference that the core aggregating and analytic function was to be the commission's, rather than autonomous. By this time, however, Canada was staring recession in the face, and neither labour market intelligence nor supply policies could elicit immediate attention.

The Major Projects Task Force reached similar conclusions to the Tier II Committee and stated them somewhat more directly.³⁷ It found that reliable data on manpower needs were virtually non-existent, and that the training system tended to be unresponsive because of the inflexibility of federal-provincial agreements, institutional inertia, and a value system that gave rise to patterns of training choices not well suited to Canadian needs. It concluded that the prime requirement was better advance knowledge. This, it was envisaged, would be part of the work of the proposed Major Projects Assessment Agency.

The Labour Market and Productivity Centre formally originated in 1979. Following the Tier II report in October 1978, as business and labour were considering what to do about the labour relations committee they had said they would put together, the BCNI and CLC opened discussions on how pragmatically to further the idea of the manpower body recommended by Tier II. They were able to reach a measure of agreement over the course of 1979, and explored the idea with several provincial governments, with positive reaction. The fall of the federal government intervened before they could do so with Prime Minister Clark.

By mid-January 1980 the BCNI and CLC had committed their proposal to paper, and awaited the outcome of the election of February 18 to present it to the new government. Mr. Trudeau's government, however, when it returned, was in a more executive than consultative frame of mind, toward both the provinces and the private sector. The proposal was received with, if anything, even less enthusiasm than had been that of Tier II. In due course the BCNI and the CLC made a joint presentation to the Parliamentary Task Force on Employment Opportunities for the 1980s.³⁸ When the task force reported in October 1981, the proposal was given endorsement by all parties.

The CLC and the BCNI continued to lobby aggressively with both levels of government, and, in spite of resistance from CEIC officials, agreement was eventually reached for the creation of the Industrial Labour Market Institute, with a memorandum of understanding being signed in August 1983 between the CLC, the BCNI and the minister of employment and immigration. The institute was to be government-funded and controlled by a business-labour board of directors.

Meanwhile, in the April 1983 budget speech, the government announced its intention to create a National Centre for Productivity and Employment Growth, which would include participation by both business and labour. The minister of finance subsequently agreed, during his post-budget consultations with labour, that the government would have no objection to an arrangement whereby this new agency would be combined with the Industrial Labour Market Institute.

A steering committee was struck which included representatives of the CLC, the Canadian Federation of Labour, the BCNI, the Canadian Chamber of Commerce, the Canadian Federation of Independent Business, and the Canadian Manufacturers' Association. In due course, this committee recommended a merged labour market/productivity centre, and on January 27, 1984, a memorandum of understanding was signed creating the Canadian Labour Market and Productivity Centre (CLMPC), jointly funded by the CEIC and Labour Canada, and controlled by a business-labour board of directors. The CLMPC board consists of 12 business and 12 labour members, along with non-voting members from the federal and provincial governments and from the academic community. As of December 1984, all of the provinces except Quebec have named representatives to the board.

At the time of writing, the CLMPC board has met four times, and start-up plans are well under way, although the centre has not yet implemented any programs. Arthur J.R. Smith, former chairman of the Economic Council of Canada and former president of the Conference Board of Canada, has been hired as chief executive officer. Some support staff has also been hired, and recruitment of professional staff has been initiated. With a budget of some \$7 million a year and an initial mandate for five years of operation, the centre is the most ambitious consultative undertaking to date. This endeavour is not without its critics in the labour movement, however, and it will face serious challenges in the future. Although the proposal for a labour market board originated with the CLC, the decision to participate in the productivity side of the centre's mandate is more controversial, and it is widely referred to in labour circles as "the productivity centre." Nonetheless, the Ontario Federation of Labour convention in November 1984 solidly defeated a resolution calling for labour's withdrawal from the centre.

In the view of many observers the CLMPC's success will depend to a large extent on its ability to attract senior professional staff from the ranks of business and labour. Attempts to appoint staff of this calibre are only now getting under way.

The Future of Labour-Government Consultation

From this account of labour-government consultation, it is possible to abstract a few general themes. These suggest the sort of conditions and

procedures which could obtain in a future of effective and mutually satisfactory consultation.

Two aspects of the experience bode well for the future. The first is the wider number of people within the labour movement, the federal bureaucracy and the business community who now have experience of consultation and of each other in the consultative process. The Tier I and II consultations and the Major Projects Task Force have left behind a pool of knowledgeable practitioners of consultation on call for the future. The second aspect is the body of consultative conventions and protocols built up over the years. These have to do with the confidentiality of consultative exchange and the protection of the political positions of the participants; the participation early on of all parties in the design and structure of the consultation; and parity in the representation and management of the consultative process. Respect for these precedents should facilitate future consultation.

A clear feature of the history presented here is the regularity with which consultative attempts are terminated, in an absolute way, without follow-up. The attempt addresses difficult subject matter; it succeeds, to the extent that substantive issues are explored and perceptions and positions thereby modified; it attains a measure of achievement for which all sides feel they can congratulate themselves. But there the process ends. It is not resumed, or built upon, even though its value is acknowledged and the parties may have firmly recommended some continuation of the process and the creation of supporting institutions. The exception is the BCNI-CLC consultative linkage, which has had an important influence on the shaping of government-business-labour consultations, and to which can be attributed a good deal of the credit for the recent establishment of the Canadian Labour Market and Productivity Centre. Much is obviously lost in these recurrent terminations. The momentum toward enshrining consultation in the process of public policy formulation is dissipated, and the lessons about the process and its constraints fade and must be relearned next time around.

The facile explanation for this phenomenon is that the political will is missing. In this view, events force consultation, or its semblance, on the parties, and when this force is expended, the motive to consult fades away. This is especially true for government, with which rests the critical decision either to initiate consultation on public policy or to acquiesce to a demand for it. There is, however, a more plausible explanation. It is that in Canada consultation struggles under impediments inherent in the attitudes and institutions of government, labour and business, and that when the immediate purpose of consultation has been met, whether it ends in success or failure, these impediments are strong enough to discourage the participants from continuing the process. These roadblocks, and a more desirable set of conditions for the future of labour-government consultation in Canada, are discussed in the following sections.

Impediments to Effective Consultation

Impediments to effective consultation can be seen in the institutions and attitudes of both government and labour, taken separately and in their interaction. On the government side the main obstacles reside in the structure and time frame of the decision-making process:

- The distance between ministers and officials engaged in consultation and the centre of the government decision-making processes is often large. Except when consultation is taking place at the level of the prime minister and cabinet, the distance to be travelled between the consultative exercise and the locus of decision is usually much longer, systemically and in terms of the time required, on the government side than on the labour side. There is in this a disproportion. And there is often a further disproportion in that the complexity of the decisions on the government side is greater than that on the labour side. These disproportions can frustrate and slow the process of consultation. To labour it appears that the consultation is being run at a pace to suit the government's more elaborate decision-making process, and doubts about the government's commitment to consultation and about the intent and mandate of those consulting ensue. The answer to this impediment would lie in placing the conduct of consultations higher on the government's decision agenda.
- Coordination among portfolios is often insufficient. This is related to the distance between consultation and decision on the government side. On the labour side, the risk is that much effort becomes devoted to consultation on matters of high priority to one portfolio, only to have such matters pre-empted on the overall government agenda by the priorities of another portfolio. The experiences of Labour Canada's 14-point program and of the Tier II recommendations on manpower are instructive here. The answer lies in founding major consultations on an irrevocable, government-wide mandate. For this, the separate portfolios would have to forego some of the political and bureaucratic advantage of bringing the private sector on side through consultation before a cabinet mandate is secured. The advantage of such a procedure, which is sometimes undertaken as a means of securing a cabinet decision, accrue mostly to the portfolio, when it works. When it does not, the damage is to the overall government-labour consultative relationship.
- Consultative recommendations have a difficult passage through the government process. An initiative for change in a policy or program that originates within the government usually has a sponsor within the system to carry it forward; this may be the cabinet acting on a review of government priorities or its political situation, a minister acting on a similar basis within his or her particular sphere of responsibility, or a department pursuing its own course of policy and program develop-

ment. Initiatives arising from consultation, however, often have no active sponsor, especially if they cross departmental lines. The portfolio responsible for the consultation will introduce the recommendations into the decision-making process, but once in the system, they can find themselves struggling for a place on the agenda in weak competition with other priorities of the sponsoring portfolio and those of other portfolios. Such, it appears, was the experience of many of the Tier I and Tier II recommendations, notably those dealing with labour market and manpower questions. The answer here lies in according an explicit priority to implementing the outcome of consultation.

- The planning and priority-setting time horizon of government decision making tends to be short in relation to the lead time needed for effective consultation. Government economic planning remains ideologically suspect, and government's own planning and priority setting is tightly geared to the exigencies of the four-year cycle of the political mandate. In this framework, it is difficult for consultation to obtain early enough the priority it needs for the participants to structure a mutually acceptable process, to assimilate large and complex bodies of information, and to familiarize themselves with each other's positions and constraints. Insufficient time was a problem in all the consultations of the 1970s except the Major Projects Task Force, where business and labour themselves decided how long to take. It is also difficult for consultations on longer-term issues to receive consideration, when they must compete with immediate, politically pressing issues. The answer lies in giving the endeavour of consultation a priority in its own right.

On the labour side, the impediments reside in the political structure and constraints of labour's institutions:

- Canada's national union central, the CLC, has an uncertain mandate from its membership to engage in economic consultation with government, particularly if such consultation can be interpreted as impinging on the autonomy of affiliates and union locals in collective bargaining. Most economic consultation can, at a stretch, be so interpreted. The possibilities for advantageous tradeoffs between local bargaining autonomy and a central ability to affect macroeconomic variables, such as the national wage level, are recognized and to an extent accepted in many national trade union movements. They are still viewed with great skepticism in North America. To engage in the kind of critical consultation that took place over controls in the mid-1970s involves in Canada an act of leadership which carries with it considerable political risk. If the consultation works to the disadvantage of the membership's perceived interests, this is more than an unfortunate incident. It can be highly damaging to the political position of the leadership and to the union central itself as an institution. The answer

lies in the judicious selection by labour of the consultations in which it will participate.

- Canada's labour movement has few resources to devote to consultation. This is, in the first place, a matter of the staff resources and time of elected officers at the disposal of union centrals and their affiliates. This volume is smaller in absolute terms than in the United States, and smaller in both relative and absolute terms than in many European countries, where a much larger proportion of the work force is unionized. In the second place, it is a matter of what proportion of these resources it is politically feasible to allocate to consultation, rather than to other priorities whose benefits are better known, such as organizing, collective bargaining, and serving the membership and their contracts. The answer again lies in the judicious selection of those consultations to which resources will be devoted.

In the interaction between government and labour, the impediments are chiefly ones of attitude and lack of understanding:

- There is a perceived lack of commitment to consultation. Each side is believed by the other to have on occasion entered into consultation with a predetermined position and with the objective of forcing that position on the other.
- The federal government, particularly the bureaucracy, is not always adept at reading the mixed political and technical signals that emanate from the labour side in consultation. Among the reasons for this is the relatively high turnover of government officials in their assignments, so that each new set facing labour in consultation has to learn anew the political constraints within which their labour counterparts are operating.
- Conversely, on the labour side, the turnover of personnel is much lower, and the institutional memory correspondingly longer and stronger. With consultation still not a fully accepted mode of interaction with government, and the difficulties and suspicions of the past still fresh in memory, organized labour is perhaps not as receptive to the potential of new consultation and new modalities of consultation as it might be.
- Organized labour in Canada has a long and continuing history of confrontation. A tough adversarial stance is a well-tried tactic. There is, then, on the labour side a natural inclination to move back into that stance, which in the past has worked, when consultation becomes difficult or dangerous.

Conditions for Effective Consultation

Consideration of these obstacles and of the ways in which they have obtruded in past consultations suggests a number of conditions for effective consultation in the future:

- Labour must be satisfied that it is being listened to, and that there exists a good chance of influencing the outcome. Only then will it be reasonable for labour to run the risk of consultation and allocate resources to it.
- Consultation clearly should precede a decision, not follow it. Those discussions between government and labour that follow on a decision for the purpose of ratifying it should not be confused with consultation.
- Adding consultation to a decision-making process alters that process, and it is a useful condition of consultation that this be recognized and allowed for from the outset. In essence, decision making with consultation is decision making with fewer degrees of freedom. This is chiefly of import on the government side. It can be seen in two ways. One is in the argument made above that consultation should carry from the beginning the endorsement of the cabinet or the minister concerned, and that this endorsement should assign an explicit priority in the decision-making process to dealing with the outcome of the consultation. The degree of freedom would thereby be reduced, in the interest of a viable consultative relationship. The other way of seeing this is to consider that consultation, if it is to have meaning, implies an exchange of information. For this to occur, the decision-making process, especially at the technical/bureaucratic level, must be more open than usual: more open in imparting the information on which the decision is to be based, and more open to receiving information that will not always be congenial. The degree of freedom is reduced here also, in this case in the interest of better-informed and more widely acceptable decisions.
- Consultation should be managed at the political/elected level on both the government and labour sides. This is because it involves some political risk for all who are engaged; public postures and policy and negotiating positions can be impaired in the process. Provision should therefore be made for the direct involvement of elected decision makers at appropriate points in the process. Sometimes elected labour officials will have to operate in the technical/staff mode of consultations as well; the duality of their functions in such a situation should be carefully respected by the other side.
- Consultation should be a continuing process. It is not necessary to have standing consultative institutions or arrangements, although in other countries these have proved useful in intensifying and enlarging the consultative relationship of government and labour, and in holding it together in adversarial times. But some continuing process at both the political and bureaucratic/technical level is desirable for the simple, but important, purpose of keeping the parties in contact with each other. Through this contact, mutual understanding of positions, agendas and constraints can be kept up to date, signals about the future exchanged, and the potential and parameters of consultation kept under review. Of equal importance, the strands of personal trust and

understanding which give vitality to consultation can be kept vigorous for the future.

- The structure of the overall government-labour consultative relationship, as well as the structure of each particular consultation, should be kept under high-level joint examination. To be effective, consultation needs the greatest possible shared understanding as to its intended purposes and its limits, and as to when and how a move is to be made from consultative to adversarial, negotiating or political interaction when either or both parties think this is in their interests. The scope and precision of these understandings will, of course, vary in each consultation and with the prevailing climate between the parties. Such understandings are political rather than institutional in nature, and should therefore warrant continuing attention at a high political level.
- There should be a strong protocol to protect the political and negotiating interests of the parties. Consultation will inevitably be a political and negotiating process, and as such will be meshed with the other political and negotiating processes the parties are involved in. But if consultation as means of information exchange, accommodation and consensus forming is to be viable, it also needs to be insulated from these other, more adversarial processes. This requires a strong protocol specifying what political or negotiating use, if any, can properly be made of what has been exchanged in consultation. At minimum, the protocol should probably ensure that the fact of consultation taking place, or being agreed to, will not be used by one party to the prejudice of the interests of the other. It is inappropriate, for example, for one party to signal publicly that the fact that meetings have taken place can be taken to mean that the other party has acquiesced in the subject matter of those meetings. It is of note that a protocol such as this was carefully adhered to by both government and labour in the consultations that took place in the difficult political climate of controls and the imposition of the "6-and-5" program.
- In business-labour-government consultations the conventions developed over the 1970s should be adhered to. These are, first, that there is parity between business and labour in representation in the consultation and in the design and management of the exercise and, second, that there are adequate staff resources, independent of government and accountable to business and labour, jointly and separately. These conventions are necessary to labour both politically, because labour must be seen to have equal standing with business, and practically, because labour must dispose of sufficient control over the process and staff resources to do credit to its interests in participating.

This paper does not judge the appropriateness of the frequent calls for greater consultation between government, business and labour. It is hoped, however, that this analysis demonstrates that given a desire to

consult, mechanisms for productive dialogue can be designed. The essential ingredients for successful consultation emerge from a review of previous experience.

Notes

This study was completed in December 1984.

The author wishes to acknowledge the contributions of his colleagues at Waldie, Brennan and Associates Limited, Kingston. Vince Chapin conducted much of the original research on which the paper is based and was responsible for documenting many interesting details. Don Taylor and Bradley Dow contributed valuable comments on earlier drafts.

1. This background section relies heavily on material in the *Labour Gazette* over the years 1902–60, and on published proceedings of the conventions of central labour bodies. Individual citations were considered unnecessary.
2. Richard W. Phidd and G. Bruce Doern, *The Politics and Management of Canadian Economic Policy* (Toronto: Macmillan, 1978).
3. *Report of the Labour-Management-Government Mission to Europe to the National Productivity Council* (London: National Economic Development Office, 1962).
4. *Ibid.*, p. 9.
5. *Labour Gazette*, 1963, p. 193.
6. Economic Council of Canada, *Annual Report 1963–64* (Ottawa: Queen's Printer, 1964), p. 7.
7. Economic Council of Canada, *Annual Report 1971* (Ottawa: Information Canada, 1971), p. 4.
8. William Dodge, "The Flow of Policy Ideas between Labour and Government in Economic Policy Advising in Canada," in *Essays in Honour of John Deutsch*, edited by David C. Smith (Montreal: C.D. Howe Institute, 1981), p. 129.
9. Conference Board of Canada, *Consultation and Consensus: A New Era in Policy Formation?* (Ottawa: The Board, 1978), Appendix A to p. 130, p. 137.
10. John K. Galbraith, *A Life in Our Times* (Boston: Houghton Mifflin, 1981), p. 93.
11. Richard Gwyn, *The Northern Magus* (Toronto: McClelland and Stewart, 1980), p. 183.
12. Canada, *An Agenda for Cooperation: A Discussion Paper on Decontrol and Post-Control Issues* (Ottawa: Minister of Supply and Services Canada, 1977), pp. 30–33.
13. Canadian Labour Congress, Executive Council, Economic Policy Statement to the 1976 CLC Convention (Document 10), pp. 5–6.
14. Dodge, "Flow of Policy Ideas," p. 124.
15. Canada, *The Way Ahead: A Framework for Discussion*, a white paper (Ottawa: Minister of Supply and Services Canada, 1976).
16. Interview with Ron Lang, July 1984.
17. Conference Board of Canada, *Consultation and Consensus*, p. 42.
18. *Ibid.*, p. 30 (Powis), p. 34 (Lang).
19. "Decontrol and Post Control Arrangements — Statement by the Government of Canada to Business and Labour." Unpublished document on file with the Canadian Labour Congress.
20. Conference Board, *Consultation and Consensus*, p. 30 (Powis), p. 53 (Shoyama).
21. Canadian Labour Congress, "Position Paper of the Executive Council: The CLC's Position on Decontrol and Post Control Arrangements" (Ottawa, June 1977).
22. Gwyn, *The Northern Magus*, p. 192.
23. Conference Board of Canada, *Consultation and Consensus*, pp. 38–39.
24. Cassandra Blair, *Forging Links of Co-operation: The Task Force Approach to Consultation* (Ottawa: Conference Board of Canada, 1984), p. 21.
25. Canadian Labour Congress, Research and Legislation Department, *The Labour Report to the Co-ordinating Committee for the Twenty-Three Industry Sector Task Force* (Ottawa, July 1978), p. 1.

26. Canada, Department of Industry, Trade and Commerce, Office of Information and Public Relations, *A Report by the Second Tier Committee on Policies to Improve Canadian Competitiveness* (Ottawa: The Department, 1978), p. 5.
27. Canada, Department of Industry, Trade and Commerce, *Action for Industrial Growth: A First Response* (Ottawa: The Department, 1978).
28. Canada, Department of Industry, Trade and Commerce, *Action for Industrial Growth: Continuing the Dialogue* (Ottawa: The Department, 1979).
29. Federal-Provincial Conference of Industry Ministers, Document 830-60/OIO, Communiqué of the Ministers of Industry and Commerce, Ottawa, November 7, 1978.
30. Blair, *Forging Links*, p. 34.
31. Major Projects Task Force, Report of the Task Force on Major Canadian Projects, *Major Canadian Projects: Major Canadian Opportunities* (Ottawa, 1981).
32. A Proposal by the Business Council on National Issues and the Canadian Labour Congress for the Establishment of a "National Manpower Board," January 17, 1980.
33. Canadian Labour Congress, Executive Council, Economic Policy Statement to the 1976 CLC Convention (Document 10).
34. Canada, Department of Industry, Trade and Commerce, *A Report by the Second Tier Committee*, pp. 14–15.
35. Canada, Department of Industry, Trade and Commerce, *A First Response*, I, pp. 12–13, II, pp. 2–3.
36. Canada, Minister of Supply and Services, *Labour Market Development in the 1980s: A Report* (Ottawa: The Minister, 1981).
37. Major Projects Task Force, *Major Canadian Projects*, pp. 33–35, 55, 56, 61–63.
38. Canada, Minister of Supply and Services, *Work for Tomorrow: Employment Opportunities for the 80s: Report of the Parliamentary Task Force* (Ottawa: The Minister, 1981).

Appendix

List of Participants

Research Symposium on
Labour-Management Cooperation in Canada

Friday, June 22, 1984

Invited Participants

Roy Adams	McMaster University
Robert Davies	University of British Columbia
Bryan Downie	Queen's University
Pierre Fournier	Université de Montréal
Douglas Gilbert	Ontario Department of Labour
Hem Jain	University of New Brunswick
Pierre Lesage	École des hautes études commerciales
Donald Nightingale	Queen's University
Leo Panitch	Carleton University
Thomas Rankin	Ontario Department of Labour
Todd Rutley	Business Council of National Issues
Harry Sparling	Ontario Department of Labour
Kenneth Waldie	Waldie, Brennan and Associates
Joseph Weiler	University of British Columbia
Donald Wood	Queen's University

FROM THE ROYAL COMMISSION

Members of the Research Advisory Group on Labour Markets and Labour Relations

Craig Riddell	University of British Columbia (coordinator)
Patrice de Broucker	Economic Council of Canada
Stephan Kaliski	Queen's University
Thomas Kochan	Massachusetts Institute of Technology
Pradeep Kumar	Queen's University
Robert Lacroix	Université de Montréal
Glenn MacDonald	University of Western Ontario
Keith Newton	Economic Council of Canada
Ray Protti	Labour Canada
Frank Reid	University of Toronto

Members of the Research Advisory Group on the State and Society in the Modern Era

Keith Banting	University of British Columbia (coordinator)
Peter Hall	Harvard University
Kenneth Hart	Conference Board of Canada

Staff

André Blais
Albert Breton
Victor Clarke
Lilla Connidis
Senator Carl Goldenberg
Roderick Hill
Anne Martin
Alan Nymark
John Sargent
Thomas Shoyama
David C. Smith

ABOUT THE CONTRIBUTORS



R.J. Adams is Professor in the Faculty of Business, McMaster University, Hamilton.

Keith Newton is Director, Labour Markets and Technological Change, Economic Council of Canada.

W. Craig Riddell is Associate Professor in the Department of Economics, University of British Columbia, Vancouver, and is also the Research Coordinator for the section titled Labour Markets and Labour Relations, which is part of the Economics Research Area, Royal Commission on the Economic Union and Development Prospects for Canada.

Kenneth G. Waldie is President of Waldie Communications Ltd., a company that specializes in labour economics and is based in Kingston.

Joseph M. Weiler is Associate Professor in the Faculty of Law, University of British Columbia, and is Director of the Pacific Institute of Law and Public Policy, Vancouver.

THE COLLECTED RESEARCH STUDIES



Royal Commission on the Economic Union and Development Prospects for Canada

ECONOMICS

Income Distribution and Economic Security in Canada (Vol.1), *François Vaillancourt*,
Research Coordinator

Vol. 1 Income Distribution and Economic Security in Canada, *F. Vaillancourt* (C)*

Industrial Structure (Vols. 2-8), *Donald G. McFetridge*, *Research Coordinator*

Vol. 2 Canadian Industry in Transition, *D.G. McFetridge* (C)

Vol. 3 Technological Change in Canadian Industry, *D.G. McFetridge* (C)

Vol. 4 Canadian Industrial Policy in Action, *D.G. McFetridge* (C)

Vol. 5 Economics of Industrial Policy and Strategy, *D.G. McFetridge* (C)

Vol. 6 The Role of Scale in Canada-US Productivity Differences, *J.R. Baldwin and P.K. Gorecki* (M)

Vol. 7 Competition Policy and Vertical Exchange, *F. Mathewson and R. Winter* (M)

Vol. 8 The Political Economy of Economic Adjustment, *M. Trebilcock* (M)

International Trade (Vols. 9-14), *John Whalley*, *Research Coordinator*

Vol. 9 Canadian Trade Policies and the World Economy, *J. Whalley with C. Hamilton and R. Hill* (M)

Vol. 10 Canada and the Multilateral Trading System, *J. Whalley* (M)

Vol. 11 Canada-United States Free Trade, *J. Whalley* (C)

Vol. 12 Domestic Policies and the International Economic Environment, *J. Whalley* (C)

Vol. 13 Trade, Industrial Policy and International Competition, *R. Harris* (M)

Vol. 14 Canada's Resource Industries and Water Export Policy, *J. Whalley* (C)

Labour Markets and Labour Relations (Vols. 15-18), *Craig Riddell*, *Research Coordinator*

Vol. 15 Labour-Management Cooperation in Canada, *C. Riddell* (C)

Vol. 16 Canadian Labour Relations, *C. Riddell* (C)

Vol. 17 Work and Pay: The Canadian Labour Market, *C. Riddell* (C)

Vol. 18 Adapting to Change: Labour Market Adjustment in Canada, *C. Riddell* (C)

Macroeconomics (Vols. 19-25), *John Sargent*, *Research Coordinator*

Vol. 19 Macroeconomic Performance and Policy Issues: Overviews, *J. Sargent* (M)

Vol. 20 Post-War Macroeconomic Developments, *J. Sargent* (C)

Vol. 21 Fiscal and Monetary Policy, *J. Sargent* (C)

Vol. 22 Economic Growth: Prospects and Determinants, *J. Sargent* (C)

Vol. 23 Long-Term Economic Prospects for Canada: A Symposium, *J. Sargent* (C)

Vol. 24 Foreign Macroeconomic Experience: A Symposium, *J. Sargent* (C)

Vol. 25 Dealing with Inflation and Unemployment in Canada, *C. Riddell* (M)

Economic Ideas and Social Issues (Vols. 26 and 27), *David Laidler*, *Research Coordinator*

Vol. 26 Approaches to Economic Well-Being, *D. Laidler* (C)

Vol. 27 Responses to Economic Change, *D. Laidler* (C)

* (C) denotes a Collection of studies by various authors coordinated by the person named.
(M) denotes a Monograph.

POLITICS AND INSTITUTIONS OF GOVERNMENT

Canada and the International Political Economy (Vols. 28-30), *Denis Stairs and Gilbert R. Winham, Research Coordinators*

- Vol. 28 Canada and the International Political/Economic Environment, *D. Stairs and G.R. Winham* (C)
- Vol. 29 The Politics of Canada's Economic Relationship with the United States, *D. Stairs and G.R. Winham* (C)
- Vol. 30 Selected Problems in Formulating Foreign Economic Policy, *D. Stairs and G.R. Winham* (C)

State and Society in the Modern Era (Vols. 31 and 32), *Keith Banting, Research Coordinator*

- Vol. 31 State and Society: Canada in Comparative Perspective, *K. Banting* (C)
- Vol. 32 The State and Economic Interests, *K. Banting* (C)

Constitutionalism, Citizenship and Society (Vols. 33-35), *Alan Cairns and Cynthia Williams, Research Coordinators*

- Vol. 33 Constitutionalism, Citizenship and Society in Canada, *A. Cairns and C. Williams* (C)
- Vol. 34 The Politics of Gender, Ethnicity and Language in Canada, *A. Cairns and C. Williams* (C)
- Vol. 35 Public Opinion and Public Policy in Canada, *R. Johnston* (M)

Representative Institutions (Vols. 36-39), *Peter Aucoin, Research Coordinator*

- Vol. 36 Party Government and Regional Representation in Canada, *P. Aucoin* (C)
- Vol. 37 Regional Responsiveness and the National Administrative State, *P. Aucoin* (C)
- Vol. 38 Institutional Reforms for Representative Government, *P. Aucoin* (C)
- Vol. 39 Intrastate Federalism in Canada, *D.V. Smiley and R.L. Watts* (M)

The Politics of Economic Policy (Vols. 40-43), *G. Bruce Doern, Research Coordinator*

- Vol. 40 The Politics of Economic Policy, *G.B. Doern* (C)
- Vol. 41 Federal and Provincial Budgeting, *A.M. Maslove, M.J. Prince and G.B. Doern* (M)
- Vol. 42 Economic Regulation and the Federal System, *R. Schultz and A. Alexandroff* (M)
- Vol. 43 Bureaucracy in Canada: Control and Reform, *S.L. Sutherland and G.B. Doern* (M)

Industrial Policy (Vols. 44 and 45), *André Blais, Research Coordinator*

- Vol. 44 Industrial Policy, *A. Blais* (C)
- Vol. 45 The Political Sociology of Industrial Policy, *A. Blais* (M)

LAW AND CONSTITUTIONAL ISSUES

Law, Society and the Economy (Vols. 46-51), *Ivan Bernier and Andrée Lajoie, Research Coordinators*

- Vol. 46 Law, Society and the Economy, *I. Bernier and A. Lajoie* (C)
- Vol. 47 The Supreme Court of Canada as an Instrument of Political Change, *I. Bernier and A. Lajoie* (C)
- Vol. 48 Regulations, Crown Corporations and Administrative Tribunals, *I. Bernier and A. Lajoie* (C)
- Vol. 49 Family Law and Social Welfare Legislation in Canada, *I. Bernier and A. Lajoie* (C)
- Vol. 50 Consumer Protection, Environmental Law and Corporate Power, *I. Bernier and A. Lajoie* (C)
- Vol. 51 Labour Law and Urban Law in Canada, *I. Bernier and A. Lajoie* (C)

The International Legal Environment (Vols. 52-54), *John Quinn, Research Coordinator*

Vol. 52 The International Legal Environment, *J. Quinn* (C)

Vol. 53 Canadian Economic Development and the International Trading System, *M.M. Hart* (M)

Vol. 54 Canada and the New International Law of the Sea, *D.M. Johnston* (M)

Harmonization of Laws in Canada (Vols. 55 and 56), *Ronald C.C. Cumming, Research Coordinator*

Vol. 55 Perspectives on the Harmonization of Law in Canada, *R. Cumming* (C)

Vol. 56 Harmonization of Business Law in Canada, *R. Cumming* (C)

Institutional and Constitutional Arrangements (Vols. 57 and 58), *Clare F. Beckton and A. Wayne MacKay, Research Coordinators*

Vol. 57 Recurring Issues in Canadian Federalism, *C.F. Beckton and A.W. MacKay* (C)

Vol. 58 The Courts and The Charter, *C.F. Beckton and A.W. MacKay* (C)

FEDERALISM AND THE ECONOMIC UNION

Federalism and The Economic Union (Vols. 58-72), *Mark Krasnick, Kenneth Norrie and Richard Simeon, Research Coordinators*

Vol. 59 Federalism and Economic Union in Canada, *K. Norrie, R. Simeon and M. Krasnick* (M)

Vol. 60 Perspectives on the Canadian Economic Union, *M. Krasnick* (C)

Vol. 61 Division of Powers and Public Policy, *R. Simeon* (C)

Vol. 62 Case Studies in the Division of Powers, *M. Krasnick* (C)

Vol. 63 Intergovernmental Relations, *R. Simeon* (C)

Vol. 64 Disparities and Interregional Adjustment, *K. Norrie* (C)

Vol. 65 Fiscal Federalism, *M. Krasnick* (C)

Vol. 66 Mobility of Capital in the Canadian Economic Union, *N. Roy* (M)

Vol. 67 Economic Management and the Division of Powers, *T.J. Courchene* (M)

Vol. 68 Regional Aspects of Confederation, *J. Whalley* (M)

Vol. 69 Interest Groups in the Canadian Federal System, *H.G. Thorburn* (M)

Vol. 70 Canada and Quebec, Past and Future: An Essay, *D. Latouche* (M)

Vol. 71 The Political Economy of Canadian Federalism: 1940-1984, *R. Simeon and I. Robinson* (M)

THE NORTH

Vol. 72 The North, *Michael S. Whittington, Coordinator* (C)

COMMISSION ORGANIZATION

Chairman

Donald S. Macdonald

Commissioners

Clarence L. Barber
Albert Breton
M. Angela Cantwell Peters
E. Gérard Docquier

William M. Hamilton
John R. Messer
Laurent Picard
Michel Robert

Daryl K. Seaman
Thomas K. Shoyama
Jean Casselman-Wadds
Catherine T. Wallace

Senior Officers

Executive Director
J. Gerald Godsoe

Director of Policy
Alan Nymark

Secretary
Michel Rochon

Director of Administration
Sheila-Marie Cook

Senior Advisors
David Ablett
Victor Clarke
Carl Goldenberg
Harry Stewart

Director of Publishing
Ed Matheson

Directors of Research
Ivan Bernier
Alan Cairns
David C. Smith

Co-Directors of Research
Kenneth Norrie
John Sargent

Research Program Organization

Economics

Research Director
David C. Smith

*Executive Assistant
& Assistant Director
(Research Services)*
I. Lilla Connidis

Coordinators
David Laidler
Donald G. McFetridge
Kenneth Norrie*
Craig Riddell
John Sargent*
François Vaillancourt
John Whalley

Research Analysts
Caroline Digby
Mireille Ethier
Judith Gold
Douglas S. Green
Colleen Hamilton
Roderick Hill
Joyce Martin

Politics and the Institutions of Government

Research Director
Alan Cairns

Executive Assistant
Karen Jackson

Coordinators
Peter Aucoin
Keith Banting
André Blais
Bruce Doern
Richard Simeon
Denis Stairs
Cynthia Williams
Gilbert R. Winham

Research Analysts
Claude Desranleau
Ian Robinson

Office Administration
Donna Stebbing

Law and Constitutional Issues

Research Director
Ivan Bernier

*Executive Assistant
& Research Program
Administrator*
Jacques J.M. Shore

Coordinators
Clare F. Beckton
Ronald C.C. Cuming
Mark Krasnick
Andrée Lajoie
A. Wayne MacKay
John J. Quinn

*Administrative and
Research Assistant*
Nicolas Roy

Research Analyst
Nola Silzer

*Kenneth Norrie and John Sargent co-directed the final phase of Economics Research with David Smith

PROPERTY OF - PROPRIÉTÉ DU
PRIVY COUNCIL OFFICE
BUREAU DU CONSEIL PRIVÉ
INFORMATION SYSTEMS & SERVICES
SYSTÈMES & SERVICES D'INFORMATION

DUE DATE

[illegible]

HC115/.R69/no.15

Riddell, W. Craig (William

Labour-management

cooperation in Canada / W

ADWC c. 2 aa PCO

DATE

DATE

HC115/.R69/no.15

Riddell, W. Craig (William

Labour-management

cooperation in Canada / W

ADWC c. 2 aa PCO

PROPERTY OF = PROPRIÉTÉ DU

PRIVY COUNCIL OFFICE

BUREAU DU CONSEIL PRIVÉ

INFORMATION SYSTEMS & SERVICES

SYSTÈMES & SERVICES D'INFORMATION

ECONOMICS

Labour Markets and Labour Relations

Labour—Management Cooperation in Canada

W. CRAIG RIDDELL, Research Coordinator

This is the first of four volumes dealing with **Labour Markets and Labour Relations** (see list in back of book), included in the Collected Research Studies of the Royal Commission on the Economic Union and Development Prospects for Canada.

This volume examines the current state of labour-management cooperation in Canada and assesses prospects for bringing about a less adversarial labour-relations climate. The contributors explore mechanisms for change in labour-management relations at all levels, from the workplace to the highest government levels where policy is made, and examine the experiences of the innovative labour policies of other nations.

AUTHORS AND TOPICS INCLUDE:

Labour-Management Cooperation in Canada: An Overview W. Craig Riddell

Ontario Initiatives with Respect to Preventative Mediation and Quality of Working Life

Ontario Ministry of Labour

Quality of Working Life in Canada: A Survey Keith Newton

Two Policy Approaches to Labour-Management Decision Making at the Level of the Enterprise R.J. Adams

The Japanese Labour Relations System: Lessons for Canada Joseph M. Weiler

The Evolution of Labour-Government Consultation on Economic Policy K.G. Waldie

W. CRAIG RIDDELL is Professor in the Department of Economics, University of British Columbia, Vancouver.

University of Toronto Press



Royal Commission on the
Economic Union and
Development Prospects
for Canada

ISBN 0-8020-7257-7