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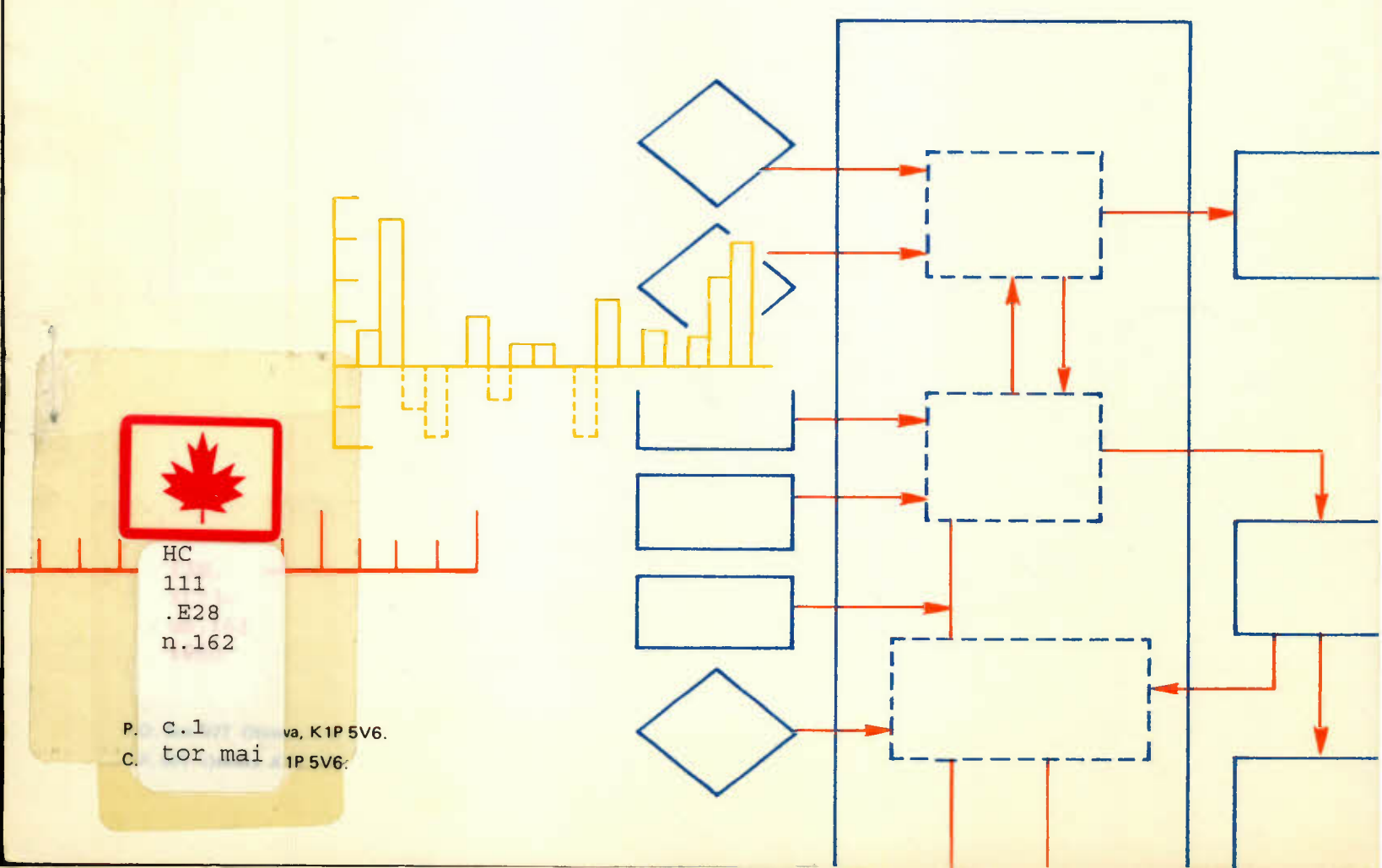

DISCUSSION PAPER NO. 162

Interest Arbitration and Wage Inflation in the Federal Public Service

by

GEORGE SAUNDERS

prepared for

The Centre for the Study of Inflation and Productivity

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These results are the personal responsibility of the author, and, as such, have not been endorsed by the members of the Economic Council of Canada.

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RÉSUMÉ

Ce document vise à évaluer l'impact, dans la formation des salaires et des traitements de la Fonction publique, de la procédure d'arbitrage mise en place par le gouvernement fédéral. La question se pose en effet de savoir si ce mécanisme fait monter les salaires au-dessus du niveau qui serait le leur dans un régime de négociation collective dont le dernier recours, en cas d'impasse, serait la grève. La période étudiée va de 1967 à 1978.

Le Parlement a adopté en 1967 la Loi sur les relations de travail dans la Fonction publique, par laquelle il instaurait un système unique de négociation collective pour la Fontion publique. Cette loi donne aux fonctionnaires le choix entre l'arbitrage et le droit de grève pour résoudre les différents qui les opposent au gouvernement, leur employeur. Avant de s'asseoir à la table des négociations, les représentants du personnel de la Fonction publique font connaître la procédure de leur choix, c'est-à-dire l'arbitrage ou la conciliation/grève. Le choix de la première interdit tout recours subséquent à la grève et les situations d'impasse doivent être réglées par voie d'arbitrage. Dans le second cas, le comité de conciliation doit être consulté avant que le droit de grève ne soit accordé. Le choix de la procédure est libre avant chaque nouvelle négocation, et précisément, cette disposition est incriminée par de nombreux observateurs qui veulent y voir une cause d'inflation, puisque d'après eux, en choisissant la procédure d'arbitrage, des interlocuteurs dont la position est "faible" à la table de négociation peuvent espérer obtenir des augmentations aussi fortes que des négociateurs "forts" qui ont choisi la procédure de conciliation/grève.

Pourtant, les fait ne semblent pas confirmer ces allégations. Le premier argument présenté dans le document fait état de variations importantes dans les choix des procédures au cours de la période étudiée. Entre 1967 et 1970 en effet, parmi les quelque 114 groupes venus négocier, 100 groupes, représentant à peu près 80 % du personnel de la Fonction publique, ont opté pour l'arbitrage. En 1978, ce chiffre était tombé à 72 groupes représentant 29 % des fonctionnaires. En 11 ans donc, on assiste à un véritable renversement, attribuable essentiellement aux déceptions et au mécontentement à l'égard de la procédure de l'arbitrage. Ce déplacement semble par ailleurs avoir eu pour résultat un mélange des groupes "forts" et "faibles" dans l'adoption des procédures. Les deux concepts (forts, faibles) ne donnant lieu à aucune définition précise, nous en sommes réduits à des spéculations en ce qui concerne ce mélange évoqué.

Le deuxième groupe de faits auquel nous nous référons est constitué par une analyse comparative des contrats signés à l'issue des procédures. Cette analyse révèle les faits suivants :

1. Pour l'ensemble de la période 1967-78, les groupes de négociation qui ont opté pour la voie conciliation/grève, ont

obtenu des conventions plus avantageuses que celles du groupe ayant choisi l'arbitrage. En moyenne, les conventions du du premier groupe fixaient des augmentations de salaire supérieures en pourcentage de 1,7 de pourcentage point (c'est-à-dire 20 %) aux augmentations que l'autre groupe a obtenu sans avoir recours à l'arbitrage, et de 1,3 point de pourcentage (c'est-à-dire 17 %) lorsque l'arbitrage s'est révélé nécessaire.

2. Cet avantage au profit des groupes qui ont choisi la procédure de conciliation/grève concerne essentiellement la période 1971-75, laquelle a d'ailleurs été marquée par une accélération des salaires et des prix dans l'économie canadienne. Dans la période 1967-70, par contre, on remarque peu de différences entre les résultats obtenus par l'un et l'autre groupe, ceci en raison de la nouveauté du processus de négociation collective dans la Fonction publique, le manque de combativité, et la politique générale du gouvernement consistant à accorder les mêmes augmentations de salaire à tout le monde, sans égard aux procédures adoptées. On remarque également que les écarts sont minimes pour la période 1976-78, en raison du contrôle des prix et des salaires, des mesures d'austérité et du chômage accru, tous éléments qui ont effectivement contribué à fixer un plafond uniforme aux augmentations de salaire quelles que soient les procédures de négociation choisies.

3. Les groupes qui, après avoir pratiqué la procédure d'arbitrage, ont opté pour la conciliation/grève ont gagné au change. Les augmentations de salaire ainsi accordées et obtenues ont en effet été plus importantes. Toutefois, ces groupes n'ont pas réussi à obtenir des avantages égaux à ceux des habitués de la procédure conciliation/grève. Par contre, les groupes qui ont échangé la conciliation/grève pour l'arbitrage y ont perdu. Leurs augmentations se sont avérées inférieures à celles obtenues auparavant.

4. Une comparaison entre les augmentations de salaire des groupes ayant opté pour l'arbitrage révèle peu de différences entre les conventions négociées avec recours à l'arbitrage et celles où ce recours n'avait pas été nécessaire.

D'après ces résultats, la procédure d'arbitrage dans la Fonction publique n'a pas imprimé d'impulsion inflationniste aux salaires négociés. Tout laisse penser au contraire que cette procédure s'est traduite par une tendance anti-inflationniste. C'est-à-dire que les augmentations de salaire ont été vraisemblablement inférieures à ce qu'elles auraient pu être sans elle.

Ces conclusions reflètent l'esprit conservateur dont est empreinte la procédure d'arbitrage, comparativement à la conciliation/grève. Cet esprit est imputable à la législation, aux conditions sévères imposées au tribunal d'arbitrage et au fonctionnement de ce dernier.

Les propositions visant à modifier la loi et à renouveler les méthodes et les moyens du tribunal d'arbitrage pourraient changer le caractère conservateur de cette procédure. Les résultats obtenus au cours de la période 1976-78 nous permettent de le croire, bien qu'en raison du rôle joué par le contrôle des prix et des salaires, toute conclusion absolue soit difficile en la matière.

SUMMARY

The purpose of this paper is to assess the impact of the federal public service arbitration process on the wages and salaries of civil servants. Specifically, does the process raise wages above levels that would prevail in a regime of collective bargaining with the strike as the final step in the impasse procedure? The paper examines this issue for the 11 year period, 1967 to 1978.

The Public Service Staff Relations Act (PSSRA), which Parliament passed in 1967, introduced a unique system of collective bargaining for federal public servants. It gave public servants the choice of arbitration or the right to strike for the resolution of their disputes with the government as employer. Before each round of bargaining, bargaining units representing government employees, would state their selection of procedure, either the arbitration route or the conciliation/strike route for their negotiations. If the arbitration route is selected, these units renounce the right to strike for those negotiations and impasses are settled by arbitration. If the conciliation/strike route is selected, impasses in bargaining must go to a conciliation board before the right to strike is granted. The selection of route can be changed before each bargaining round. It is this system of choice of procedure that many observers claim gives the system its inflationary bias, since by selecting the arbitration route "weak" bargaining units can expect settlements that approach those won by their "strong" counterparts negotiating in the conciliation/strike route.

The evidence is not in accord with this view. The first piece of evidence presented in the paper described the large scale shifting of bargaining units between the two routes. Between 1967 and 1970, some 100 of the 114 established bargaining units, representing about 80 per cent of the civil servants having bargaining rights under the PSSRA, opted for the arbitration route. By 1978, this number dropped to 72 representing only 29 per cent of employees. In the space of 11 years a virtual reversal had occurred in the choice of impasse procedures by civil servants largely because of frustration and dissatisfaction with the results from the abitration process. This shifting appears to have resulted in a mix of "weak" and "strong" units in both routes. No precise definition exists to differentiate between these two categories of units and, therefore, we can only speculate that the two routes have this mix.

A second piece of evidence is based on an analysis of wage settlements in both routes. This analysis revealed the following:

1. For the 1967-78 period as a whole, units negotiating in the conciliation/strike route negotiated higher settlements than those in the arbitration route. On average, conciliation/strike route agreements provided wage and salary increases of 1.7 percentage points (or 20%) higher than agreements negotiated in the

arbitration route without recourse to arbitration and 1.3 percentage points (or 17%) higher than arbital awards.

2. This advantage in favour of conciliation/strike was concentrated in the 1971-75 period, a period marked by wage and price acceleration in the Canadian economy. Little difference was found between the two routes in 1967-70 because of the newness of collective bargaining for civil servants, the lack of militancy and general government policy of providing across-the-board wage and salary increases regardless of route. Similarly, little difference was found in 1976-78 because of wage and price controls, government restraint and high unemployment, factors that effectively placed a ceiling on wage and salary increases regardless of route.

3. Units that shifted from arbitration to conciliation/strike gained by the shift. Their rates of wage and salary increases were larger after the shift. However, they did not do as well as established conciliation/strike route units. Units shifting from conciliation/strike to arbitration lost by the change. Their increases were lower in the arbitration route than in the conciliation/strike route.

4. Little difference was found in wage settlements within the arbitration route between units that negotiated settlements without recourse to arbitration and units that went to arbitration.

These findings suggest that the federal public service arbitration process has not imparted an inflationary bias in wage and salary negotiations. Indeed, there is a strong presumption that the process has resulted in a deflationary bias. That is, wage and salary increases in the arbitration route were probably lower than what they would have been in the absence of the process.

These results reflect the outcome of a process that has operated in a conservative manner compared to the conciliation/strike route. The conservatism of the process is bred by the legislation, the stringent conditions to which the Arbitration Tribunal is subjected, and the manner in which it operates. Proposed legislation to amend the PSSRA and moves to update the methods and procedures of the Arbitration Tribunal may change this conservative bias. Some evidence of this change appeared to have emerged in the results of the 1976-78 period, although it is difficult to be certain of this because of the influence of wage and price controls.

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I alone am responsible for errors, omissions and the content of the paper.

George Saunders
Ottawa
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I INTRODUCTION

An extensive literature exists on the subject of compulsory arbitration as a method of settling disputes between labour and management. Much of this literature centres on the arbitration of rights disputes, that is, disputes arising out of the application and interpretation of collective agreements. In most Canadian jurisdictions such disputes must be settled by arbitration as the final step.

More recently, attention has been directed to the issue of arbitration of interest disputes, that is disputes arising over terms of new collective agreements.(1) The phenomenal growth of public sector collective bargaining in the past decade and the disruption of service and inconvenience to the public arising from work stoppages in this sector have led to demands for a system of final and binding arbitration to replace the strike or lockout as the final step in the settlement process. A major focus of the debate is whether the introduction of such a system would spell the end of free collective bargaining. Much has been written on this particular subject. But in this accumulating literature an equally important question has been relatively neglected, that is, the impact of arbitration on wage inflation. Does arbitration raise wages? With the possible introduction of compulsory arbitration on a wide scale, this aspect of the subject can no longer be ignored. As a result, The Centre for the Study of Inflation and Productivity (CSIP) arranged a research program oriented to this issue. A component of the program was a staff study of the arbitration system in the federal public service which, at the time the study was conceived had been in place for some 11 years. This paper reports on some findings of the impact of this system on federal public service wage determination with a view to determining the presence and extent of its inflationary bias.

The paper is divided into five sections. The following section, Section II, describes the characteristics of the collective bargaining system in the federal public service. The description is limited to those aspects of the system which have a direct relevance for pay determination. Section III examines the experience with the system since its inception in 1967. Information is provided on the extent to which the parties have resorted to arbitration, how this has changed over time and some of the reasons for the change. Section IV provides an analysis of wage and salary changes in the federal public service since 1966. Section V examines alternative explanations for the results and considers the question of whether there is an inflationary bias in the system. The final section, Section VI, presents the conclusions.

II CHARACTERISTICS OF THE SYSTEM

1. Introduction

Collective bargaining in the federal public service was formally introduced in 1967 with the passage of the Public Service Staff Relations Act (PSSRA). The Act provides in some detail the ground rules on which the collective bargaining system operates. For example, it specifies the procedures for the certification of bargaining units, the settlement of disputes and the designation of essential employees who do not have the right to strike. It describes the role of conciliation boards and arbitration tribunals, and establishes procedures for their operation and for the appointment of members to these bodies. Finally it details the subject matter that can be negotiated in collective agreements and the range of subjects which conciliation boards and arbitration tribunals can consider. The Act provides for the establishment of the Public Service Staff Relations Board (PSSRB) to administer the system.

2. Choice of Procedures

Perhaps the most unique aspect of the system, which, in the view of many observers, gives the system its inflationary bias, is the choice it gives to bargaining units to determine the dispute settlement procedure to be followed to resolve their impasse with the government as employer. Before each round of bargaining, each bargaining unit specifies which of two routes it would like to follow in its negotiations. If the arbitration route is selected, then unresolved issues in negotiations will go to binding arbitration as the final step in the settlement procedure. Bargaining units selecting this route renounce the right to strike. If the conciliation/strike route is selected, then impasses are considered by an ad hoc conciliation board, before the right to strike by the bargaining unit can be exercised, subject to employees within that unit who may not have this right because they are deemed to be essential to the safety or security of the public. This designation is subject to negotiation between the employer and the bargaining unit with the PSSRB making the final determination should the parties be unable to agree.

Bargaining units have the right to change their selection of procedure before each bargaining round. Thus, if a bargaining unit is dissatisfied with the results of the procedure it selected it can choose the alternative procedure for the next round of bargaining. In this process, the government as employer has no say in the procedure chosen, nor has it the right to lockout. However, once a procedure is chosen, the government can request third party intervention on the same basis as the bargaining unit.

Given this system of dispute resolution, it is easy to understand the claim that it has an inflationary bias. Simply, it would be expected

that "weak" units would select the arbitration route and "strong" units the conciliation/strike route. Since "weak" units can be expected to do better under arbitration than under a strike regime the result would be to raise the general level of settlements above that which would pertain if this choice was not offered. However, as the analysis below will indicate, the matter is not that simple. Before proceeding to that analysis other pertinent characteristics of the system are described as they are important in helping to understand what does happen and why.

3. Bargaining Unit Determination

The Act provides for the certification of bargaining agents to negotiate collective agreements on behalf of employees in appropriate bargaining units as defined by the Board. A bargaining agent is given legal rights to represent employees in negotiations if it demonstrates majority representation in any appropriately defined bargaining unit. Such units are defined in the legislation along occupational lines. Before the end of the first round of bargaining in 1970 some 114 bargaining units were established by the Board as appropriate for collective bargaining. This number rose to a maximum of 115 in 1971 and fell to a low of 101 in 1975. Currently the number stands at 108. The variation in the numbers results from merging of existing units, decertifications and the establishment of new bargaining units.

The bargaining units include the whole range of occupations in the civil service from blue collar to white collar to supervisory to professional and scientific employees. About 35 of the units are in the professional and scientific category. An additional 20 are in the administrative and foreign service category and the remainder are in the administrative support (mainly white collar, office occupations), technical and operational categories. Most units are Canada-wide and most units include employees who work in different departments of government or crown agencies which are included under the PSSRA. Exceptions are certain scientific and agricultural employees, postal workers, air traffic controllers, ships crews, etc. who are concentrated in one department or agency of government (for example: agriculture, post office, transport).

There are currently some 16 bargaining agents that conduct the actual negotiations on behalf of affiliated units. The largest in terms of the number of units is the Professional Institute of the Public Service of Canada; however, the largest in terms of numbers of employees is the Public Service Alliance with close to 180,000 members. Most of the bargaining on the employer side is handled by Treasury Board which is responsible for all employees in departments and agencies for which Treasury Board acts on behalf of the employer, her Majesty in the right of Canada. These departments and agencies are listed in Part I of Schedule I of the PSSRA. Other employers include the National Film Board, the National Research Council, the Northern Canada Power

Commission and the Communications Establishment of the Department of National Defence.

4. The Arbitration Tribunal

The arbitration function in the federal public service is administered by a division of the PSSRB henceforth referred to as the Arbitration Tribunal. In the early years of the Act, the Chairman of the Tribunal was appointed for a seven year term. Since 1975, the Chairman has become a permanent member of the PSSRB filling the position of Deputy Chairman of the Board with responsibility for the arbitration function, and is assisted by one or more alternate chairmen who are appointed for a fixed term from outside the public service. These alternate chairmen, who serve on a part-time basis, are not part of the permanent establishment of the PSSRB.

Each arbitration case is handled by a chairman and two members, one representative of the interests of the employer and the other the interests of the employees. These two members are selected from two panels established by the PSSRB for that purpose. Members of the panels are appointed for indefinite terms (usually two years) and each panel must have at least three members. Like the alternate chairmen, these members serve on a part-time basis, are from outside the public service and are not part of the permanent establishment of the Board. The Chairman of the PSSRB appoints all the members of each tribunal usually on the advice of the Deputy Chairman responsible for this division of the Board.

The Tribunal operates under rather stringent limitations. The Act provides that arbitral awards can only deal with issues submitted to it and, in any event, can only make awards limited to rates of pay, hours of work, leave entitlement, standards of discipline and other related terms and conditions of employment directly related to these four matters.

Arbitral awards may not deal with the standards, procedures, or processes governing the appointment, appraisal, jurisdiction, demotion, transfer, lay-off or release of employees. Nor can they deal with conditions of employment which might require legislative implementation. Pensions is an example of the latter.

Further, the Act specifies five criteria to guide the Tribunal in its awards. These are:

(a) the needs of the Public Service for qualified employees;

(b) the conditions of employment in similar occupations outside the Public Service, including such geographic, industrial or other variations as the Arbitration Tribunal many consider relevant;

(c) the need to maintain appropriate relationships in the conditions of employment as between different grade levels within an occupation and as between occupations in the Public Service;

(d) the need to establish terms and conditions of employment that are fair and reasonable in relation to the qualifications required, the work performed, the responsibility assumed and the nature of the services rendered; and

(e) any other factor that it appears to be relevant to the matter in dispute.

More will be said below about these criteria and their importance to the arbitration function.

5. Negotiations and the Conciliation Board Function

Although limitations similar to those which apply to the arbitration function also apply in negotiations and in the deliberations of conciliation boards, they are not as stringent. Conciliation boards have considerable flexibility in dealing with issues and in finding ways and means of resolving impasses. Further, unlike the Arbitration Tribunal, conciliation boards are established on an ad hoc basis comprising three members, two members nominated directly by the parties and a chairman chosen by the members or, in the case where there is no agreement, by the Chairman of the PSSRB. The process of conciliation has a generally shorter time frame than arbitration and recommendations of conciliation boards are not binding as they are in the case of arbitration, unless the parties agree beforehand that the recommendations shall be binding.

III EXPERIENCE WITH THE ARBITRATION FUNCTION

1. Introduction

Earlier it was noted that the manner in which collective bargaining operates in the federal public service might be expected to give it an inflationary bias. It was stated that by giving bargaining units the choice of procedures "weak" units would opt for the arbitration route and "strong" units for the conciliation/strike route. In this way "weak units" would obtain settlements which approach or even exceed those obtained by their "stronger" counterparts in the conciliation/strike route.

Three additional propositions that might be stated are regarded by some to fortify the "inflationary bias" argument. These are as follows:

(i) Arbitration would tend to favour the union side since it is that side which decides whether or not the arbitration route will be selected. In these circumstances, some observers would claim that the Arbitration Tribunal may view its use in terms of the acceptability of its awards to the union side.(2) There is a partial offset to this position to the extent that if awards are not acceptable to the employer he will seek a change in the legislation.

(ii) The union presentations before the Arbitration Tribunal would, in general, be more persuasive and convincing because they would focus more sharply on the issues in dispute affecting the particular group of employees before the Tribunal. The fact that Treasury Board is the common employer for most of the bargaining units in the federal public service makes it more remote from the group of employees involved in any particular dispute. Further, it finds it difficult at times to propose a more acceptable resolution of a particular dispute because it must consider the potential precedent in subsequent hearings. As a consequence, its presentations would be more general, less focussed and thereby less convincing or persuasive. There would be exceptions in the case of pattern-setting issues, and the Tribunal's awareness of these may give Treasury Board presentations relatively more weight in these instances.

(iii) Among the five criteria set out in the Act to guide the Arbitration Tribunal, the first and possibly the fifth can be related to market factors (that is, labour demand and supply). In slack periods when recruitment (and therefore labour demand) is not high, this aspect of the market factor can be expected to play a relatively lesser role in the deliberations of the Tribunal. Employer presentations would use the weak labour market to support lower awards while union presenta-

> tions would emphasize the other criteria such as intraservice relativities, relativities with comparable outside workers and considerations of equity. In high demand periods, on the other hand, the relative weight given to market factors would be greater as both the union and employer presentations can be expected to be mutually supportive. With the market factor a minor consideration when government is not recruiting heavily and a major consideration when it is facing shortages, the result could be a higher overall level of settlements.(3)

A full testing of these four propositions would require data that are not readily available. A major complicating factor is the fact that the Tribunal is not required to give reasons for its awards and seldom does. Such information would be crucial in understanding how the Tribunal arrives at its awards, the factors it considers and the weight given to these factors. In the absence of this information, the approach in this paper is to examine the validity of the four propositions by analysing the results which flow from this system of collective bargaining in the federal public service, specifically the record with respect to the selection of dispute settlement procedures and the wage and salary changes under each procedure. This Section deals with the first and the following Section with the second.

2. Dispute Resolution Specification

Of the 114 bargaining units established between 1967 and 1970, some 100 or 88 per cent, representing four fifths of all federal public servants under collective bargaining, opted for the arbitration route. The remaining 14 selected the conciliation/strike route for the settlement of their disputes. These 14 included postal workers, electronics workers, ships crews, air traffic controllers and other blue collar units whose traditional links with the private sector trade union movement are reflected in their selection of procedure.

By 1978, the proportion of units opting for arbitration fell to 67 per cent and the porportion of employees to less than 30 per cent. In the space of 11 years, the conciliation/strike route had become the dispute settlement procedure for the great majority of civil servants. What had brought about this change?

Before answering this question let us examine this change in more detail. Table III-1 provides information on the dispute resolution route selected by bargaining agents on behalf of their units in the federal public service since 1967. Several points of significance appear from an examination of the table.

(i) The shift to the conciliation/strike route began after 1971. The shift was slow in the beginning but gained momentum in fiscal year 1974/75 (that is April 1, 1974 to March 31, 1975). In fiscal year

TABLE III-1

Dispute Resolution Process Specification, Federal Public Service, 1967 - 78

Year(1)	Number of Bargaining Units	Per Cent of Total	Number of Employees (000)	Per Cent of Total
		Arbitration Route		
1967-70	100	88	160	81
1970-71	101	88	n/a	-
1971-72	89	83	n/a	-
1972-73	90	83	n/a	-
1973-74	91	84	155	65
1974-75	80	79	154	62
1975-76	68	65	76	30
1976-77	65	64	77	30
1977-78	72	67	77	29
		Conciliation/Strike Route		
1967-70	14	12	38	19
1970-71	14	12	n/a	-
1971-72	19	17	n/a	-
1972-73	19	17	n/a	-
1973-74	17	16	82	35
1974-75	21	21	94	38
1975-76	36	35	176	70
1976-77	37	36	182	70
1977-78	36	33	186	71

(1) Years are fiscal years April 1 to March 31

n/a = not available

Source: Annual Reports of the Public Service Staff Relations Board and L.W.C.S. Barnes and L. Kelly, Interest Arbitration in the Federal Public Service of Canada, Queen's University, Industrial Relations Centre, 1975, page 12.

1973/74, 17 units opted for conciliation/strike. In the following year this number rose to 21 units or one fifth of the bargaining units representing about two fifths of the employees.

(ii) In fiscal 1975/76 a quantum leap occurred with 36, or more than one-third of the bargaining units representing some 70 per cent of the employees, opting for conciliation/strike. Since then the situation has stabilized. In the past two years the numbers and proportions of units and employees opting for one route or the other have remained at about the 1975/76 level.

(iii) The extent and nature of shifting can be seen more clearly in Table III-2. This table shows those units which have changed their specification. Tables III-1 and III-2 are not additive as Table III-1 is a count of bargaining units and is affected by the shifts shown in Table III-2 as well as establishment of new bargaining units, decertifications and mergers of units.

Table III-2 confirms the trends noted in Table III-1. In addition, it shows more sharply the trend to the conciliation/strike route which began after 1971. In 1971/72, some seven units changed their specification to conciliation/ strike. These units were in the blue collar category and included the General Labour and Trades unit with about 20,000 employees.

(iv) In the following two years only a few changes were specified and these were fairly evenly divided between conciliation/strike to arbitration, and arbitration to conciliation/strike.

(v) In 1974/75, the trend to the conciliation/strike route resumed with 5 changes, and as noted in Table III-1, leaped ahead in 1975/76 with a total of 14 units signifying conciliation/strike including two of the largest bargaining units in the federal public service, the Clerical and Regulatory group with some 46,000 employees and the Programme Administration group with 21,000 employees. In the following two years, few alterations in the dispute process specification occurred and, like the 1972-74 period, were fairly evenly divided between changes to one route or the other.

(vi) In total, since the inception of the PSSRA there have been some 44 alterations in the dispute resolution process involving 140,193 employees. Some 34 representing 133,301 employees changed from arbitration to conciliation/ strike, while 10 (6,892 employees) shifted from conciliation/strike to the arbitration route for the settlement of their disputes.

(vii) Table III-2 also provides an opportunity to examine the characteristics of the groups which changed their specification. Twenty-three of the 34 units which changed to conciliation/strike are

TABLE III-2

Alterations in Dispute Process Specification, Federal Public Service
1967-78

Bargaining Unit	Estimated No. of Employees	Parties	Alterations
1970-71			
Communications	900	PSAC-TB	A to C
Communications	47	RCEA-NRC	C to A
Education	2,150	PSAC-TB	A to C
1971-72			
Scientific & Prof. Category all employees except defence scientific service officers	9	PIPS-DRB	C to A
Heating, Power and Stationary Plant Operation	S-593	PSAC-TB	A to C
	NS-2334	PSAC-TB	A to C
Firefighters	S-239	PSAC-TB	A to C
	NS-1196	PSAC-TB	A to C
General Labour and Trades	S-1853	PSAC-TB	A to C
	NS-19856	PSAC-TB	A to C
Operational Category Non-Supervisory	629	PSAC-DRB	A to C
1972-73			
Communications	900	PSAC-TB	C to A
Revenue Postal Operations	11,163	CPA-TB	A to C
1973-74			
Radio Operations	1,148	PSAC-TB	C to A
Veterinary Science	458	PIPS-TB	A to C
Translation	316	PIPS-TB	A to C
Firefighters	S-239	PSAC-TB	C to A
1974-75			
Science Research	1,503	PIPS-TB	A to C
Primary Products Inspection	1,862	PSAC-TB	A to C
Operational Category non-supervisory	158	PSAC-NCPC	A to C
Nursing	2,146	PIPS-TB	A to C
Communication	852	PSAC-TB	A to C
1975-76			
Radio Operation	1,082	PSAC-TB	A to C
Meteorology	506	PIPS-TB	A to C
Aircraft Operations	338	PIPS-TB	A to C
Research Officers and Research Council Officers	848	PIPS-NRC	A to C
Operational Category National Film Board	73	PSAC-TB	A to C
Phtotography	204	PSAC-TB	A to C
Clerical and Regulatory	46,406	PSAC-TB	A to C
Programme Administration	20,715	PSAC-TB	A to C
Data Processing	2,843	PSAC-TB	A to C
Occupational and Physical Therapy	62	PIPS-TB	A to C
Scientific Regulation	485	PIPS-TB	A to C
Psychology	84	PIPS-TB	A to C
Social Work	152	PIPS-TB	A to C
Engineering and Scientific Support	7,521	PSAC-TB	A to C

TABLE III-2 - continued

1976-77			
Scientific research	2,004	PIPS-TB	C to A
Correctional-Supervisory	155	PSAC-TB	A to C
non-Supervisory	3,367	PSAC-TB	A to C
Scientific Regulation	485	PIPS-TB	C to A
1977-78			
Research Officers and Research Council Officers	851	PIPS-NRC	C to A
Historical Research	252	PIPS-TB	A to C
Operational Category	13	PSAC-CSE	C to A

A	= arbitration
C	= conciliation
S	= supervisory
NS	= non-supervisory
PSAC	= Public Service Alliance of Canada
RCEA	= Research Council Employees Association
PIPS	= Professional Institute of the Public Service of Canada
CPA	= Canadian Postmasters' and Assistants Association
TB	= Treasury Board
DRB	= Defence Research Board
NCPC	= Northern Canada Power Commission
CSE	= Communications Security Establishment
NRC	= National Research Council

Source: Annual Reports of the Public Service Staff Relations Board.

affiliated with the Public Service Alliance and most of these units are in the blue collar or clerical categories. (The Public Service Alliance is an affiliate of the Canadian Labour Congress). Most of the remainder, which made the change to conciliation/strike, are affiliated with the Professional Institute and include such professional groups as scientific research officers, meteorologists, historical research officers, social workers, psychologists and veterinary scientists.

(viii) The result of these shifts has left most professional, supervisory and mainly white collar and related non-professional groups with the arbitration route and most of the blue collar and clerical groups with the conciliation/strike route. This record is certainly not in accord with the four propositions set out at the beginning of this section. Arbitration is not proving to be a system favouring the staff side, or, at least, it is not being perceived in this light by most employees. This includes not only employees who would have a natural affinity to the conciliation/strike route (for example, blue collar groups), but also a fairly sizable number of professional, scientific and other white collar employees whose inclinations would be towards arbitration but who have chosen instead the conciliation/strike route for the resolution of their disputes.

3. Reasons for the Change

What then has happened to bring about this kind of result? Much speculation exists on this matter and little hard evidence. Sifting through the reasons that have been given to explain the shifting from arbitration to conciliation/strike results in a scenario much like the following. At the inception of collective bargaining in the federal public service the right to strike was a new and untried weapon for civil servants. For most of them, it was a weapon viewed with some abhorrence and with a considerable reluctance to use in the historical context of the informal, personal and consultative atmosphere which prevailed before 1967 in the determination of pay and benefits for civil servants.

Further, the arbitration process was tailored to serve the basic objectives of most groups at that time, which were, in the main, to "catch-up" in wages, fringe benefits and contractual language.(4) This meant that most units felt that they could benefit more from choosing the arbitration route than the conciliation/strike route.

In time, these early objectives were met and the shift to conciliation /strike took place to take advantage of a more flexible, innovative procedure. The conciliation/strike route opened the way for civil servants to break from the strong traditions of being followers of the private sector in the determination of their wages and benefits and adopt a procedure that gave them the opportunity to exercise more control over the factors determining their terms of employment. The success of the shift rested on the effectiveness of the strike

weapon. The environment of the early 1970's, characterized, as it was, by rapidly rising wages and prices and an expanding public service, provided the conditions that ensured a reasonable degree of success in this regard. Further, the early experience with arbitration pointed out several serious limitations. First were the inordinate delays in getting awards. The average time between the request to establish a tribunal and the rendering of an award was thought to be about 3 months. In fact, delays were much longer.(5) In the conciliation/strike route, the conciliation board stage, which is a step that must be observed before strike action, has a much better record. The usual time period between the decision to establish a board and the issuance of the report of the board is about four weeks although the process of designation often extended this period considerably.

Second was the rigidity of the Tribunal resulting from the narrowness of the scope of its jurisdiction and the statutory criteria it was bound to consider in making its awards. In contrast, although conciliation boards have almost the same restrictions under the legislation, they have demonstrated a much greater flexibility in their approach and recommendations. They have not been reluctant, for example, to consider matters that could not be included in a collective agreement and in this way have helped the parties deal with problems that would not have been possible in the arbitration route.(6) Moreover, the nature of the groups negotiating in the conciliation/strike route has contributed to the effectiveness of that route. It is much easier to identify the outside market for the many blue collar and clerical groups in that route and reach agreement on these comparisons than it is for professional and related groups negotiating in the arbitration route. Indeed, this is perhaps an important factor in the selection of the impasse resolution procedure. The arbitration route would be the preferred option for groups which have little outside reference and which require a process that employs the test of what is fair and reasonable.

Third was the limitation to the nomination by the parties of their own representatives to the Tribunal. A different procedure is followed for conciliation boards. Under the Act the parties select their own nominees to these boards. The staff organizations find that this approach gives them a more direct representation of their own interests and allows them to nominate persons knowledgeable of the circumstances and issues before particular conciliation boards.

Fourth was the aloofness of the tribunals. Tribunals operate in a quasi judicial manner, hearing representations from both sides in support of their views and then handing down an award based on that evidence, rarely giving the reasons for their decisions.(7) Conciliation boards, in contrast, perform in a more accommodating fashion. They see their role as trying to effect satisfactory settlements. When they cannot prod, encourage or assist the parties to a settlement, the boards follow the practice of supporting their

recommendations with appropriate reasons. The parties find this mode of operation more consistent with their needs and objectives.

Fifth was the perception of the staff side that too many tribunal decisions were not in the best interests of the employees. The tribunals have ruled against the staff side on numerous occasions concerning matters of what is and what is not arbitral.(8) Further, the staff side has been less than fully successful in various representations challenging the interpretation and applicability of data developed by the Pay Research Bureau.(9) For units directly affected by these decisions there would be a natural reluctance to go to arbitration when the outcome is dependent on data that are either suspect or are subject to improper use.(10)

These apparent limitations of the arbitration function were reinforced by other factors operating at the same time. One factor was the new militancy emerging in the public sector, fed, in the case of the federal public service, by the influx in the 1970's of large numbers of younger civil servants imbued with a more militant attitude. Staff side organizations were expanding with personnel schooled in the traditional labour movement outside the public service. These personnel were philosophically opposed to arbitration as a method of settling interest disputes and their increasing influence was considered a factor in the move to the conciliation/strike route.(11) Another factor was the influence of tradition and outside experience. Ties with outside counterparts exercise an important influence on certain groups in the selection of impasse procedure. Thus, most blue collar groups could be expected to choose the conciliation/strike route because of the labour movement's traditional opposition to interest arbitration. Recently, other groups have been moving in this direction; a good example is nurses who, following the experience of nurses in outside sectors, have opted for the conciliation/strike route.

4. Outlook for Arbitration

Other similar scenarios can be drawn, but the overriding view is that most civil servants perceive that they are not benefitting from arbitration, or that they could do better pursuing traditional methods of collective bargaining with the right to strike as the final step to resolve impasses. However, some observers have noted that this may be changing and it would be well at this stage to comment on this aspect of the debate. The stability of the record since 1976 has been interpreted by some to suggest the beginning of a reversal; that the shift to conciliation/strike, which occurred in the early and mid-70's, was perhaps a passing phase peculiar to the economic and social circumstances prevailing at the time; and that these circumstances were particularly conducive to greater gains from the more flexible conciliation/strike route than from the conservative, slow moving arbitration route. There is some support for the position that a reversal may be in the offing.

First, there is a feeling that further shifts to conciliation/strike will at most be minor. This reflects the philosophy of those groups which have remained with arbitration. As one observer has noted "the minority of public servants who remained faithful to the arbitration route at the end of 1976 was largely approaching a virtually irreducible minimum composed of bargaining units, which, for one compelling reason or another, find the strike option completely unacceptable".(12) This view may be a little extreme. Nevertheless, as already noted, most blue collar, some clerical and related categories of civil servants, who, like their counterparts in the private sector have a philosophical inclination for the strike route for the settlement of their disputes, have already made this their selection. Those left with the arbitration route as their preference constitute in the main professional, supervisory and higher classified white collar groups who do not have this same inclination. Unless there is a radical change in the dispute settlement philosophy of these groups, it can be expected that changes in their selection will occur very slowly, if at all.

Second, designation, that is, the removal of the right to strike from certain employees for reasons of public safety or security, and its effects on the ability of units to undertake successful strike action, will not only slow shifts to the conciliation/strike route but may also encourage some movement back to arbitration.

Third, the effects of the control period, the high levels of unemployment and government restraint are also undermining the power position of bargaining units. In contrast to the early 1970's, these conditions are not conducive to successful collective bargaining by units opting for the conciliation/strike route. The arbitration route offers a less costly means of achieving the same results.(13) The existence of these conditions has not yet brought on a flood of applications for the arbitration route; nor is it expected to in the short-term because the strength of intra-service relativities allows many of these units to achieve results similar to those under arbitration without the necessity of threatening or taking strike action. However, should these conditions continue intra-service relativities would be less of a factor working in the favour of units that have opted for conciliation/strike, and a move to arbitration would be in order on the part of units that do not possess sufficient clout in periods of high unemployment and government restraint.

Fourth, there is a noticeable trend on the part of the Arbitration Tribunal to update its methods. For example, in recent awards the Tribunal has proferred advice on important matters not within its jurisdiction; it has increasingly challenged the parties on the evidence presented to support their case and has even gone further by seeking out new evidence; and it has shown a greater predilection to comment on its awards.(14) These changes, as well as moves to speed up the arbitration process, meet some of the major criticisms of

the Arbitration Tribunal and make the function more compatible with the needs, objectives and aspirations of the staff side organizations and their members. It is still too early to determine whether the changes have been sufficient to meet the criticisms. Any move back to arbitration will depend on the staff side's perception of the importance of the changes and on the extent to which the Tribunal will continue in this vein.

Although these four factors may be operating to support a return to arbitration, a complicating factor is the government's intent in proposed legislation to change the PSSRA. The latest indication of this intent is Bill C22 to amend the PSSRA, which was on the order paper in the previous Parliament. There are several proposed features which should they become law will increase the attraction of the arbitration route. First, the granting to the government the right to lockout, which it does not have in current legislation, will contribute to a relative weakening of bargaining units opting for the conciliation/strike route and a consequent strengthening of the government's position. This right of course, would apply only in this route. The right to strike would continue to be illegal in the arbitration route, as would the right to lockout.

Second, the proposed changes provide that it be mandatory for arbitration tribunals to support their awards with reasons if requested by either party, a move that will make the arbitration function acceptable to many civil servants and their organizations.

Third, the proposal to make conciliation boards abide by the same criteria as arbitration tribunals can be expected to reduce the favourable position the boards have held in the eyes of the staff organizations. On the other hand, observers feel that the greater flexibility of the conciliation function will work to its advantage in accommodating the changes proposed in the Bill. In particular, the spelling out of new criteria on total compensation comparability with the private sector may cause greater difficulty for the less flexible arbitration function than for the conciliation function. Further, the confrontation, which the amendments are causing between the government and the labour movement, is not conducive to an atmosphere favouring the arbitration function.(15) These two factors would be expected to work against the adoption of the arbitration route, but whether they would be sufficiently strong to overcome other considerations including changing conditions in the environment only time will tell, should the revisions become law.

In the meantime, it does not seem likely that we will observe any radical changes in the current distribution of units between arbitration and conciliation/strike during the next little while. The experience of the past two years, and the fact that most units currently in negotiations have already made their selection of route or have signed agreements that will not terminate until 1980, suggests that few

changes will be made in the next year.(16) Whether many changes will occur thereafter will depend on government intentions with respect to the PSSRA, whether or not government restraint will continue, and economic and social developments in the external environment. Much will also depend on the nature and extent of current trends to update the methods of the arbitration function.

5. Summary and Conclusions

After a propitious beginning, the use of the arbitration route declined in the early and mid-1970's as many civil servants abandoned the procedure in favour of the conciliation/strike route. This trend came to a virtual halt in 1976/77 and little change has occurred since then.(17) The future course of trends in the choice of procedures will depend on conditions in the labour market, government restraint policy, status of the proposed changes to the PSSRA, implications of recent return to work legislation affecting postal workers and the direction in which the arbitration function will evolve. Currently, most of the civil servants who do not appear to have a particular bias against the strike route as opposed to compulsory arbitration now conduct their negotiations in the conciliation/strike route, and most of those whose bent appears to be towards a regime of compulsory arbitration have remained with the arbitration route.

Several reasons were given for the abandonment of the arbitration function. None of them alluded to the level of settlements. Indeed, some commentators do not believe that the level of arbitral pay awards had much to do with the shift to the conciliation/strike route largely because they could find little difference between these awards and negotiated settlements.(18) However, evidence for this conclusion is sparse and incomplete. More comprehensive information on this matter is presented in the next Section to which we now turn.

IV ARBITRAL AWARDS AND NEGOTIATED SETTLEMENTS

1. Introduction

The data base for this Section comes from the Pay Research Bureau (PRB), the research and statistical arm of the PSSRB. The PRB is in the midst of a project organizing federal public service collective agreement data in a systematic fashion. Such data are currently available but require considerable digging and re-working for analytical use. Although the project is not finished, PRB kindly made available to CSIP the results of this exercise to date. This includes the wage settlement data in all agreements signed between 1967, when PSSRA became law, and December 1978.(19)

The data base provided by PRB includes a listing of wage and salary changes expressed in percentage terms by bargaining unit, effective date and period covered by the change. The listing is by the two routes of dispute settlement, that is, the arbitration route and the conciliation/strike route and, within the arbitration route, by directly negotiated settlement and arbitral award.

The listing of increases(20) is on the basis of maximum rates (that is old versus new). In most cases, a single percentage increase applies to all employees in a bargaining unit. In several instances, a range of increases was negotiated or granted. As information on numbers of employees was not available, weighted averages of these ranges could not be calculated. Instead, a simple average was computed to represent the percentage increase for the unit. Several increases (29 in total for the whole period 1966 to 1978) were in the form of once and for all lump sum payments. These were not included in the analysis, nor were cost of living payments.(21)

For purposes of this paper, the wage and salary increases in each collective agreement were converted to an annual average using a compound rate formulation.(22)

This procedure, which is commonly referred to as "annualizing", is designed to put all agreements on the same basis, thereby facilitating comparisons among them. Thus, each agreement is described by one annual average increase regardless of the number of increases provided for in the agreement, their effective dates or duration of the agreement.

Agreements negotiated under the three methods of settlement are remarkably similar in these respects. For the period 1967-78, the average agreement negotiated in the conciliation/strike route provided for 1.8 separate increases and had a term of 19.0 months (see Table IV-1). The average arbitral award was almost the same in these characteristics, providing for 1.7 increases and a term of 19.4 months. The average directly negotiated settlement in the arbitration route had 1.8 increases with a duration of 21.3 months.

TABLE IV-1

Number of Agreements, Number of Wage and Salary Increases and Average Duration of Agreements, by Method of Settlement, 1967-78

	METHOD OF SETTLEMENT			
	Arbitration Route		Conciliation/strike Route	Total
	Negotiated	Arbitral Award		
Number of Agreements[1]	405	106	110	621
Number of Wage and Salary Increases	741	183	191	1,115
Average Per Agreement	1.8	1.7	1.8	1.8
Average Duration of Agreements (in months)[2]	21.3	19.4	19.0	20.6

(1) Excludes agreements for which no wage or salary settlement information is available (two agreements in arbitration route and six in conciliation/strike route).

(2) Excludes periods covered by lump sum payments and periods for which no wage or salary settlement information is available.

Source: Computed from PRB tabulations.

In total, some 621 agreements were signed in the federal public service between 1967 and December 1978 and used in this study. Some 110 were negotiated in the conciliation/strike route and the remaining 511 in the arbitration route. Of these, 106 were arbitral agreements and 405 were settled directly without recourse to arbitration. The Arbitration Tribunal was little used earlier in the 1967-78 period as most bargaining units opting for this route negotiated their agreements without resort to arbitration. There were only 10 arbitral awards in the first three years and less than 50 in the first seven years. The heaviest arbitration years occurred in 1970 and again in 1976 and 1977,(23) years in which a government incomes policy was in effect. The increasing use of arbitration has also been explained as a natural evolution. Once use is made of it, the parties are less reluctant to use it again and resort to it with greater facility.(24)

At the same time, as noted in the previous Section, an increasing number of bargaining units were leaving the arbitration route and more settlements were being negotiated in the conciliation/strike route. While the incidence of arbitral agreements rose from about five per cent of agreements in effect between 1966 and 1968 to 28 per cent in 1977, that for agreements negotiated under conciliation/strike increased from 8 per cent to 30 per cent. Agreements negotiated without resort to arbitration in the arbitration route fell by more than one half, from 87 per cent of all agreements in effect between 1966 and 1968 to 42 per cent in 1977.

2. Wage and Salary Increases: Arbitration Route and Conciliation/Strike Route Compared

The 621 agreements produced an average annual wage and salary increase of 7.8 per cent.(25) The average for agreements negotiated without resort to arbitration in the arbitration route was 7.3 per cent, the 106 arbitral agreements averaged 7.7 per cent and the 110 agreements negotiated in the conciliation/strike route averaged 9.0 per cent. Agreements negotiated in the conciliation/strike route, therefore, had wage and salary increases that were, on average, some 1.3 percentage points or 17 per cent more than the average of arbitral awards and 1.7 percentage points or 20 per cent more than the average of directly negotiated settlements in the arbitration route.

The greater gains by those units opting for the conciliation/strike route are also revealed by the number of times their increases exceeded the overall average (that is the average for all settlements). Almost one-half (49 per cent) of the 110 agreements had increases greater than 7.8 per cent. In contrast, 33 per cent of the arbitral agreements were in excess of 7.8 per cent, and 24 per cent of the contracts negotiated without resort to arbitration in the arbitration route settled for increases in excess of this average.

However, a possible bias could arise in this count because of the uneven rate of wage and salary increases throughout the period and the increasing use of both the conciliation/strike route and the Arbitration Tribunal in the 1970's when wage and salary increases were rising rapidly in most of these years.(26) Thus, the count for directly negotiated settlements would be depressed while that for arbitral awards and conciliation/strike settlements would be raised. The return to lower wage and salary increases in 1977 and 1978 partially offsets these effects. To correct for this bias, the annual increase for each agreement was compared to the same-year average increase for all settlements. The number of times such increases exceeded the all settlements average was recorded, and the numbers were totalled for the 1966-78 period by method of settlement. The results are shown in Table IV-2.

The ordering of the results is the same as above, but their magnitude differs. More than half (57 per cent) of the increases negotiated in the conciliation/ strike route exceeded the overall yearly averages (compared to less than one half based on the earlier count). The proportion for arbitral awards, at 37 per cent, was above the earlier count and that for negotiated settlements without resort to arbitration in the arbitration route amounted to 32 per cent, considerably better than the previous count of 24 per cent. The marked improvement in directly negotiated settlements in the arbitration route reflects the effect of the bias. The bias had the opposite effect on conciliation/ strike route increases and little effect on arbitral awards. The reason for this result in these two methods of settlement stems from the pattern of their increases during the 1970's. This will be seen more clearly in the analysis below. In any event, both counts confirm the pay advantage enjoyed by bargaining units using the conciliation/ strike route to negotiate their collective agreements.

Table IV-3 records the average wage and salary increases by year. In the first five years, there is little difference among the three methods of settlement. Beginning in 1971, units negotiating in the conciliation/strike route enjoyed an advantage which continued to 1975. After 1975 this advantage tapered off and increases between the two routes came closer together.

The small number of observations in the early years of the period makes the yearly comparisons hazardous. Table IV-4 groups the data into three sub-periods, 1966-70, 1971-75 and 1976-78. The table also provides the results of tests to determine whether or not the differences in the averages among the three methods of settlement are significant.(27) The table shows more clearly the advantage of the conciliation/strike route in the first half of the 1970's. Before and after this period there is little difference between the two routes.

We can only speculate on why these results varied in this manner over the period. One simple explanation is that the results reflect

TABLE IV-2

Number of Contracts whose Annual Increase in Wages and Salaries is in Excess of the Annual Average for All Settlements, By Method of Settlement, and Year, 1966-78

Year	Annual Average Increase All Settlements	Arbitration Route		Conciliation/ Strike Route
		Negotiated	Arbitral Awards	
	%	Number of Contracts in Excess of Same Year All Settlements Average		
1966	5.9	6	-	1
1967	6.7	31	1	3
1968	6.6	3	2	1
1969	5.6	8	3	3
1970	6.0	14	5	1
1971	6.5	2	1	4
1972	6.5	9	0	3
1973	8.4	14	6	4
1974	11.5	4	5	6
1975	13.5	8	2	7
1976	9.1	13	3	14
1977	6.6	11	10	11
1978	6.6	6	1	5
Total	7.8	129	39	63
Number in Excess of Same-Year All-Settlements Average as a Per Cent of Contracts in Each Method of Settlement		32%	37%	57%
Per Cent in Excess of 7.8 Per Cent Average for 1966-78		24%	33%	49%

Source: Computed from PRB tabulations.

TABLE IV-3

Wage and Salary Increases, Federal Public Service, by Method of Settlement and Year, 1966-78

	Arbitration Route				Conciliation/Strike Route		All Settlements	
	Negotiated		Arbitral Award					
Year	Number of Contracts	Average Percentage Increase	Number of Contracts	Average Percentage Increase	Number of Contracts	Average Percentage Increase	Number of Contracts	Average Percentage Increase
1966	10	5.8	-	-	1	6.9	11	5.9
1967	78	6.6	1	7.0	7	6.6	86	6.7
1968	6	6.6	4	6.7	1	8.4	11	6.6
1969	57	5.6	5	5.7	8	5.9	70	5.6
1970	54	5.9	12	6.0	2	6.1	68	6.0
1971	11	6.6	7	5.6	6	7.3	24	6.5
1972	27	6.3	8	5.8	3	10.3	38	6.5
1973	34	8.2	11	8.6	6	9.1	51	8.4
1974	27	10.3	8	13.2	7	13.9	42	11.5
1975	24	13.2	9	11.5	15	15.2	48	13.5
1976	34	9.5	15	7.6	19	9.6	68	9.1
1977	32	6.3	21	7.1	23	6.5	76	6.6
1978	11	6.6	5	6.2	12	6.7	28	6.6
1966-78	405	7.3	106	7.7	110	9.0	621	7.8

Note: Increases are percentage changes in wage and salary rates over the life of the contract expressed at an annual (compound) rate. The annual increase for each contract is shown against the year the first increase became effective.

Source: Computed from PRB tabulations.

economic conditions in the three sub-periods. The conciliation/strike route appears as an advantage when wages and prices are accelerating as was the case for most of the years in the 1971-75 sub-period but not of a particular advantage in periods of more stable wage and price movements as in the first and third sub-periods. However, special circumstances characterized the first and third sub-periods which may be more important in explaining the results. In the 1966-70 sub-period, one such circumstance was the general reluctance of civil servants to strike or even contemplate strike action. This is reflected in the very few strikes that occurred then compared to the 1970's and the heavy use of the arbitration route for the resolution of disputes. This low degree of militancy and some of the reasons for it were discussed above. One of its results might have been to dampen the potential effectiveness of bargaining in the conciliation/strike route.

Another special factor in the earlier period relates to the nature of wage setting. Reference was made earlier to a "catch-up" situation dominating the early years of collective bargaining in the federal public service.(28) According to this view, bargaining in those years was concerned with bringing wages, salaries and benefits of federal civil servants into line with those prevailing elsewhere. The type of wage increase that characterized bargaining in both routes may be supportive of this view. For example between 1966 and 1968 almost two-thirds of all increases were for 6.0 or 7.0 per cent. In 1969, four-fifths of the recorded increases were for 5.5 or 6.0 per cent. In 1970, just over one-half were for 6.0 or 7.0 per cent, and in 1971 and 1972 almost 60 per cent of the increases were for 5.0 or 6.0 per cent. Thereafter, increases were dispersed over fairly wide ranges with no concentrations occurring at any particular rate.

This uniformity of increase in the early years occurred in both routes, although it was somewhat greater in the arbitration than in the conciliation/strike route. In the latter route the concentration amounted to about one-half of the increases which were recorded for that route during those years.

The concentration of increases across both routes is consistent with an explanation of "catch-up". It is one mechanism for bringing a lagging public service, if indeed that were the case, into line with pay developments elsewhere, especially at a time when methods of compiling outside data for purposes of comparing federal public servants group by group were not yet well developed.(29)

It also helps to explain the early widespread use of the arbitration route for the settlement of disputes. Since increases were about the same in both routes, there was no particular advantage in opting for the conciliation/strike route. Indeed, under these conditions the arbitration route would be the desired settlement route since it avoided the greater costs associated with resorting or potentially resorting to strike threats or actual strike action by a reluctant civil service.

TABLE IV-4

Wage and Salary Increases, Federal Public Service, by Method of Settlement and Sub-Period, 1966-78

	Arbitration Route				Conciliation/Strike Route		All Settlements	
	Negotiated		Arbitral Award					
Sub-Period	Number of Contracts	Average Percentage Increase	Number of Contracts	Average Percentage Increase	Number of Contracts	Average Percentage Increase	Number of Contracts	Average Percentage Increase
1966-70	205	6.1	22	6.1	19	6.4	246	6.1
1971-75	123	9.1**	43	9.1	37	12.3*	203	9.7
1976-78	77	7.7	41	7.2	54	7.7	172	7.6
1966-78	405	7.3**	106	7.7	110	9.0*	621	7.7

* difference between conciliation/strike route increase and arbitral award is significant at 5 per cent level of significance.

** difference between conciliation/srike route increase and directly negotiated increase in the arbitration route is significant at the 5 per cent level of significance.

All other differences in wage and salary increases among the three methods of settlement are not significant at this level of significance.

Source: Computed from PRB tabulations.

Special circumstances may also be a factor in the explanation of the minor differences between the arbitration and conciliation/strike routes in the last three years of the 1966-78 period. Perhaps the most important was wage and price controls which covered all of 1976 and 1977 and part of 1978. The effect of a ceiling on wage and salary increases is to put all units, whether in the arbitration or conciliation/strike route, on a similar footing. Bargaining power has little meaning in this context and the possible range for percentage increases considerably narrows. In addition, this period marked the beginnings of serious government restraint, which, when combined with rising unemployment in the economy in general, made for difficult collective bargaining in the conciliation/strike route resulting in a downward bias in the rate of wage and salary increase in that route. Together these factors would have a stronger depressing effect on increases in the conciliation/strike route than in the arbitration route resulting in a narrowing of the differences between the two. It is also possible that moves to modernize and update the Arbitration Tribunal since 1976 may be exerting an upward bias on increases in that route which would have the further effect of bringing increases in the two routes closer together.

In summary, the evidence in this Part shows that a pay advantage is to be gained by bargaining in the conciliation/strike route. This advantage was most pronounced in the first half of the 1970's. It is quite likely that the other years of the period were marked by special circumstances which for one reason or another did not impart an advantage to bargaining outcomes in the conciliation/ strike route. It is not clear what results would emerge in the absence of these circumstances. The data do not permit the singling out or the isolation of the impact of these circumstances from other factors. We can only assume that for the most part they were not favourable to collective bargaining results in the conciliation/strike route relative to the arbitration route. In their absence, pay increases in the conciliation/strike route might have been larger compared to the arbitration route. Further dimensions of the pay advantage in the conciliation/strike route are explored in the following parts.

3. The Advantage of the Conciliation/Strike Route - Some Further Evidence

The data set permits an analysis of the wage and salary increases of those bargaining units that changed their dispute resolution specification. Most of the changes, as noted in Section III, were from the arbitration to the conciliation/strike route. Data are available for some 30 bargaining units that made this change.(30) These units negotiated a total of 167 collective agreements of which 82 were arrived at through negotiations without resort to arbitration in the

arbitration route, 20 were arbitral awards and 65 were settled through negotiations in the conciliation/strike route.(31)

Some nine units were involved in shifts from the conciliation/strike route to the arbitration route. These units negotiated a total of 33 agreements of which 16 were negotiated in the conciliation/strike route, nine were settled in the arbitration route without resort to arbitration and eight were arbitral awards.

Table IV-5 compares the average increases of these units before and after the shift. The 30 bargaining units that made the change to the conciliation/strike route experienced average annual increases per agreement of 6.8 per cent (directly negotiated settlements) and 7.4 per cent (arbitral awards) while operating in the arbitration route. After the change these units negotiated annual increases averaging 9.3 per cent per agreement, a jump of 2.5 percentage points and 1.9 percentage points (or 37 and 26 per cent) from their respective arbitration route increases.

The evidence for the nine units, which made the change the other way, is mixed. Before the change, while operating in the conciliation/strike route, these units negotiated increases amounting to 7.5 per cent per settlement on average. After the shift, this figure fell to 6.1 per cent for directly negotiated settlements without resort to arbitration and rose to 9.6 per cent for arbitral awards. However, the average of these awards was profoundly influenced by an award granted to fire-fighters in 1974. Excluding this award, which amounted to 21.5 per cent on an annual basis, reduced the average of awards to 7.8 per cent, which is not very different from the conciliation/strike average.(32)

The degree of improvement in the position of the 30 units that changed to the conciliation/strike route even exceeded the overall advantage of that route compared to the arbitration route (see Table IV-4). However, since much of the shifting, particularly to the conciliation/strike route, occurred in the high wage increase years of the first half of the 1970's, the comparison of increases before and after shifting could be expected to be in favour of the "after shifting". This would follow since most of the increases before shifting were negotiated in the relatively low wage increase years of the latter 1960's while most of the increases after shifting were negotiated in the 1970's. To correct for this bias, ratios were calculated by dividing the increases negotiated by these units by the same-year average increase for all settlements. These ratios were then totaled and averages computed by method of settlement. The results are recorded in Table IV-6.

For the 30 units which changed to conciliation/strike the improvement is not as sharp as revealed by the previous analysis. Before the shift, while operating in the arbitration route, the average ratio of

TABLE IV-5

Wage and Salary Increases, Bargaining Units Which Changed Their Dispute Resolution Specification, Federal Public Service, 1966-78

BEFORE CHANGE						AFTER CHANGE					
Arbitration Route				Conciliation/Strike Route		Arbitration Route				Conciliation/Strike Route	
Negotiated		Arbitral Award				Negotiated		Arbitral Award			
No. of Contracts	Average Increase	No. of Contracts	Average Increase	No. of Contracts	Average Increase	No. of Contracts	Average Increase	No. of Contracts	Average Increase	No. of Contracts	Average Increase
	%		%		%		%		%		%
ARBITRATION TO CONCILIATION/STRIKE ROUTE											
82	6.8	20	7.4	-	-	-	-	-	-	65	9.3
CONCILIATION/STRIKE TO ARBITRATION ROUTE											
-	-	-	-	16	7.5	9	6.1	8	9.6	-	-

Source: Computed from PRB tabulations.

TABLE IV-6

Ratios[1] of Wage and Salary Increases, Bargaining Units Which Changed Their Dispute Resolution Specification, Federal Public Service, 1966-78

BEFORE CHANGE			AFTER CHANGE		
Arbitration Route		Conciliation/Strike Route	Arbitration Route		Conciliation/Strike Route
Negotiated	Arbitral Award		Negotiated	Arbitral Award	
ARBITRATION TO CONCILIATION/STRIKE ROUTE					
.98	.94	-	-	-	1.03
CONCILIATION/STRIKE TO ARBITRATION ROUTE					
-	-	1.05	.92	1.04[2]	-

(1) Ratios of increases to same-year all-settlements average.

(2) Excluding firefighter 1974 award, ratio = .93

Source: Computed from PRB tabulations.

increases for the shifting units to the same-year all-settlements average amounted to .98 for directly negotiated increases and .94 for arbitral awards. After the shift, the ratio rose to 1.03. For ease of comparison a similar ratio is calculated involving all conciliation/ strike settlements for the same years in which these 30 units negotiated in that route. This ratio to all settlements is 1.08. Thus, it appears that the 30 units which shifted from the arbitration route to the conciliation/strike route did better in the latter route but not quite as well as the established units in that route.

For those units which shifted from conciliation/strike to arbitration the ratios actually fell. Before the shift, the average ratio was 1.05. After the shift the ratio fell to .92 for directly negotiated increases and 1.04 for arbitral awards (.93 excluding the 1974 firefighter award). That is, before the shift these units were able to negotiate increases which exceeded the all-settlement average; after the shift their increases fell below the average.

Summarizing, bargaining units which changed their dispute resolution specification from the arbitration to the conciliation/strike route gained by the change but not the other way around. For the former units, the conciliation/ strike route gave them the opportunity to make up for lost ground. By making the change they were able to negotiate above average wage and salary increases but not to the level of units that always negotiated in the conciliation/strike route. The few units that made the move in the opposite direction to arbitration did not enjoy the same overall advantage. For them, the gains that were achieved while in the conciliation/strike route were eventually lost in the arbitration route.

4. Analysis by Occupation

The analysis to this point has treated all bargaining units the same except for the method of settlement followed. In fact these units represent a diverse mixture of federal civil servants from relatively low paid labourers to high paid professional and scientific employees. These different groups of employees are exposed to different forces in their wage determination process, and, consequently, to potentially different wage outcomes.

If the bargaining units representing these different classes of workers were fairly evenly distributed between the two routes their differences would not be an important factor in this study. But as noted in Section III, the arbitration route tends to be dominated by the higher paid units and the conciliation/strike route by the lower paid units. Therefore, a comparison of the two routes may reflect differences between these two groups of workers rather than differences between the two routes as such.

To test for this effect, separate tabulations were prepared for two occupational categories, the professional and scientific category

representing the higher paid units and the administrative support and operational categories representing lower paid units. These tabulations are presented in Table IV-7.

In general, increases for both occupational groups are lower in the arbitration route than in the conciliation/strike route. This is particularly clear in the case of the professional and scientific units. The results for the administrative support and operational categories are less clear. The advantage of the conciliation/strike route results from the poor performance of this occupational group in directly negotiated settlements in the arbitration route. Arbitral awards yield only slightly smaller increases, on average, than settlements in the conciliation/strike route.

These results reflect, in part, the pattern of usage of the three methods of settlement by the administrative support and operational units. This is particularly noticeable in the arbitration route. Almost one-half of the agreements negotiated directly were concluded in the low wage increase 1966-70 sub-period, while just over one-quarter were negotiated in the high wage increase 1971-75 sub-period. The result is to give the overall average, which is weighted by the number of contracts, a low value. The reverse occurs for arbitral awards. Almost one-half of the units received awards in the 1971-75 sub-period while almost one-quarter used this method in the low wage increase 1966-70 period. Some of the effects of this pattern of usage can be removed by taking a simple average of the three sub-periods. These are recorded in the bottom row of Table IV-7. The result is to increase the average of directly negotiated increases by .6 percentage points from 7.4 to 8.0 per cent and reduce the average of arbitral awards by .7 percentage points from 9.3 per cent to 8.6 per cent. The difference between the two methods in the arbitration route is considerably reduced and the difference between arbitral awards and conciliation/ strike route settlements is widened in favour of the latter.

In other respects the evidence in the table resembles that in Table IV-4. There is little difference between the two routes in the 1966-70 and 1976-78 sub-periods and sharp differences in favour of the conciliation/strike route in the 1971-75 sub-period.

In summary, the evidence suggests that negotiating in the conciliation /strike route is an advantage regardless of occupation, that this advantage is particularly significant for higher paid groups and that the advantage for both occupational groups tends to be concentrated in the 1971-75 sub-period. Therefore, occupational mix does not alter the basic results that a pay advantage was enjoyed by those units which negotiated in the conciliation/ strike route during the 1966-78 period whether these negotiations were concluded directly, with the assistance of conciliation boards or as a result of strike action.

TABLE IV-7

Wage and Salary Increases, Federal Public Service, by Occupational Category, Method of Settlement and Sub-Period, 1966-78

Sub-Period	Professional and Scientific				Administrative Support and Operational			
	Arbitration Route		Conciliation/ Strike Route	Total	Arbitration Route		Conciliation/ Strike Route	Total
	Negotiated	Arbitral Award			Negotiated	Arbitral Award		
	Average Percentage Increase							
1966-70	6.2(56)	5.8(11)	7.3(2)	6.2(69)	6.1(68)	6.8(6)***	6.5(10)	6.2(84)
1971-75	8.2(42)	7.2(18)	10.8(9)*	8.3(69)	9.4(33)**	12.3(10)	13.8(18)	11.2(61)
1976-78	7.1(25)	7.8(21)	7.5(16)	7.4(62)	8.5(25)	6.8(6)	7.9(23)	8.1(54)
1966-78	7.0(123)**	7.2(50)	8.6(27)*	7.3(200)	7.4(126)**	9.3(22)***	9.7(51)	8.4(199)
1966-78 (Simple Average)	7.2	6.9	8.5	7.3	8.0	8.6	9.4	8.5

Number of contracts is in parenthesis.

* and ** see Table IV-4.

*** difference between arbitral award and negotiated increase in the arbitration route is significant at the 5 per cent level of significance.

Tests of significance were not computed for the figures in the "simple average" (last row) of the table.

Source: Computed from PRB tabulations.

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5. The Role of the Conciliation Board

It is appropriate at this stage to examine more closely the wage and salary setting process in the conciliation/strike route, in particular the role of the Conciliation Board. Several references have been made to the innovative, flexible and wider scope of the Board. Commentators have noted that these characteristics were the raison d'être for the adoption of the conciliation/ strike route in the 1970's by an increasing number of civil servants.(33) The shift to the conciliation/strike route was seen as a means of providing bargaining units with the opportunity of gaining consideration of issues that either could not or would not be considered by the employer or the Arbitration Tribunal.

Much of that discussion centered on non-wage issues. The question here is whether the Conciliation Board played a similar role in wage setting. The data set permits a breakout of wage and salary increases reached at the Conciliation Board stage. Should an impasse develop in bargaining in the conciliation/strike route either party can request the establishment of a conciliation board to hear and make recommendations on the issues in dispute.

During the 1966-78 period, some 18 settlements were concluded at the Conciliation Board stage. Some 14 of these occurred during the 1970's. Table IV-8 provides percentage wage and salary increases in the 18 instances bargaining units settled at this stage.

For ease of comparison comparable figures for the conciliation/strike route as a whole and for arbitral awards are also provided in the Table. The latter two columns are taken from Table IV-4.

The 18 references produced an average percentage increase of 9.7 for the period as a whole. This compares with 9.0 per cent for all increases in the conciliation/strike route and 7.7 per cent for arbitral awards. Thus Conciliation Board wage and salary increases were on average 0.7 percentage points higher than the average of all increases in the conciliation/strike route and two percentage points higher than arbitral awards during the period 1966-78.

The Conciliation Board advantage is particularly marked in the 1971-75 period. Average increases settled at this stage amounted to 14.0 per cent, more than 50 per cent (or almost five percentage points) higher than the average arbitral award during those years.

On the other hand, the Conciliation Board advantage compared to all other methods of settlement completely disappears during the last three years. The average increase at 6.2 per cent is below the average arbitral award of 7.2 per cent. It appears that AIB controls, government restraint and high unemployment had a particularly depressing effect on Board cases during these years.

TABLE IV-8

Wage and Salary Increases, by Selected Methods of Settlement, Federal Public Service, By Sub-Period, 1966-78

	Conciliation/Strike Route		Conciliation Board		Arbitral Award		Strike	
Sub Period	Number of Contracts	Average Percentage Increase	Number of Contracts	Average Percentage Increase	Number of Contracts	Average Percentage Increase	Number of Contracts	Average Percentage Increase
1966-70	19	6.4	4	6.5	22	6.1	2	6.8
1971-75	37	12.3	8	14.0	43	9.1*	11	13.3
1976-78	54	7.7	6	6.2	41	7.2	4	7.5
1966-78	110	9.0	18	9.7	106	7.7*	17	11.2
1966-78 (Simple Average)		8.8		8.9		7.5		9.2

* Difference between arbitral award and conciliation board increase is significant at 5 per cent level of significance. Significance tests were computed for this comparison only (excluding the "Simple Average" comparison).

Source: Computed from PRB tabulations.

In summary, the Conciliation Board function contributed to the favourable pay performance of the conciliation/strike route over the 1966-78 period as a whole. However, because of the few cases involved, its contribution was not major. It is estimated that without the Board function, conciliation/strike route increase would have averaged about 8.9 per cent instead of 9.0 per cent. Thus bargaining in the conciliation/strike route appeared to be an advantage with or without the Conciliation Board. Further, the Board advantage to the union side was concentrated in the first half of the 1970's. It was barely an advantage in the 1966-70 period and tended to be a disadvantage in the 1976-78 years. On this basis, it can be said that the wage evidence only partially supports the positive views expressed about the Conciliation Board function. Its operation appears to be more susceptible to external forces (the economic and social environment, government policy, etc.) than the Arbitration Tribunal. When times are good and wage increases elsewhere are accelerating, Board recommendations are favourable to the union side. In the opposite circumstances, Board recommendations appear to be a disadvantage to the union side. However, these results have to be interpreted with caution because of the small numbers involved.

6. Settlements at the Strike Stage

Since the passage of the PSSRA, some 17 lawful strikes occurred resulting from the breakdown of negotiations and after the exhaustion of all the steps provided for in the legislation including conciliation board hearings. Two of these strikes, one by postal workers and the other by electronic workers, took place in the 1966-70 sub-period; 11, including 5 in 1975, occurred in the 1971-75 period and the remaining four in the 1976-78 sub-period.(34)

The wage settlements reached at this stage are recorded in Table IV-8. The increases provided for in these contracts were, on average, at 11.2 per cent, some 24 per cent higher than the average for all conciliation/strike route settlements, 15 per cent higher than settlements at the Conciliation Board stage and a huge 45 per cent higher than arbitral awards, the comparable final stage in the arbitration route.

However, this result has to be treated with some caution. The reason for the higher overall average is the heavy weight of strike settlements in the high wage increase years of the first half of the 1970's. The effect is to raise the overall average. Again, the effect of this weighting can be reduced by taking a simple average of the three sub-period averages. These averages are recorded in the last row of Table IV-8. The result is to reduce the strike average to 9.2 per cent, bringing it much closer to the 8.8 and 8.9 per cent simple average increases for all conciliation/strike settlements and Conciliation Board settlements respectively.

The closeness of strike settlements to conciliation/strike route averages is confirmed by the pattern of increases throughout the

1966-78 period. Little difference exists between the two averages in each of the sub-periods.

Thus, the evidence suggests that striking bargaining units do not appreciably improve their position vis à vis their counterparts who did not strike. Of course, this does not mean that they did not improve their position from the last offer made by the employer before strike action. Only an analysis of the pre-strike negotiations could provide information on this matter.

7. Arbitration Awards and Negotiated Settlements within the Arbitration Route Compared

The remarkable similarity of arbitral awards and directly negotiated increases has been noted throughout this Section. Directly negotiated increases averaged 7.3 per cent and arbitral awards, 7.7 per cent (see Table IV-3). The similarity of results between these two methods of settlements was also revealed by the proportion of their increases which exceeded the same-year average for all settlements. These proportions showed little difference between the two methods (see Table IV-2). About one-third of the negotiated increases and 37 per cent of the arbitral awards exceeded the all-settlements average.

Similarly, an examination of the data by year reveals very little difference between the two methods of settlement (see Tables IV-3 and IV-4). In the first ten years, both methods of settlement yielded similar average increases. In the last three years negotiated increases exceeded arbitral awards, but the difference was too small to be of much significance.

The close conformity of the results between these two methods of settlement would be expected, given the characteristics of the workers negotiating in this route, the similarity of factors affecting their pay determination and the interrelatedness of their settlement patterns. Most units negotiating in the arbitration route represent professional, scientific and other related classes of civil servants. Further, it is estimated that since 1967 (to April 1, 1978) some 55 requests for arbitration (a number equal to more than 1/2 of the total of arbitral awards during the period) were withdrawn.(35) Presumably these units concluded agreements on the basis of patterns set in related arbitral awards.

It would be easy to conclude from this evidence that arbitral awards led the way in wage and salary increases in the arbitration route. Such a conclusion would give the arbitration function an impact well beyond the small number directly affected by awards. Equally strong arguments can be advanced to support the converse, that arbitral awards followed rather than led settlements in the arbitration route. For example, the considerable time lags involved in obtaining awards would

not be consistent with a position that awards led settlements. The duration and extent of these lags were noted earlier (see page 12).

Given these considerations, it is difficult to envisage the relatively few arbitral awards being a consistent pattern setter throughout the 1966-78 period for the very much larger negotiating sector. The Arbitration Tribunal may exert an indirect influence by setting the constraints and tone for settlements in the arbitration route but there is little support that it directly influences these settlements anymore than it itself is influenced by them.(36)

8. Summary and Conclusions

The evidence in this Section suggests that bargaining units which do their bargaining in the conciliation/strike route enjoy larger percentage wage and salary increases than those that bargain in the arbitration route. The differences, which, on average, amounted to between 1.3 and 1.7 percentage points per agreement between 1966 and 1978, occurred particularly after 1970, in the early and mid 1970's. During this latter period conciliation/strike route increases were approximately, on the average, three percentage points (equal to about 35 per cent) higher than increases in the arbitration route.

There was little difference between the two routes in the first five years, 1966-70 and in the last three years, 1976-78. As the early 1970's were generally inflationary years, bargaining in the conciliation/strike route appears to be most favourable to the union side in an economic environment of wage and price acceleration. This evidence is in accord with the relatively greater flexibility offered by this route in federal public service negotiations compared to the less flexible, more conservative arbitration route.

The lesser advantage enjoyed by bargaining units using the conciliation/strike route in the first five years and in the last three years of the period appeared to be a result of special circumstances operating in those years.

It is not likely that these circumstances will recur, at least in the combination they did in these two sub-periods. On this basis, the advantage of the conciliation/strike route could be potentially larger than that indicated by the evidence, although probably not to the extent achieved between 1971 and 1975, unless there is another round of inflationary wage and price increases. This statement has to be qualified because of the yet unknown effects of modernizing the Arbitration Tribunal which seems to have been occurring during the past two or three years.

The similarity of average increases between arbitral awards and negotiated settlements in the arbitration route makes it difficult to determine a leader-follower pattern. Given the characteristics of the

two methods of settlement, it is likely that there is a strong inter-relatedness which produces the observed results. A particular interpretation of the relationship between these two methods of settlement is provided in the next Section.

Finally, it is interesting to compare this evidence with that in the preceding Section. In that Section, it was noted that in the early years the very large majority of federal public servants opted for the arbitration route as the method for the resolution of their disputes. The reasons given for this option are consistent with the evidence in this Section. Given the early objectives of federal public service collective bargaining and the across-the-board wage and salary increases prevalent then, there was little to be gained by opting for the more risky and potentially more costly strike route. After 1971, units began shifting in large numbers to the conciliation/strike route at the same time as pay increases negotiated in that route began to outpace pay increases in the arbitration route. These units, however, did not experience similar large pay increases. Instead, although their pay increases were above the levels achieved in the arbitration route, they were below those of established units in the conciliation/strike route.

This shifting continued to 1976, coming to an abrupt halt in that year paralleling the halt in the pay advantage accruing to units bargaining in the conciliation/ strike route. Little change has occurred since then despite the possible advantages to be gained by opting for the arbitration route. Some of the reasons for this relatively stable situation were alluded to in the preceding Section. Another reason, in the light of the evidence in this Section, may be that civil servants are maintaining the status quo in anticipation of a change in the external environment which will once more give the advantage to the conciliation/strike route.(37) The close conformity of the evidence in these two Sections strongly suggests that wage and salary behaviour played an important role in the choice of routes selected by bargaining units for their negotiations. As noted in Section III this factor was either neglected or downplayed by commentators. The results of the analysis in this Section suggest that it should be ranked in importance with the various other reasons detailed earlier (see, in particular, pages 12 to 14). Taken together the evidence in these two Sections challenges the notion that the federal public service arbitration process has an inflationary bias, that is, that it raises wages. We now turn to this question and examine the evidence in this context.

V ALTERNATIVE EXPLANATIONS

1. Introduction

In this Section, we analyse the results of the preceding two Sections and relate them to the thesis set out at the beginning of the paper that the federal public service arbitration process imparts an inflationary bias to the wages and salaries of civil servants. Four propositions that have been advanced to support this thesis were noted. In capsule summary they are as follows:

1. By opting for the arbitration route, weaker bargaining units make similar or greater pay gains than stronger units that opt for the conciliation/strike route.
2. It is in the Arbitration Tribunal's interest to decide in favour of the union since it is that side which decides whether the arbitration route is to be used.
3. Union presentations to the Tribunal are more convincing because they are more focussed and directed.
4. The interplay of the five criteria guiding the decisions of the Tribunal impart an upward bias to wage awards.

Although time, resources or data were not available to test these propositions directly, there is some doubt that a sharp distinction can be made between "weak" and "strong" units, and that the arbitration route is populated by "weak" units and the conciliation/strike route by "strong" units. Since a definition of "weak" or "strong" is not available, it is difficult to delineate the 100 or so units in terms of this categorization.(38) The evidence presented in this paper and evidence available elsewhere, however, challenges the notion that only "weak" units negotiate in the arbitration route and "strong" units negotiate in the conciliation/strike route.

First, the abandonment of the arbitration route in the early 1970's appears to have had less to do with the status of a bargaining unit in terms of this categorization and more to do with frustrations with the process and dissatisfaction with the results. The units which shifted included categories of workers across the broad spectrum of the federal public service occupational structure. It would be extremely difficult to categorize all of them as "strong" units under any definition.

Second, the practice of designation which removes the right to strike from certain employees belonging to units negotiating in the conciliation/strike route has undermined the strength of some of these units and has thereby, tended to blur the distinction between "weak" and "strong".(39)

Third, there are a number of units in the arbitration route which presumably have clout but are philosophically opposed to strike action.(40) Because of this philosophical position these units

remain in the arbitration route. Again, such units cannot be identified with precision but to the extent that they exist further diminishes the difference between the two routes on the basis of the strength of units.

Finally, wage and price controls, government restraint and high unemployment in the latter part of the 1966-78 period have served to weaken the bargaining strength of units in the conciliation/strike route and to bring even closer the relative strengths of units in the two routes.

These factors seriously undermine the relevance of the first proposition and serve only to emphasize the significance of the observed differences in wage and salary increases between the two routes. If the three remaining propositions have relevance, then in view of the blurred distinction between the two routes in terms of the strength of units negotiating in them there could be an expectation of larger increases in the arbitration route than has, in fact, been observed. In these circumstances, the four propositions would not carry much weight in explaining the observed results in this paper. In the next two Parts consideration is given to two other explanations for these results. One relates to the conservatism of the arbitration process and, in particular, the Arbitration Tribunal, and the second attempts to explain the results in terms of the course of occupational differentials. The Section concludes with a consideration of the inflationary bias of the arbitration process in the context of these explanations.

2. The Conservatism of the Arbitration Tribunal

Several references have been made to the conservatism and inflexibility of the Arbitration Tribunal. These factors have been mentioned by other authors to explain the abandonment of the arbitration route by so many civil servants. There is some evidence to support the presence of this conservatism and to support further a certain remoteness and neutralism of the Tribunal in its activities and deliberations.

Unlike most compulsory arbitration boards which are appointed on an ad hoc basis with the parties of interest having a major say in the appointments, the federal public service Tribunal functions as a permanent body of the PSSRB. The parties have no say in its structure or methods of deliberation, and only some say, through a process of consultation, in the appointment of members to the panels and the procedures followed by the Tribunal. Members are appointed by the PSSRB for fixed terms (10 years for the Deputy Chairman and usually two years for members of the panels). The chairman and alternate chairmen have an average length of service of at least 2 1/2 years and the panel members have served, on average, more than 3 years.(41) The various appointees are generally distinguished Canadians with long service as jurists or industrial relations specialists or service in a related professional field. For all of them, except the Deputy

Chairman, their work for the Tribunal is very much a part-time activity. Given these characteristics, precedents play a large role in arbitral awards, as does a stricter, more objective adherence to the criteria governing awards than would be the case with a less conservative tribunal or a tribunal appointed on an ad hoc basis.(42) Although this does not necessarily mean smaller awards, there is a strong possibility that that would be the case, particularly in periods of rapidly rising wages and prices, and this is suggested by the evidence.

The Tribunal function may also be torn by the unique responsibility dictated by its position. On the one hand, it is strictly constrained by the law in terms of the issues it can consider and the criteria it employs to hand down awards. On the other hand, within these constraints, there are no limits on the size of awards. The decisions of the Tribunal can have an impact on the government fiscal position.(43)

Under the PSSRA the government is obliged to meet the financial cost of awards. In other words, in this limited manner the Tribunal is not accountable to Parliament for the spending of public money it decrees. This is a responsibility that must weigh heavily on the Tribunal and must be a consideration contributing to its conservatism.

This explanation is in accord with the various pieces of evidence presented in this paper. It is consistent with the larger pay increases in the conciliation/strike route, especially among higher paid groups; with the shifting of units to that route in the 1970's; and with the relatively greater stickiness or smaller variations in arbitral awards over the 1966-78 period compared to conciliation/strike route settlements. It is also consistent with the jump in wage and salary increases experienced by units which shifted from the arbitration to the conciliation/strike route and with a tendency for the relative wage position of units which went the other way to fall.

It is not contradicted by pay developments in the 1966-70 period when both routes experienced roughly similar pay increases. As already noted, because of the characteristics of wage setting at that time it did not matter which route units selected for purposes of negotiating wage settlements. The predominant settlement in both routes tended to be influenced by across-the-board percentage increases. Nor is the explanation contradicted by the 1976-78 experience. In that period either the factors described earlier, that is, wage and price controls, government restraint and high unemployment, had a greater adverse impact on the more exposed conciliation/strike route allowing arbitration route increases to keep pace, or increases in the arbitration route were beginning to pick up and approach those in the conciliation /strike route. Both explanations are consistent with a conservative arbitration process, with the latter explanation possibly reflecting the updating of the arbitration function and the shedding of its conservative mantle.

The conservatism of the Tribunal is also brought out sharply in a direct comparison between it and the Conciliation Board which operates as the formal third party intervention in the conciliation/strike route. Unlike the Tribunal, the Board is appointed on an ad hoc basis and the parties are directly involved in the selection of the members. The purpose of Board recommendations, which are not binding as are Tribunal awards, is to obtain a settlement. Since the subsequent agreement is a matter of negotiations between the parties, the Board does not operate under the same restraints as does the Tribunal. Precedents and adherence to specific criteria do not appear to govern Board deliberations to the same extent. Rather there is a strong likelihood that Board recommendations reflect more closely the particular conditions prevailing at the time. Thus, Board recommendations would be expected to be high in high wage increase years, as was the case in the first half of the 1970's, and low in periods when the environment is particularly difficult for collective bargaining, as in 1976-78.

3. Occupational Differentials

A second explanation for the observed results may be related to the course of occupational differentials. As already noted, the arbitration route is dominated by higher paid units and the conciliation/strike route by lower-paid units. Thus, differences in wage and salary increases between these two categories of units would be reflected in the differences between the two routes. The analysis in Section IV (see Part 4) suggests that regardless of occupation, units negotiating in the conciliation/strike route did better than their counterparts in the arbitration route. This analysis is extended here to determine the role of occupational differentials independently of the method of settlement.

For this purpose the data in Table IV-7 have been rearranged in the format of Table V-1. Examining the last two columns of this table (under "Total") it can be seen that the lower paid civil servants in the administrative support and operational categories enjoyed significantly larger percentage increases in their wages and salaries than their higher paid colleagues in the professional and scientific categories. This advantage occurs in the 1970's and is particularly noticeable in the 1971-75 sub-period. During those years, administrative support and operational increases surpassed those of professional and scientific by an average of 35 per cent.

However, an examination of the data by method of settlement reveals a different picture. A marked narrowing occurs under the aegis of the Arbitration Tribunal, some narrowing in the conciliation/strike route and virtually no narrowing among bargaining units that had their settlements negotiated without recourse to arbitration in the arbitration route. In the latter, however, the results may be influenced by the pattern of usage of direct negotiations by the bargaining units in

TABLE V-1

Wage and Salary Increases, Federal Public Service, By Method of Settlement, Sub-Period and Occupational Category, 1966-78

Sub-Period[1] and Category	Arbitration Route				Conciliation/Strike Route		Total	
	Negotiated		Arbitral Award					
	No. of Contracts	Average Percentage Increase	No. of Contracts	Average Percentage Increase	No. of Contracts	Average Percentage Increase	No. of Contracts	Average Percentage Increase
1966-70								
P&S	56	6.2	11	5.8	2	7.3	69	6.2
AS&O	68	6.1	6	6.8*	10	6.5	84	6.2
1971-75								
P&S	42	8.2	18	7.2	9	10.8	69	8.3
AS&O	33	9.4	10	12.3*	18	13.8	61	11.2*
1976-78								
P&S	25	7.1	21	7.8	16	7.5	62	7.4
AS&O	25	8.5	6	6.8	23	7.9	54	8.1
1966-78								
P&S	123	7.1	50	7.2	27	8.6	200	7.3
AS&O	126	7.4	22	9.3*	51	9.7	199	8.4*
1966-78 (simple averages)								
P&S		7.2		6.9		8.5		7.3
AS&O		8.0		8.6		9.4		8.5

1 P&S = Professional and Scientific; AS&O = Administrative Support and Operational

* Significant at 5 per cent level of significance

Source: Table IV-7 re-arranged.

the two occupational categories. This was noted in the previous Section. Again, to meet this problem, simple averages of the sub-period averages are provided in the last row of the table. These averages show a greater overall narrowing of occupational differentials than revealed by the weighted averages.

The narrowing phenomenon under the Arbitration Tribunal occurs continuously from 1966 through to 1975 and is then reversed in the last three years, 1976-78. In contrast, a narrowing trend is discerned in the 1970's in directly negotiated settlements in the arbitration route and in the conciliation/strike route but the trend is not marked. Differences between the two occupational categories appear to be relatively large in the 1971-75 sub-period, and in the 1976-78 sub-period in the case of directly negotiated settlements in the arbitration route, but they are not significant. Little difference in increases between the two occupational categories under these two methods of settlement occurs in the 1966-70 sub-period.

This evidence suggests that the course of occupational differentials as reflected in arbitral awards is a result of an explicit or implicit policy on the part of the Arbitration Tribunal, that is, the course of these differentials in arbitral awards does not reflect outside or market factors. If this were the case, then the occupational differentials explanation would not be important in explaining the conciliation/strike pay advantage. Unfortunately a direct testing of this issue is not possible since the arbitrators rarely give reasons for their awards. However, some information on the matter can be provided by reference to differentials in the economy in general. Since one of the five criteria guiding the Arbitration Tribunal is "the conditions of employment in similar occupations outside the Public Service, including such geographic, industrial or other variations as the Arbitration Tribunal may consider relevant", it could be expected that arbitral awards would be influenced by outside comparisons. Evidence on occupational differentials in the outside market is incomplete but what does exist suggests a very mixed result, showing narrowing, widening and no change depending on the sample of occupations used and the period covered.(44) If outside comparisons play an important role in pay determination in the arbitration route this mixed result would be expected to be reflected in arbitral awards in the period before 1976. This does not appear to have happened.

It is possible, however, that the manner in which outside comparisons are made could emphasize the narrowing aspect at the expense of the other two possibilities. Only a careful examination of PRB surveys and the manner in which they are used by the parties and by the Arbitration Tribunal could provide a final answer to this question.

Another piece of evidence that could be examined in this context is the relative demand for and supply of personnel in these categories. It would be expected that problems in recruiting personnel to the federal

government would be reflected in arbitral awards since "the needs of the Public Service for highly qualified employees" is the first of the five criteria guiding the Tribunal. The evidence on this matter is also incomplete and sketchy. The best readily available evidence on recruitment is employment figures by category. Figures for the period 1969 to 1976 show that the professional and scientific group experienced an annual growth rate of 8.42 per cent, the administrative support category, 8.25 per cent and the operational category 4.35 per cent.(45) If these employment changes can be taken as a measure of recruitment difficulties they would suggest that pay increases for professional and scientific employees should be greater than for administrative support and operational employees.(46) Such, of course, was not the case. Thus, there is no clear evidence to explain occupational differentials as reflected in arbitral awards by reference to market factors.(47)

The movement of these differentials appears to be more an internal effect than one dictated by the outside market. This effect appears to have impacted on the higher paid groups and is evident not only in arbitral awards but also in negotiated settlements in the arbitration route (see Table V-1). It reflects a hesitancy to award or negotiate larger percentage increases to an already highly paid group. This result is consistent with a conservative arbitration process and provides further support for the conservatism explanation.

4. The Inflationary Bias of a Conservative Arbitration Process

The evidence supporting a conservative arbitration process as the best explanation of pay determination for those federal civil servants who opt for the arbitration route is based mainly on comparisons of wage and salary increases between this route and the conciliation/strike route.(48) It leaves unanswered the question of whether or not increases in the arbitration route, even though below those in the conciliation/strike route, were still above levels that would have been obtained in the absence of the arbitration process. That is, what would have been the result if units operating in the arbitration route had had to face the possibilities of strike action instead of arbitration as the final step to resolve their disputes. If they would have fared worse then it could be argued that the process imparts an inflationary bias, albeit not a very large one, since the process did not yield increases comparable to those negotiated in the conciliation/strike route. Several pieces of evidence in this paper suggest that increases would probably have been larger in the absence of the arbitration process. In particular, in the context of the larger conciliation/strike route increases, the fact that the two routes probably differed in only a minor way in terms of the strength of their units would support a non-inflationary or deflationary position for the arbitration process; so would the evidence on wage and salary increases negotiated by units which changed their dispute resolution specification from one route to the other.

Those who maintain that the arbitration process raises wages divide units in the arbitration route into two categories: those whose pay levels are "above the market" and those whose pay levels are "below the market".(49)

In most instances, the "below-the-market" units find it to their advantage to negotiate settlements directly, in the knowledge that they would not do much better pursuing the time consuming process of arbitration.

"Above-the market" units go to arbitration and receive awards that are in line with negotiated settlements involving comparable units in the arbitration route or with recently handed down awards. That is, the Arbitration Tribunal, in this view, grants increases, even though on the basis of one of the five criteria, that of outside comparisons, no increase would be warranted. It is this result that leads to the claim that the process has an inflationary bias.

A test of the validity of this view would require an extensive research effort beyond the scope of this paper. It would require a detailed analysis of briefs to the Tribunals, a close comparison of wage and salary levels of the different units with comparable groups outside, and a close study of arbitral awards to identify the patterns they follow. Subject to checking by such detailed information it does not seem likely that the inflationary bias of the process held by this view was very strong during the 1966-78 period. There are several reasons for this:

(1) The number of arbitral awards represented in total only some 1/6 of the total number of agreements signed during the period, thus the inflationary impact would be limited by the fact that only a small proportion of agreements is subject to arbitral awards.

(2) Further, not all of these can be considered "above the market".

   (a) about one-quarter of the referrals to the Arbitration Tribunal were made by the employer. It is likely that the employer would not of its own accord request arbitration, knowing that the award would not likely support its position, if the units in question were above the market and the employer's position was "no increase".(50)
   (b) about one-half of the bargaining units which shifted to the conciliation/strike route received an arbitral award preceding the shift (about 70 per cent immediately preceding the shift and the remaining 30 per cent two rounds previously). Since these units did better in the conciliation/strike route, it is hardly likely that they were "above-the-market" cases when they had gone to arbitration.(51) More probably they represented units which were below the market, did not receive satisfaction from the Tribunal, felt that they had sufficient

clout to negotiate better settlements in the conciliation/strike route and had no philosophical compunction against switching to that route.

(c) in view of (b), it is quite possible that there were an additional number of "below-the-market" cases which went to arbitration and, even though they may have been dissatisfied with the outcome, did not shift to conciliation/strike for philosophical reasons.

(d) the experience of the 1966-70 period, (and indeed to some extent 1971 and 1972 as well) when across-the-board increases were nearly uniform regardless of route or method of settlement, could be interpreted to support either the inflationary-bias view or the contrary. It could be argued, for example, that "above-the-market" units had to go to arbitration in order to obtain the across-the-board increases that were prevalent at that time. Or, if these increases were part of government policy regardless of the market position of individual units then it was immaterial whether such increases were obtained via direct negotiations or arbitration. In this view, units that did go to arbitration probably went for reasons other than pay. Some 22 arbitral award agreements were handed down by the Arbitration Tribunal between 1967 and 1970 and a further 15 were handed down in 1971 and 1972.

(e) the fairly high awards granted to lower paid groups may not be in accord with the thesis that only "above-the-market" units go to arbitration. The size of these awards, which approached the level of settlements in the conciliation/strike route for the same occupational groups, could reflect "above-the-market" cases in which the orbit of comparison for the awards was the conciliation/strike route. However, it is more likely that these units were "below-the-market" cases which turned increasingly to arbitration because of frustrations with the results of direct negotiations. In these cases, the Tribunal granted liberal awards compared to directly negotiated settlements in the arbitration route but not quite as liberal as settlements negotiated in the conciliation/strike route.

(f) in total, it is doubtful whether much more than one-half of the 106 arbitral agreements were "above-the-market" cases, thus reducing to 1/12 the number of public service agreements which could be said to have an inflationary bias by virtue of going to the Arbitration Tribunal.(52)

(3) In the absence of the arbitration process, it is inconceivable in the environment of the 1966-78 period, that "above-the-market" units would have received zero increases in direct negotiations. Wage determination reflects a variety of forces and, in the period under review, cost of living was a major consideration in public service bargaining.(53)

It is quite possible that had these units concluded agreements in the absence of the arbitration process, they would have received increases closer to the arbitral awards that they did receive. To the extent that this position can be argued it reduces further the potential inflationary bias of the arbitration process.

(4) Notwithstanding these observations for the 1966-78 period as a whole, it is quite possible that in recent years the Tribunal's inflationary potential may be increasing. This would follow on the supposition that government restraint combined with high unemployment is significantly increasing the number of "above-the-market" units appearing before the Tribunal. The evidence on this is mixed (see Table V-1) and may be complicated by the presence of wage and price controls during this same period.

(5) For an unknown number of units in the arbitration route there may have been a trade off or choice between negotiating lower settlements or going through the lengthy, time consuming process of arbitration. Because of the interrelatedness of the wage determination process in the arbitration route these lower settlements would, in turn, influence arbitral awards resulting in a dampening effect on wage and salary increases.

(6) Modernizing and updating the Tribunal could have a significant impact on the level of awards and settlements. This impact would depend on the external environment but it would probably result in more units going to arbitration with awards being more responsive to market forces. The result could be lower awards for "above-the-market" cases and higher awards for "below-the-market" cases.

It is difficult to assess the end result of these considerations. Arbitral awards might have been higher in a few cases than would have occurred in the absence of the process, but in other cases they would probably have been lower. The balance could be supportive of a neutral position, that is arbitral awards, on average, being neither inflationary nor deflationary. Taken together with directly negotiated settlements in the arbitration route and given the interrelatedness of these two methods of settlement, the balance could be in the direction of a deflationary bias, particularly in periods of wage and price acceleration. In other periods, and in this study, the 1976-78 subperiod, this conclusion would be less evident. The possible greater number of "above-the-market" cases would support an inflationary bias, but this balance could be tilted towards a neutral position, depending on the pattern of usage of the Arbitration Tribunal and the impact of revised procedures.

5. Summary

Several propositions and explanations have been offered to account for the performance of the arbitration process in wage setting in the

federal public service. The best explanation appears to be that which describes the process as conservative. Conservatism has been bred by the nature and manner in which the process operates and by the major responsibilities conveyed upon it by the law. This does not deny the existence of other explanations but their role was not considered to have had the same importance or impact overall as the conservatism explanation.

Although it is not necessarily inconsistent for a conservative process to have an inflationary bias in wage setting, especially in the manner described in the preceding Part, the evidence in support of such a bias is mixed. On balance, the evidence is perhaps tilted in the direction of an arbitration process that can be described as having a deflationary bias; that is, on average, in the 1966-78 period, wage increases in the arbitration route were probably lower than what they would have been in the absence of the particular arbitration process operating in the federal public service. Given current government restraint and high unemployment, the trend to update and modernize the Arbitration Tribunal, and its possible increasing use by bargaining units, this situation may be undergoing change and would, therefore, bear close watching.

VI CONCLUSIONS

The purpose of this paper has been to describe the arbitration system in the federal public service and to examine the thesis that it imparts an inflationary bias to the wages and salaries of civil servants. *A priori* expectation would support this thesis because of the unique collective bargaining system introduced into the federal public service by the Public Service Staff Relations Act of 1967. In particular, by giving bargaining units the choice of arbitration or strike action for the settlement of their disputes, it could be argued that the system encourages "weak" units to opt for arbitration and "strong" units to select the conciliation/ strike route. In this scenario, collective bargaining would result in wages and salaries at levels higher than would be the case in a system that did not provide this choice.

It is not clear that bargaining units have behaved in the manner described. The large scale shifting of units to the conciliation/ strike route in the first half of the 1970's, which took place because of frustrations with the arbitration process and dissatisfaction with its results, seems to suggest that "weak" units are operating in the conciliation/strike route. Similarily, a philosophical bias against strike action, on the part of a number of public service unions, suggests that some "strong" units are probably operating in the arbitration route. Further, the conservatism of the arbitration process has been a contributing factor in offsetting its potentially inflationary bias. This conservatism has had a dampening effect on wage and salary increases in the arbitration route particularly in periods of wage and price acceleration and has kept these increases not only below comparable conciliation/strike route increases but it is also possible that it has kept them below what they would have been in the absence of the arbitration process. The evidence on this latter point is uncertain and speculative. To the extent that it supports a deflationary bias for the process, a measure of its size would probably be equal to an amount that is something less than the difference between arbitration and conciliation/strike route increases, that is, something less than the average per collective agreement of 1.3 to 1.7 percentage points difference between the two routes over the period 1966-78.

The results of this study should not be generalized to other systems of binding arbitration without proper qualifications. The federal system is unlike any other system currently in existence. Nor can the results be generalized for all time. Moves to update and modernize the Arbitration Tribunal could very well lead to different results from those found in the period under study. In addition, recent Bills before Parliament to legislate changes in the system, should their main contents become law, will have a decided impact on both the status and the bargaining outcomes of the arbitration process. The nature of this impact will depend on the effect proposed legislative changes will have on the conservative bias of the process and on the decision of units to opt for one route or the other. For example, the proposed requirement

that the Tribunal give reasons for its awards, the imposition of the same procedures on conciliation boards, and the granting of the right to lockout to the employer could alter the Tribunal's approach and could encourage an increase in the use of the arbitration route.

FOOTNOTES

(1) For an extensive bibliography, see Bryan M. Downie, The Behavioural, Economic and Institutional Effects of Substituting Compulsory Arbitration for the Right to Strike, Centre for the Study of Inflation and Productivity, Economic Council of Canada, Discussion Paper No. 147, 1979.

(2) For a discussion of the role of self-interest in arbitration see, for example, R. Horton, "Arbitration, Arbitrators, and the Public Interest", Industrial and Labor Relations Review, Vol. 28, No. 4, July 1975, pages 500-501.

(3) This factor may not be too important because it can have the effect of potentially subjecting one party or the other to criticisms of inconsistency in subsequent presentations before the Tribunal.

(4) John C. Anderson and Thomas Kochan, "Impasse Procedures in the Canadian Federal Service: Effects on the Bargaining Process", Industrial and Labor Relations Review, Vol. 30, No. 3, April 1977, page 288.

(5) L.W.C.S. Barnes and L.A. Kelly, op. cit., page 26. The authors estimate a median duration of 14 weeks for proceedings involving bargaining units belonging to the Public Service Alliance and a median duration of 20 weeks for Professional Institute units. In the last two years this delay factor has been greatly reduced because of important changes in procedure. Preliminary data compiled by the PSSRB show that in the fiscal year 1978/79, of some 9 requests for arbitration in which an award was handed down the lapse of time between the request and the award varied between seven and twelve weeks with most of the cases (six) at ten or fewer weeks.

(6) IBID, page 38.

(7) IBID.

(8) IBID, page 16.

(9) IBID, page 36.

(10) For example, the PRB surveys, the principal data base in arbitration proceedings, do not include in their direct measures of salaries, practices, such as bonuses, which are common in the private sector. The staff side feels strongly that these matters should be surveyed and incorporated in salaries or allowances be made for them in pay decisions.

(11) J. Finkleman, Presidential Address, Fourth Annual Convention of the Society for Professionals in Dispute Resolution, Toronto, October 26, 1976.

(12) L.W.C.S. Barnes, "Dispute Resolution in the Federal Public Service", IR Research Reports, January 1978, page 1.

(13) See, for example, LWCS Barnes, IR Research Reports, November/December 1978, page 6.

(14) IBID, page 6.

(15) IBID, page 7.

(16) For example, only 13 of the 36 units in the conciliation/strike route have contracts terminating in 1979, the remainder are currently in negotiations or have agreements terminating in 1980 or later. However, at time of writing some significant changes have been taking place. As of August 1979, three major bargaining units announced that their members had voted to change their impasse resolution route from conciliation/strike to arbitration. The three units are: Program Administration with 22,526 members; Correctional Officers with 4,488 members; and Education with 3,384 members representing a total of 30,398 employees. This brings to more than 100,000 the number of employees now in the arbitration route (see Table III-I) and suggests that the conclusion in the text needs to be tempered.

(17) See previous footnote (16).

(18) See for example, Barnes and Kelly, op. cit., page 22; T.J. Wilkins, "Wage and Benefit Determination in the Public Service of Canada", in the Institute of Public Administration of Canada, Collective Bargaining in the Public Service, 1972; and J. Finkelman, The Settlement of Disputes in Public Employment, The Canadian Experience, International Association of Government Labour Officials, Banff, July 1969. In a more recent study A.V. Subbarao found settlements in the conciliation/strike route to be higher than in the arbitration route. His analysis, however, is based on only one year's experience. A.V. Subbarao, "Impasse Choice and Wages in the Canadian Federal Service", Industrial Relations, Volume 18, Number 2, Spring 1979, pages 233-36.

(19) Since several agreements provided for increases retroactive to 1966 that year becomes the starting point of the statistical analysis.

(20) As there is no case of a wage or salary decrease or "no change", the data will henceforth be referred to as "wage and salary increases", "pay increases" or just "increases".

(21) Seventeen of the lump sum payments occurred in the arbitration route and 12 in the conciliation/strike route. Four contracts have COLA clauses. One was granted by arbitral award in 1975 and three others, one negotiating in the arbitration route and the other two in the conciliation/strike route obtained COLA clauses in 1976. In addition, the $500 cost of living increase, which was added to all wage and salary rates in federal public service collective agreements on Apri 1, 1974, was not included in the analysis. Although no measurement was made of the possible biases that might be introduced by excluding this information, it is believed they would not be large because of the fairly even distribution of these payments and clauses between the two routes.

(22) The following formula was used to convert the wage and salary increases into an annual average for each agreement

$$Ay = \left\{ \left[\prod_{i=1}^{n} \left(1 + \frac{a_i}{100} \right)^{\frac{12}{d}} \right] - 1 \right\} \times 100$$

Where Ay = average annual increase for agreement y
a_i = a wage or salary increase provided for in agreement y
n = number of such increases
d = duration of agreement y.

(23) Since many contracts were still in negotiation on December 31, 1978, the cutoff date for this study, 1978 is underrepresented in the count.

(24) Anderson and Kochan, op cit., p. 297. Still another view to explain the increasing use of arbitration is known as the "chilling effect", that is, use of arbitration tends to reduce good faith bargaining sending an increasing number of impasses to this final step, IBID, page 291.

(25) In computing this average and all subsequent averages each agreement is given a weight of one.

(26) The same bias applies to the calculation of the three averages above. This matter is explored below.

(27) These tests are based on the formula $\frac{x}{Gx_1-x_2}$

where x = the difference between the two averages (x_1, and x_2) being compared and Gx_1-x_2 is derived from:

$$\sqrt{\frac{(N_1 + N_2)\ (G_1{}^2N_1 + G_2{}^2N_2)}{N_1 \times N_2\ (N_1-1+N_2-1)}}$$

Where N_1 and N_2 are the number of agreements and G_1 and G_2 the standard deviations.

(28) See above, page 12.

(29) The type of pay increases which characterized this early period is also consistent with other explanations. These include:

1. the tradition before collective bargaining was across-the-board increases. This tradition continued into the early years of the collective bargaining era.

2. lack of militancy among staff associations in the early years reinforced the tradition of uniformity of increases.

3. outside wage and salary increases were moderate compared to the 1970's and uniform increases did the job of keeping public service pay reasonably well in line in the late 1960's.

(30) The difference between this number and the 34 accounted for in Table III-2 results from counting supervisory and non-supervisory units separately in the latter, while in the wage and salary listings these units are combined.

(31) The greater number of agreements in the arbitration route reflects the fact that, on average, units which changed spent more time in that route.

(32) A number of these units had previously been in the arbitration route, had shifted to the conciliation/strike route, negotiated one or more settlements, and then changed back to arbitration. It could be argued that including these units in the sample could dampen the impact of the shift to the arbitration route because of relatively large increases negotiated at the time of the earlier shift to the conciliation/strike route. Some five units were involved in this back and forth shifting. A separate tabulation was made for the four remaining units which were originally in the conciliation/strike route before shifting once and for all to the arbitration route. The results do not differ markedly from those based on the nine units. While in the conciliation/strike route the average increase for these four units was 6.5

per cent. After the shift, the average was 6.3 per cent (directly negotiated and arbitral awards combined).

(33) See Barnes and Kelly, op. cit.

(34) Actually only four strikes occurred in 1975 and five in the 1976-78 sub- period. The count in the text is based on the effective date of the first increase in the final settlement.

(35) This is an estimate based on data provided in J. Finkelman, "Public Sector Collective Bargaining, Issues of Policy, Law and Practice", International Conference on Trends in Industrial Relations, McGill University, Montreal, 1976, page 29, and the Annual Reports of the PSSRB.

(36) Indeed, there is a close relationship among all bargaining settlements whether in the arbitration or conciliation/strike route. At times, awards could lead settlements in both routes, and at other times negotiated settlements in one route or the other whether settled directly or with the assistance of a conciliator (or conciliation board) or after strike action could be the pattern setter.

(37) However, see footnote (16).

(38) The basis of the strength of most units depends upon the circumstances prevailing at the time, including the mood of the public. Generally speaking, a unit's strength can be determined by the importance (or essentiality) of the service offered by those members of the unit who are allowed to strike, the extent to which substitutes exist for the service, the demand for workers performing the service relative to the supply available, the determination of the members in the unit to strike, and the unit's political clout (for example, a strike of a large unit could have a greater impact than that of a smaller unit). It is debatable whether a number of the units in the conciliation/strike route have the characteristics of "strong" units, whereas a number in the arbitration route do.

(39) See J. Finkelman, "The Public Service Staff Relations Act, The View from the Fence", Canadian Labour, September 1968, page 7.

(40) It is assumed that these units are opposed to strike action because they have the choice of arbitration. If this choice were not offered these units could be expected to behave, in a strike regime, in a manner that would optimize their strength in negotiations.

(41) Barnes and Kelly, op. cit., page 28. These figures are as of March 1974. As there has been little change since then, these averages would probably be slightly larger today.

(42) The importance of precedence in the decisions of the Tribunal is also well brought out in Barnes and Kelly, op. cit.

(43) This impact may not be as large as it would appear initially given the relative size of the wage and salary bill (about 17 per cent of total federal government expenditures) and the relatively few cases that go to arbitration.

(44) See S. Ostry and M.A. Zaida, Labour Economics in Canada, Third Edition, MacMillan Company of Canada, Toronto, 1979, particularly Chapter XII, and N.M. Meltz and David Stager, The Structure of Earnings by Occupation in Canada, 1931-74, Anti Inflation Board, 1979.

(45) David K. Foot, Edward Scicluna and Percy Thadaney, "The Growth and Distribution of Federal, Provincial and Local Government Employment in Canada" in Public Employment and Compensation in Canada Myths and Realities ed, David K. Foot, Institute for Research and Public Policy, University of Toronto, Butterworth and Company, Scarborough, 1978, page 75.

(46) Employment change figures would not be a good measure of recruitment problems if there is a plentiful supply of these personnel from which to draw. This in fact, might have been the case in the period under consideration, given trends in the labour force and unemployment in the 1970's. The period was marked by a heavy influx of new entrants at all levels and by rising unemployment rates among higher as well as lower educated groups. Nevertheless, specific occupational groups did experience shortages and some of these might have been important in federal public service hiring. For a comprehensive listing of occupational imbalances in Canada see Department of Manpower and Immigration, Forward Occupational Imbalance Listing (FOIL), Quarterly, Ottawa. In a study of the demand factor in federal government pay as measured by employment change in each occupational unit, John Anderson found an insignificant result. See John C. Anderson, "Determinants of Bargaining Outcomes in the Federal Government of Canada", Industrial and Labor Relations Review, Vol. 32, No. 2, January 1979.

(47) This does not mean that the Tribunal ignores market factors, rather in particular circumstances other factors are more important. However, recent Canadian public sector wage determination studies suggest that the results of interest arbitration are not closely related to market factors. See for example, D.A.L. Auld, L.N. Christifides, R. Swidinsky and D.A. Wilton, The Determination of Negotiated Wage Settlements in Canada (1966-1975), Anti Inflation Board, Ottawa, 1979 and J.M. Cousineau and R. Lacroix, Wage Determination in Major Collective Agreements in the Private and Public Sectors, Economic Council of Canada, Ottawa, 1977.

This conclusion is re-affirmed in a study done for the Centre for the Study of Inflation and Productivity. See D.A.L. Auld, Wage Behaviour and Wage Control in the Public Sector, Centre for the Study of Inflation and Productivity, Economic Council of Canada, Ottawa, Discussion Paper No. 137, 1979.

(48) It should be made explicit that this conservatism explanation is relative, it being based on a comparison with the conciliation/ strike route. A different conclusion might result if the analysis had been based solely on comparisons with comparable groups in outside sectors. Some reference to this aspect of the issue is addressed below.

(49) "Above the market" in the ensuing discussion refers to units whose members earn wages or salaries which on average are above comparable groups in the outside market or comparable groups within the federal public service.

(50) This does not discount the likelihood that the employer's position is a ploy to encourage the union to request arbitration and thereby transfer the responsibility for a final settlement to the arbitrator.

(51) Although in some instances they might have been, but because they were dissatisfied with the arbitration route they switched to the conciliation/ strike route where they felt they had the clout to do better.

(52) This was estimated as follows:
- 1/4 or about 26 of the awards were referrals by the employer.
- 1/2 or 15 of the agreements belong to units which shifted to the conciliation/strike route after an arbitral award in the immediately preceding or in the two rounds previously. This number would have to be augmented by those units which did not shift for philosophical reasons and which could not be identified in the count.
- add about 22 awards between 1967 and 1970 and an additional 15 awards from 1971 and 1972.
- add about 10 agreements covering lower paid groups not countede above.
- this gives a total of about 88 agreements. However the number would have to be reduced by the extent of double-counting and the inclusion of some "above-the-market" cases in these figures. Whatever the final count, it is obvious that a significant number of the arbitral agreements applied to "below-the-market" cases.

(53) The importance of cost of living in public sector pay determination has been extensively documented in recent studies. See, for example, the studies listed listed in footnote (46) above.