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THE CANADIAN LABOUR RELATIONS CLIMATE AND INVESTMENT ATTITUDES

Prepared by: Policy Branch
Department of Regional
Industrial Expansion
February 1986

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THE CANADIAN LABOUR RELATIONS CLIMATE AND INVESTMENT ATTITUDES

SUMMARY

(a) Purpose

The purpose of this paper is to examine the Canadian labour relations climate and its potential influence on investment. The paper will describe the current state of industrial relations in Canada through an analysis of its legal and social context, and the level of industrial conflict. This analysis will provide the basis for an assessment of the extent to which the labour climate may pose a real or perceived disincentive to investment, and for a strategy to improve its influence on investment attitudes.

(b) Labour Relations and Investment: Background

There appears to be differing views on the extent to which the labour relations climate in Canada affects investment decisions.

Recent surveys (DRIE Investment Intentions Survey, and a Conference Board of Canada's study) have identified "labour problems" as being neutral criteria in investment decisions, and relatively low on the list of investment considerations.

However, specific experiences of investment "prospectors" would indicate that the labour climate does have some bearing on investment attitudes.

The apparent discrepancy between survey results and reported field experiences may be considered in two ways. In survey responses, some labour factors may be subsumed by other elements, such as anticipated rate of return and profitability.

The labour environment may also constitute a "secondary" set of considerations. In this way, while the labour climate may be an eventual concern of investors, it might not be identified as a primary determinant of investment. As well, the labour climate may have a larger influence on locational choices, and on investment decisions of small and medium-sized businesses.

Whether investors' concerns about the labour climate are anecdotal or widespread, efforts should be undertaken to minimize these concerns. In this context, it would be useful to review the current conditions of Canadian labour relations, and to summarize the factors which influence and characterize our labour climate. This review could provide the basis for a communications strategy designed to clarify perceptions and enhance public awareness of the actual labour climate in Canada.

(c) The Canadian Labour Relations Environment

(i) Institutional Context:

Due to the federal/provincial division of powers, the federal government exercises jurisdiction in labour relations matters over approximately 10 per cent of the labour force, with the remaining 90 per cent falling within various provincial authorities. Thus, the federal government does not possess the same degree of influence over the national labour climate as it may exercise in other areas.

In this regard, Canada is almost unique among industrialized nations.

The cornerstone of the Canadian environment is the legislative recognition of the right to organize and bargain collectively. Most Canadian labour relations Acts contain a preamble that encourages freedom of association and free collective bargaining as the bases of effective industrial relations. The right to organize also exists for employers, allowing the formation of employer organizations for the purpose of regulating industrial relations.

In addition, federal and provincial acts delineate various activities as unfair labour practices with respect to the formation of organizations. Alleged violations are adjudicated by Labour Relations Boards.

The legal recognition of the right to form unions has had a positive impact on the level of union density in Canada, which has grown fairly steadily throughout the post-war years. In 1985, 39 per cent of the non-agricultural labour force in Canada belonged to unions. The percentage of employees who are covered by collective agreements has been estimated at between 45 and 50 per cent.

Canada ranks in the middle range of industrialized nations in terms of union density. Japan, for example, had approximately 29.5 per cent of its wage and salary earners unionized (as of 1983) while the proportion in Sweden was over 91 per cent. Unionized workers in the United States comprise approximately 22 per cent of the labour force.

It should be noted that there is no direct relationship between the degree of trade union organization and the incidence of industrial conflict. For example, Sweden and Austria are among those countries which have the highest proportion of unionization, but enjoy low rates of work stoppages. France and Italy, conversely, have somewhat lower union density, but experience higher number of strikes and lockouts. Thus, the level of unionization by itself does not necessarily increase the frequency of industrial disputes.

The decentralized approach to collective bargaining is one of the most distinctive features of the Canadian labour relations environment.

In 1985, Canada's 3,666,000 union members were divided among 762 unions and over 16,000 locals. Over 75 per cent of all local unions had less than 200 members.

Unlike most European union structures, the Canadian labour federations (such as the Canadian Labour Congress) have no bargaining authority. Most bargaining in Canada takes place between a single employer and a single union.

The desirability of decentralized bargaining has been debated widely. In a negative sense, the extent of local-level bargaining has been seen to be a contributory factor to Canada's comparatively higher aggregate numbers of days lost due to work stoppages. As the actual number of negotiations is increased by fragmented bargaining, so too is the potential number of work stoppages.

On the other hand, a decentralized approach affords individual enterprises the autonomy to be responsive to local issues, constituent interests and their immediate community; it facilitates input and consensus building in bargaining priorities, strategies, and agreements; and it reduces the potential negative economic consequences of national-level or industry-wide work stoppages.

Decentralized bargaining allows individual firms and unions the opportunity and the ability to exercise a large degree of influence on their own labour climate.

The industrial relations process in general, and strikes and lockouts in particular, are subject to stringent legal regulations in Canada. A range of procedures and administrative supports exist to facilitate collective bargaining and minimize work stoppages.

Canadian legislation requires that grievance procedures and binding arbitration exist for the resolution of disputes arising as to the interpretation or application of a collective agreement. Accordingly, work stoppages while a contract is in force are prohibited by law.

This approach is different than that of the United States, where the negotiation of grievance and arbitration procedures is optional, and where the parties are usually free to strike or lockout during the term of a collective agreement.

Other statutes in some Canadian jurisdictions remove the right to strike for certain groups of employers (such as hospital workers, firefighters, police) under any circumstances. Work stoppages by non-unionized employees are not legally sanctioned, nor are strikes or lockout pertaining to union recognition.

Most jurisdictions in Canada provide for compulsory conciliation of unresolved collective bargaining disputes. The services of a conciliation officer are provided, upon request of either party and at no cost to the employer or the union, to assist in the negotiation process.

As most countries, including the U.S., do not have compulsory conciliation, this is a feature that distinguishes the Canadian industrial relations system.

From 1980 -1984 inclusive, an average of 15.2 per cent of bargaining settlements have been reached during or following conciliation.

Compulsory conciliation provisions typically prohibit strikes or lockouts until either a conciliation officer has interceded in an attempt to help the parties resolve their dispute, or the respective labour minister has denied the mandatory request for conciliation. Some jurisdictions also provide for a conciliation board, with the power to recommend a settlement.

Following the compulsory conciliation process, most jurisdictions impose an additional "cooling-off" period, before which a legal strike or lockout can occur.

This time period is intended to reduce strike activity by affording the parties the opportunity to reassess their positions and re-establish negotiations.

Other legal statutes in some Canadian jurisdictions provide for: **arbitration** of certain collective bargaining disputes; **arbitration of first contracts**; **mandatory secret ballot strike votes** by union members before a strike can occur; **minimum union security** provisions; and prohibitions on the use of **replacement workers** in the event of a strike or lockout. These provisions are supported by **administrative bodies** (such as labour relations boards, arbitration boards, and the courts) which interpret the laws and adjudicate disputes.

This network of procedures that govern industrial relations reflects Canadian social and cultural attitudes. **Labour relations in Canada are characterized by respect for the laws and legal procedures, and violent and/or political disputes are extremely infrequent.** Both unions and management exhibit a high degree of fidelity to contractual and statutory restrictions on the right to **strike**, as evidenced by the low numbers of "illegal" work stoppages, or those which occur during the terms of a collective agreement.

(ii) **Social and Labour Market Context:**

The labour climate in Canada is affected by a range of factors aside from the laws that specifically address industrial relations. Other legislation provides programs and regulations which influence employee compensation and benefit levels.

Canadian employment, education and social programs have contributed to a high standard of living, and a high-quality labour force. Canada possesses a relatively small, flexible population with strong levels of education, training capabilities and labour force mobility.

The existence of these programs has additional impacts on the labour environment. They not only enhance financial and social stability for Canadian workers, they also provide for assistance levels outside of the realm of collective bargaining, thereby reducing potential conflict on these issues.

In so doing, several employment-related expenses are incorporated into the Canadian infrastructure.

Partially as a result of this, one study has revealed that **overall employee benefit costs to employers represent a smaller percentage of gross annual payroll in Canada than in the United States (33.8 per cent vs. 39.1 per cent, in manufacturing industries)**. A significant area of difference between the two countries is in health care and related insurance premium costs: 5.4 per cent of payroll in Canada as compared to 9.8 per cent in the United States. As well, legally-required Old Age, Survivor's, and Disability Insurance costs are significantly higher in the United States than in Canada.

The 1984 average production-worker hourly compensation in Canada was approximately 87 per cent of the United States level. Hourly compensation (based on U.S. dollars) rose only 1.6 per cent in Canada in 1984, as compared to 3.6 per cent in the United States. **Canada had the lowest rate of increase in hourly compensation in 1984 among the most industrialized countries.** With declining inflation, collective bargaining conflicts have been shifting from wage to non-wage issues (such as job security), and wage demands have been moderated.

Over the past two years, there also has been a significant improvement in relative Canadian unit labour costs. In 1984, Canada had the largest decline in relative unit labour costs (trade-weighted) in manufacturing among all seven major OECD countries.

In terms of long-run unit labour cost trends, U.S. Bureau of Labor Statistics data indicate that Canada had the second-lowest increase (after the United States), among seven OECD countries, over the 1970-84 period.

Despite recent declines, Canada continues to have the highest absolute unit labour cost level (in U.S. dollars) in manufacturing among the seven major OECD countries. In 1984, the level of unit labour costs was 20 per cent above that of the United States, and more than double that of Japan. **However, this ratio of Canadian unit labour costs to American unit labour costs has remained relatively consistent over time.**

Thus, Canada (unlike all five other OECD nations) has not suffered a deterioration of its labour cost competitive position vis-à-vis the United States.

The trend rate of **productivity** growth in Canada since 1973 has been the lowest among the major industrialized countries with the exception of the United Kingdom. In 1983, productivity growth in Canada experienced significant improvement, but this performance moderated again in 1984.

However, it should be noted that, **while Canada has had slow growth in productivity, the absolute level of productivity has remained high.**

As well, international differences in the rate of productivity growth have been much less than those in hourly compensation. As a result, **Canada's**

lagging productivity growth has not significantly detracted from its stronger performance in unit labour costs.

(d) Strikes and Lockouts in Canada:

(i) Canadian Overview

In general, labour disputes in Canada result in a small amount of lost time: an average (over the past five years) of less than three-tenths of one per cent of total working time per year. By comparison, occupational illness and injury cost 0.8 per cent of working time, or nearly 3 times that of work stoppages. Estimates of absenteeism (including illnesses and injuries) range between 3 and 4 per cent of total working time.

Overall, more than 90 per cent of all collective agreements are reached without a work stoppage. Thus, the potential aggregate impact of strikes and lockouts in Canada is quite limited.

As well, most lost time due to labour disputes is concentrated in a few major work stoppages. For example, two strikes in 1984 accounted for 30 per cent of all lost time in manufacturing. The ten largest work stoppages in the manufacturing sector in 1983 accounted for 32 per cent of time lost in that sector.

Given the decentralized nature of collective bargaining in Canada, this means that the vast majority of labour disputes that occur are much smaller in scope and duration. From 1979 to 1983, an average of over 27 per cent of all work stoppages were resolved in less than five days, and nearly half lasted less than fifteen working days.

Public sector work stoppages recently have represented an increasingly large proportion of total strikes and time lost. In 1983, 65 per cent of all workers involved in strikes or lockouts (representing over 47 per cent of all lost time) were employed in the public sector. Work stoppages in the public sector accounted for an annual average of 29.2 per cent of all person-days not worked over the 1980-1984 period.

The level of strikes and lockouts in Canada is declining. In 1984, the number of workers involved in work stoppages was down 43 per cent from the previous year, and was almost 60 per cent below the number in 1979. The aggregate number of person-days lost in 1984 declined 13 per cent from the previous year, and was the lowest since 1977.

(ii) International Comparisons:

Straightforward comparisons of international industrial relations performances are difficult and inaccurate, due to discrepancies in data collection, and substantial differences in collective bargaining systems among countries.

For example, there is no standard definition of what constitutes a strike for statistical purposes, and the definitions utilized internationally vary

considerably. Italy, New Zealand, and the United Kingdom do not report "political" strikes. Other countries exclude public sector strikes.

Work slowdowns, or workers indirectly affected by work stoppage, generally are not counted in statistics. These phenomena may be of greater significance in several countries than in Canada due to the larger prevalence of national-level, industry-wide, secondary or sympathy walkouts in those nations.

As well, most countries exclude strikes or lockouts which result in less than a minimum number of days lost or which affect less than a minimum number of workers. The minimum threshold levels vary among countries: Canada excludes disputes of less than ten person-days, whereas the United States does not report strikes involving less than 1,000 workers (regardless of strike duration), nor strikes lasting less than a full shift (regardless of the number of workers involved).

The effect of these differing reporting methodologies can be dramatic. For example, if Canada were only to report strikes and lockouts involving 1,000 or more workers, the total number of person days lost in 1983 would have appeared as 2,034,560 (rather than the reported 4,443,960), with the percentage of estimated working time lost being less than 0.09 per cent (as compared to 0.19 per cent).

In general, the reporting of strikes and lockouts is much more comprehensive in Canada than in many other industrialized nations. Thus, the incidence and impact of labour disputes in Canada probably is overstated in international comparison on the basis of these statistics.

(e) Labour Relations and Investment: Recommendations

The labour relations climate in Canada emanates from a complex and well-defined system. Any changes in the legislative or institutional framework for labour relations must be preceded by lengthy consultations with business, labour, and appropriate government departments.

In many aspects, intervention in order to achieve potential improvements in the labour relations record would be difficult and not desirable. For example, various features (such as the industrial structure) may contribute to Canada's level of strike and lockout activity, but clearly should not be altered to reduce the number of industrial disputes.

Limitations on the availability or the power of labour unions would not necessarily improve the labour relations climate. They may also have a negative impact on broader aspects of the Canadian social and economic system. "Right-to-work" legislation in the United States (which restricts the ability of workers to organize and have a "closed shop") has been correlated with a prevalence of low-wage industries and a concomitant reduction in disposable income, consumer expenditures, and available tax base. As well, so-called "right-to-work" states are characterized by the absence of such laws as equal pay, fair employment practices, and minimum wages. There is evidence

that the long-run problems that may arise from "right-to-work" laws are diminishing its appeal: in the United States, only Louisiana has passed this type of legislation since 1976.

In the Canadian context, the elimination of employment conditions (such as minimum wages, health and safety regulations, environmental controls, and the right to bargain collectively) in special "export zones" may conflict with existing government standards, public policy, and prevailing social attitudes. As well, the localized removal of labour rights would seem to be inconsistent with current policy directions aimed at equalizing opportunities for all Canadians. Given the capital intensity of potential industrial developments, there would appear to be more scope for increased competitiveness in "export zones" through such means as corporate taxation and duty remission policies rather than harsh and relatively ineffective labour measures.

Another approach to reducing the negative impact of the labour climate on investment in the short term would be to devise a strategy to communicate the positive aspects of Canadian labour relations.

A communications strategy (developed with the involvement of business and labour to enhance its diffusion and effectiveness) could better inform investors as to the Canadian labour relations environment, and provide department representatives with the facts necessary to respond to concerns and counteract existing misconceptions.

The elements which could be stressed in this regard should include:

- * the large percentage of contracts settled without a work stoppage;
- * the low incidence of work stoppages as a percentage of total working time;
- * the improving Canadian record on strikes and lockouts;
- * alternative data on Canadian work stoppages (such as the percentage of work stoppages of short duration; the percentage of industries/firms not affected by strikes or lockouts etc.);
- * the advantages of a decentralized bargaining system;
- * the high degree of strike and lockout regulation in Canada;
- * the low rates of illegal, political, secondary and sympathy strikes in Canada;
- * the legal and administrative support framework for labour relations;
- * the democratic nature of the Canadian labour movement, and examples of labour/management co-operation;
- * Canada's improving labour costs, and Canada/U.S. labour cost comparability;

- * the positive economic and social effects of the government infrastructure, including state-run benefit programs;
- * the inaccuracies of international labour data comparisons.

THE CANADIAN LABOUR RELATIONS CLIMATE AND INVESTMENT ATTITUDES

1. Purpose

The purpose of this paper is to examine the Canadian labour relations climate and its potential influence on investment. The paper will describe the current state of industrial relations in Canada through an analysis of its legal and social context, and the level of industrial conflict. This analysis will provide the basis for an assessment of the extent to which the labour climate may pose a real or perceived disincentive to investment, and for a strategy to improve its influence on investment attitudes.

2. Background

In general, labour disputes in Canada result in a small amount of lost time. Over the past five years, strikes and lockouts have represented an average of less than three-tenths of one per cent of total working time per year. In the same period, an annual average of 90 per cent of all collective agreements have been reached without a work stoppage. As well, these figures have been improving steadily since 1980.¹

However, there appears to be a negative perception of the labour climate in Canada, which may in turn have a detrimental effect on international and domestic investment attitudes.

In this context, it would be useful to review the current conditions of Canadian labour relations, and to summarize the factors which influence and characterize our labour climate. This review could provide the basis for a communications strategy designed to clarify perceptions and enhance public awareness of the actual labour climate, and labour relations performance, in Canada.

3. The Canadian Labour Relations Environment

The overall climate of Canadian labour relations is influenced by a variety of elements which shape the industrial relations system. These factors include

the institutional context (i.e. the legislative and administrative framework for labour relations); the social and labour market context; and the structure and nature of Canadian unions and labour organizations.

(a) Institutional Context

Canadian labour legislation provides a unique institutional context for labour relations. The legal and administrative framework is among the most extensive found in industrialized nations, and regulates most aspects of union-management relations. It is also distinctive in the constitutional division of legislative authority among the federal and provincial jurisdictions.

(i) Constitutional Division of Authority:

Due to the federal/provincial division of powers, the federal government exercises jurisdiction in labour relations matters over approximately 10 per cent of the labour force, with the remaining 90 per cent falling within various provincial authorities.² Thus, the Federal Government does not possess the same degree of influence over the national labour climate as it may exercise in other areas.

In this regard, Canada is almost unique among industrialized nations. In the United States, for example, the federal government has a much more extensive jurisdiction in labour regulation than state governments. Only in Australia do state or provincial jurisdictions exercise as great a control in this area as exists in Canada.³

As a result, while there are many commonalities among the Canadian federal and provincial labour standards, there is a diversity of regional differences in the context of labour relations across Canada.

(ii) The Right to Organize:

The cornerstone of the Canadian labour environment is the legislative recognition of the right to organize and bargain collectively.

Most Canadian labour relations Acts contain a preamble that encourages freedom of association and free collective bargaining as the bases of effective industrial relations.

The right to organize also exists for employers, allowing the formation of employer organizations for the purpose of regulating industrial relations.

In addition, federal and provincial acts delineate various activities as unfair labour practices with respect to the formation of organizations. Alleged violations are adjudicated by Labour Relations Boards.

The legal recognition of the right to form unions has had a positive impact on the level of union density in Canada, which has grown fairly steadily throughout the post-war years.

(iii) Decentralized Collective Bargaining:

The decentralized approach to collective bargaining is one of the most distinctive features of the Canadian labour relations environment. Most bargaining in Canada takes place between a single employer and a single union.⁴

The fragmentation of the bargaining structure is attributable to several factors, including: the presence of eleven different legislative jurisdictions;⁵ the criteria used by labour relations boards to determine the size and composition of bargaining units; and internal divisions among unions in Canada.

The desirability of decentralized bargaining has been debated widely. In a negative sense, the extent of local-level bargaining has been seen to be a contributory factor to Canada's comparatively higher aggregate numbers of days lost due to work stoppages. As the actual number of negotiations is increased by fragmented bargaining, so too is the potential number of work stoppages.

Perhaps as significant as the direct impact of decentralized bargaining on work stoppages is the detrimental effect it can have on public perceptions of the overall labour climate. An area which experiences an ongoing number of smaller stoppages may appear to be more "strike prone" than one which is subject to larger, but fewer, such incidents.

On the other hand, a decentralized approach can provide a positive context for labour relations. It affords individual enterprises the autonomy to be responsive to local issues, constituent interests and their immediate community; it facilitates input and consensus building in bargaining priorities, strategies, and agreements; and it reduces the potential negative economic consequences of national-level or industry-wide work stoppages.

Decentralized bargaining allows individual firms and unions the opportunity and the ability to exercise a large degree of influence on their own labour climate.

(iv) Union Security:

Union security provisions stipulate membership and dues requirements for bargaining unit employees. The arrangements generally are determined through collective bargaining, and have been the subject of several lengthy industrial disputes. However, as of 1983, five jurisdictions (British Columbia, Saskatchewan, Manitoba, Ontario, and Quebec) provided for compulsory dues check off, whereby all employees within unionized settings pay union dues whether or not they are union members. This is in sharp contrast to the United States, where recent "right-to-work" laws have restricted union security arrangements. The Canadian legislative guarantee of regular fees has obvious advantages to the union as an organization, and may increase industrial relations stability by removing a potentially contentious issue from collective bargaining.

(v) Grievance and Arbitration Procedures:

Canadian legislation requires that grievances procedures and binding arbitration exist for the resolution of disputes arising as to the

interpretation or application of a collective agreement. Accordingly, work stoppages while a contract is in force are prohibited by law.

This approach is different than that of the United States, where the negotiation of grievance and arbitration procedures is optional, and where the parties are usually free to strike or lockout during the term of a collective agreement.⁶

(vi) Restrictions on the Right to Strike or Lockout:

The right to strike or lockout is heavily regulated in Canada as compared to other countries. Work stoppages by non-unionized employees are not legally sanctioned, nor are strikes or lockouts pertaining to union recognition. Strikes or lockouts during the term of a collective agreement are prohibited, and this prohibited period generally is extended to cover the time of conciliation or arbitration. Statutes in some jurisdictions remove the right of certain groups of employees (such as hospital workers, firefighters, police) to strike under any circumstances.

(vii) Compulsory Conciliation:

Most jurisdictions in Canada provide for compulsory conciliation of unresolved collective bargaining disputes. The services of a conciliation officer are provided, upon request of either party and at no cost to the employer or the union, to assist in the negotiation process. The intervention is designed to facilitate communication between the parties and to encourage the settlement of negotiations.

Compulsory conciliation provisions typically prohibit strikes or lockouts until either a conciliation officer has interceded in an attempt to help the parties resolve their dispute, or the respective labour minister has denied the mandatory request for conciliation. Some jurisdictions also provide for a conciliation board, with the power to recommend a settlement. As most countries, including the U.S., do not have compulsory conciliation, this is a feature that distinguishes the Canadian industrial relations system.

The effect of the conciliation process has been the subject of debate. Critics charge that, in anticipation of conciliation, parties may inflate initial bargaining demands, and may be more reticent during two-party negotiations. It is also felt that the introduction of outside intervention can in some circumstances frustrate rather than facilitate negotiations.

Nonetheless, a recent empirical study has concluded that compulsory conciliation significantly reduces strike incidence.⁷ These results were attributed to the ability of conciliation to reduce misinformation, divergent expectations, and other problems which may stymie negotiations.

From 1980 - 1984 inclusive, an average of 15.2 per cent of bargaining settlements have been reached during or following conciliation.⁸

(viii) "Cooling-off" periods:

Following the compulsory conciliation process, most jurisdictions impose an additional "cooling-off" period, before which a legal strike or lockout can occur. This time period is intended to reduce strike activity by affording the parties the opportunity to reassess their positions and re-establish negotiations.

(ix) Arbitration:

The arbitration of collective agreements (or "interest arbitration") provides for the binding settlement of unresolved negotiations. In certain specified industries and occupations (e.g. hospital workers), all unresolved negotiations must, by law, be submitted to arbitration, and strikes and lockouts are prohibited. In other cases, a collective agreement may be submitted to arbitration on consent of both parties.

Interest arbitration has advantages and disadvantages for the collective bargaining system. On one hand, it diminishes the incidence of work stoppages by providing an alternate dispute resolution mechanism.

However, arbitration may reduce actual bargaining and discourage negotiation and compromise, as both sides seek to maintain their positions in anticipation of the arbitration. The pattern of repeat usage would indicate that it also builds reliance on arbitration. As well, arbitration can be a lengthy, and costly, process.

The use of arbitration has increased in Canada, but is still not widespread, accounting for only 6.2 per cent of all settlements from 1980-1984 inclusive.⁹

(x) Arbitration of First Agreements:

Five jurisdictions (federal, British Columbia, Manitoba, Quebec, Newfoundland) provide for the possibility of arbitration of a first contract in the event of an impasse in collective bargaining. The Government of Ontario recently has tabled similar legislation. This procedure is designed to deal with the number and length of work stoppages which occur during the negotiation of a first agreement. Most recent data (1983) show 15.2 per cent of all strikes and lockouts arose in this circumstance, and lasted for disproportionate durations: an average of 69.25 days/worker as compared to the average length of all remaining work stoppages of 13 days/worker.¹⁰

(xi) Mandatory Strike Votes:

Another legislative provision regulating strikes is the mandatory strike vote, contained in most provincial labour codes. This requires secret ballot approval by union members of a strike before it can occur. It is designed to ensure that strike decisions reflect the desires of a majority of the affected workers. Mandatory strike votes have been found to reduce significantly the probability of work stoppages.¹¹

(xii) "Antiscab" Legislation:

Quebec is the only jurisdiction which prohibits the use of replacement workers in the event of a work stoppage. This legislation was introduced in 1977, in an attempt to reduce picket line violence.

(xiii) Administrative Institutions:

Canadian legislation also provides administrative bodies to administer and interpret labour laws. These include labour relations boards (created by statute in each jurisdiction); and arbitration boards (established on an ad hoc basis to adjudicate rights and interest disputes). As well, the courts maintain a role in interpreting laws and reviewing the decisions of labour boards and arbitrators.

(xiv) Summary:

The combination of statutory requirements and administrative bodies creates an institutional context for labour relations that is regulated, decentralized, and distinctive. On many dimensions, the Canadian structure stands between those of Europe and the United States.

The Canadian institutional framework has been criticized as being overly fragmented and subject to legislative intervention. These factors have been seen as contributing to relatively high rates of work stoppage and lost working time.

In a positive sense, however, the structure of labour relations in Canada provides a high degree of autonomy to individual enterprises and unions. Similarly, the broad discretionary authority allowed to labour relations boards offers these administrative bodies the ability to respond appropriately to the particular situations with which they are faced.

Importantly, the network of procedures that govern industrial relations reflects Canadian social and cultural attitudes. Labour relations in Canada are characterized by respect for the laws and legal procedures, and violent and/or political disputes are extremely infrequent. Both unions and management exhibit a high degree of fidelity to contractual and statutory restrictions on the right to strike, as evidenced by the low numbers of "illegal" work stoppages, or those which occur during the term of a collective agreement.

(b) Social and Labour Market Context

The labour climate in Canada is affected by a range of factors aside from the laws that specifically address industrial relations. Other legislation provides programs and regulations which influence employee compensation and benefit levels. As well, Canadian labour costs, productivity, and social features contribute to the overall labour environment.

(i) Employment-Related Legislation and Human Resources:

Appendix 1 contains a summary of benefits legislation in Canada. The network of programs is designed to provide a basic level of financial security under a variety of circumstances.

The existence of these programs has several impacts on the labour environment. They not only enhance financial and social stability for Canadian workers, they also provide for assistance levels outside of the realm of collective bargaining, thereby reducing potential conflict on these issues. In so doing, several employment-related expenses are incorporated into the Canadian infrastructure. The potential cost-saving effect is discussed in the following section.

As well, governments in Canada provide labour-market support programs. The Canadian Jobs Strategy, for example, is aimed at maintaining a skilled and resilient labour force through job entry, job development and training programs. Other government initiatives provide relocation and mobility assistance.

Canadian employment, education and social programs have contributed to a high standard of living, and a high-quality labour force. Canada possesses a relatively small, flexible population with strong levels of education, training capabilities and labour force mobility. The European Management Forum has ranked Canada fifth among 28 countries in terms of human resources in 1984.¹²

(ii) Labour Costs and Productivity:

Over the past two years, there has been a significant improvement in relative Canadian unit labour costs (see Table 1). In 1984, Canada had the largest decline in relative unit labour costs (trade-weighted) in manufacturing among all seven major OECD countries.¹³ Canadian labour costs performance during both 1983 and 1984 was much superior to the United States: in the latter year, the absolute level of Canadian unit labour costs (non-trade weighted) in manufacturing fell 7.0 per cent, compared to a 0.1 per cent rise in the United States.¹⁴

In terms of long-run unit labour cost trends, U.S. Bureau of Labor Statistics data indicate that Canada had the second-lowest increase (after the United States), among the seven OECD countries, over the 1970-84 period.¹⁵

The major contributing factor to this performance was the continued decline in the rate of increase in wage settlements. In the private sector, wage increases for all settlements in collective bargaining averaged 3.2 per cent in 1984; those settlements without cost-of-living allowances provided for average increases of 2.8 per cent.¹⁶ Hourly compensation (based on U.S. dollars) rose only 1.6 per cent in Canada in 1984, as compared to 3.6 per cent in the United States.¹⁷ Canada had the lowest rate of increase in hourly compensation in 1984 among the most industrialized countries.¹⁸ The 1984 rate of production-worker hourly compensation has been calculated as 87 per cent of the U.S. level.¹⁹

Despite recent declines, Canada continues to have the highest absolute unit labour cost level (in U.S. dollars) in manufacturing among the seven major OECD countries. In 1984, the level of unit labour costs was 20 per cent above that of the United States, and more than double that of Japan.²⁰ However, this ratio of Canadian unit labour costs to American unit labour costs has remained relatively consistent over time: it stood at 126 in 1950, 128 in 1960, 131 in 1975, 118 in 1980, and 120 in 1984.²¹ Thus, Canada (unlike all five other OECD nations) has not suffered a deterioration of its labour cost competitive position vis-à-vis the United States.

The trend rate of productivity growth in Canada since 1973 has been the lowest among the major industrialized countries with the exception of the United Kingdom. In 1983, productivity growth in Canada experienced significant improvement, but this performance moderated again in 1984 (see Table 1).²²

However, it should be noted that, while Canada has had slow growth in productivity, the absolute level of productivity has remained high. (The Economic Council of Canada recently has characterized the Canadian economy as being "very productive".)²³

As well, international differences in the rate of productivity growth have been much less than those in hourly compensation. As a result, Canada's lagging productivity growth has not significantly detracted from its stronger performance in unit labour costs.²⁴

In the area of employee benefit costs, one study has revealed that overall benefits represent a smaller percentage of gross annual payroll in Canada than in the United States (33.8 per cent vs. 39.1 per cent, in manufacturing industries).²⁵ (See Table 2.) A significant area of difference between the two countries is in health care and related insurance premium costs: 5.4 per cent of payroll in Canada as compared to 9.8 per cent in the United States.²⁶ This figure may reflect the relative cost differences to employers of the Canadian public medical plans as opposed to the private plans in the United States: i.e. the extent to which these plans receive state support in Canada (as compared to the U.S.) provides a reduction in direct costs to employers. As well, legally-required Old Age, Survivor's, and Disability Insurance costs are significantly higher in the United States than in Canada.

(c) The Structure of the Canadian Labour Movement

Although "the Canadian labour movement" is often referred to as a single entity, it is actually a diverse group of unions and organizations. The number and variety of unions in Canada is one of the most significant distinguishing aspects of the labour relations climate.

(i) Union Density:

The initial measure of the extent of unionization and collective bargaining is the proportion of the non-agricultural labour force that is organized. In 1985, this percentage stood at 39 per cent in Canada.²⁷ After years of steady growth, there has been a small drop in this proportion in the past two years, but the decline is attributable to the growth of the labour force as a whole rather than a reduction in union membership.

Measures of union membership per se understate the impact of organized labour, as collective agreements also cover employees who do not actually belong to a union. On this basis, the percentage of employees covered by collective agreements has been estimated at between 45 and 50 per cent.²⁸

As illustrated in Table 3, Canada ranks in the middle range of industrialized nations in terms of union density: Japan, for example, had approximately 29.5 per cent of its wage and salary earners unionized (as of 1983), while the proportion in Sweden was over 91 per cent. Over the past twenty years, the growth rate for union membership in Canada has been among the most rapid.*

The divergence in union growth rates is most notable in a comparison of Canada and the United States. Prior to 1965, the level of union membership in the two countries was comparable. Since that time, the percentage of unionized workers has dropped from over 30 per cent to approximately 22 per cent in the U.S., while increasing from approximately 30 per cent to 39 per cent in

* It should be noted that there is no direct relationship between the degree of trade union organization and the incidence of industrial conflict. For example, Sweden and Austria are among those countries which have the highest proportion of unionization, but enjoy low rates of work stoppages. France and Italy, conversely, have somewhat lower union density, but experience higher number of strikes and lockouts. Thus, the level of unionization by itself does not necessarily increase the frequency of industrial disputes.

Canada.²⁹ This divergence has manifested itself most clearly in the rates of private sector unionism, which has declined in the United States but grown in Canada.

As the declining level of unionization in the United States has arisen from many complex and inter-related factors (such as industrial relocation, declining employment in traditionally more highly-unionized industries, different public policy and public attitudes toward labour unions, and organizing attempts and approaches by labour groups) a simple explanation of the trend is at this point not possible to determine.

(ii) Union Organization by Province:

As indicated in Table 4, there is a regional concentration of union members in Ontario and Quebec, reflecting the relative sizes of provincial labour forces. Among all provinces, Newfoundland has the highest level of union density, and Alberta the lowest.

(iii) Union Organization by Industry:

The degree of unionization by industry in Canada varies widely. Table 5 illustrates that Public Administration is most highly unionized (with 78.9 per cent of workers in that sector belonging to unions in 1982), followed by Construction (65.9 per cent), Transportation, Communication and other utilities (54.0 per cent), and Manufacturing (45.6 per cent). The lowest level of union penetration was in Finance (3.1 per cent). Over the past two decades, the highest rates of growth of unionization have occurred in the service and finance sectors and among public employees.

(iv) The Structure of Canadian Unions:

The key characteristic of the Canadian labour movement is the extent of its fragmentation into small bargaining units and numerous local unions. In 1985, Canada's 3,666,000 union members were divided among 762 unions and over 16,000 locals (see Table 6). Over 75 per cent of all local unions in Canada have less than 200 members (see Table 7).

As was indicated in the previous section, this decentralized and fragmented system of union representation is unlike the labour movement structures of most European countries, and has particular import on the labour relations environment.

There are several reasons for the development of a decentralized union structure. Dominant among these are the legislated certification provisions which create and reinforce local-level bargaining units. Within the union movement as well exist factors that contribute to its fragmentation. Canadian labour is divided among national and international unions, craft and industrial unions, and French and English unions.

Although the balance has been shifting toward national unions, internationals still represent over 39 per cent of all union members in Canada (see Table 6) and over 46 per cent of the membership of the Canadian Labour Congress. The growing Canadianization of the labour movement has been one of the most notable trends in recent years, with the publicized formation of a separate United Automobile Workers union in Canada, and the previous creation of national unions among workers in communication, energy, chemicals, and railways. The influence of international unions, while undoubtedly significant, remains a widely debated and diversive issue among Canadian labour.

A further distinctive element among Canadian unions is the relative autonomy of the labour movement in Quebec. Both the structure and the approach of Quebec unions have evolved with comparative independence, resulting in the formation of separate labour organizations and trade union groups. Even within the Canadian Labour Congress, the provincial federation in Quebec enjoys special status and full jurisdiction over a range of prerogatives and financial matters.³⁰

Unlike centralized union structures in other countries, Canadian unions are perhaps less able to maintain national lobbying activity, increase organizing efforts in under-represented sectors, exert bargaining power, or address the wide variety of relevant issues in as comprehensive and unified a manner as

would be possible in a more centralized environment. At the same time, however, the structure of unions in Canada allows them to be more flexible and responsive to local issues and concerns than some counterparts in other industrialized nations.

(v) Labour Federations:

Unlike most European national labour bodies, the Canadian federations have no bargaining authority. Their primary functions are related to co-ordinating relations among affiliated unions; representing labour's interests to governments, business, or social organizations; and to some extent providing education and servicing for member unions. Linkages between Canadian labour federations and pro-labour political parties are not as well-developed or successful as those in European countries.

(vi) Nature of Canadian Unions:

To the extent that a generalized observation can be made, the approach of Canadian unions emphasizes "business unionism", i.e. a focus on the protection of workers' job security and economic position. This contrasts with the more socially-active nature of European unions, which have a stronger tendency to seek broader changes at the political level. The Canadian approach has contributed to the pattern of decentralized bargaining, and a relatively weak structure of union federations at the national level.

At the same time, there has been an increasing trend for Canadian unions to participate in bipartite and tripartite activities. Over the past few years the involvement of labour in consultation with business and government has broadened, perhaps in response to more difficult economic and political environments. Examples of these activities include participation in the federally-sponsored National Economic Conference, the Canadian Labour Market and Productivity Centre, the Ministerial Task Force on Program Review, the Royal Commission on the Economic Union and Development Prospects for Canada, and the Ontario Government Task Force on Microelectronics. As well, there has

been an increasing interest in industry-level labour/management co-operation, on such issues as technological change, quality of working life, and gainsharing agreements.³¹

4. Strikes and Lockouts in Canada

Strike and lockout activity is probably the most frequently-used measure of the state of labour relations. Canada commonly is viewed as having a poor work stoppage record. This section will examine the validity of that perception, and review the levels, causes and effects of strikes and lockouts in Canada.

(a) Summary of Strike and Lockout Activity³²

(i) Canadian Overview:

The most notable trend in **national** work stoppage records is the declining level of strikes and lockouts (see Table 8). In 1984, there were only 717 work stoppages as compared to an annual average of 890 in the preceeding five-year period.

Time lost due to work stoppages has also declined. Person-days lost as a percentage of estimated total working time accounted for 0.18 per cent in 1984, as compared to an average of 0.31 per cent over the previous five years.

In 1984, 93 per cent of all collective agreements were reached without a work stoppage.

On a **regional** basis, the largest average number of strikes and lockouts over the 1980-1984 occurred in Quebec, followed by Ontario and British Columbia. Prince Edward Island ranked lowest, having experienced no work stoppages in 1983 or 1984 (see Table 9).

In terms of lost time as a percentage of the estimated total provincial working time, Newfoundland has ranked highest, followed by Quebec and British Columbia. Prince Edward Island ranked lowest in this measure (see Table 9).

In 1984, there were 15 work stoppage in the federal jurisdiction, accounting for 3 per cent of the national total of lost person-days.

In **industrial** comparisons, the largest proportion of total lost time due to work stoppages generally occurs in the manufacturing sector. From 1980-1984, strikes and lockouts in manufacturing represented an annual average of 41.8 per cent of all lost time. The next leading sectors over this period were services, construction, transportation and utilities, and public administration (see Table 10).

On the basis of person-days lost as a percentage of estimated working time in that sector, mining has ranked the highest, followed by fishing, forestry, construction, and manufacturing (see Table 10 for a complete listing).³³

Public sector work stoppages recently have represented an increasingly large proportion of total strikes and lockouts, and lost time. In 1983, 65 per cent of all workers involved in strikes or lockouts (representing over 47 per cent of all lost time) were employed in the public sector. Work stoppages in the public sector accounted for an annual average of 29.2 per cent of all person-days not worked over the 1980-1984 period.

Generally, the propensity of the public sector to strike has been lower than that of the private sector, on average over recent years. Preliminary data from Labour Canada indicate that the level of public service strikes and lockouts declined in 1984 from the previous year.

The proportion of **lockouts** also has risen dramatically in Canada. As reported by Labour Canada, the percentage of work stoppages attributable to lockouts has risen from 7.3 per cent in 1981 to 15.5 per cent in 1982 and 22 per cent in 1983.

(ii) Impact of Large-Scale Disputes:

Despite the decentralized nature of collective bargaining in Canada, a relatively small number of large work stoppages result in a disproportionately high percentage of lost time.³⁴

For example, in 1983, stoppages involving more than 1,000 workers represented 5 per cent of the total number of strikes and lockouts, but led to over 54 per cent of the total person-days not worked. Similarly, of all work stoppages terminating in 1983, those involving more than 100,000 lost person-days each accounted for only 1 per cent of all strikes and lockouts, but over 45 per cent of all person-days not worked.

The four largest work stoppages in 1984 accounted for over 25 per cent of the national total of person-days not worked.

This pattern is evident in most sectors. Two major strikes, (in the pulp and paper industry in British Columbia and in the automotive industry in Ontario and Quebec) led to 30 per cent of all time not worked in the manufacturing sector in 1984.

In the transportation and utilities sector, three strikes in 1983 resulted in almost 60 per cent of all lost time. One strike in transportation equipment accounted for 28 per cent of person-days not worked in those industries in 1983.

The impact of large strikes is also notable in the public sector. In 1983, one strike alone - by Quebec government employees against a legislated contract - led to the loss of 1,238,280 person days, or 28 per cent of the national total for the year. Five public sector strikes in British Columbia represented over 70 per cent of the total person-days lost in that province in 1983. In Newfoundland, a lockout of teachers accounted for over 60 per cent of the provincial total of lost time in the same year.

(iii) Strike Duration:

On an average basis, work stoppages in Canada are long in duration in comparison to most in other countries. However, the average duration of strikes and lockouts in Canada is shorter than in the United States.

Over the period of 1979-1983, the average duration of work stoppages was 18 days in Canada, 19.9 days in the United States, 4.5 days in the United Kingdom, and fewer than four in Australia, Germany, France, Japan, Sweden and Italy.³⁵

It should also be noted that a large number of work stoppages in Canada are in fact resolved in a short period of time. For example, from 1979 to 1983, an average of over 27 per cent of all work stoppages were resolved in less than five working days, and nearly 50 per cent of strikes and lockouts lasted less than fifteen working days.

(b) Issues and Impacts

(i) Major Issues:

With declining inflation, collective bargaining conflicts have been shifting from wage to non-wage issues. Wage and cost-of-living demands have also been moderated.

Given the current high unemployment rates, **job security** is emerging as a major issue in Canadian collective bargaining.

The changing economic and labour environment can be seen to affect strike and lockout activity in several ways. The drop in inflation has moderated economic conditions, thereby reducing the possible divergence between the parties on related issues. As well, the relative costs to both sides of a work stoppage have increased, as the potential for altering wage and benefit packages has become more limited.

However, uncertainty about future economic conditions, job security, and organizational or technological change may eventually increase the propensity of work stoppages based upon those issues.

One area where work stoppage activity has accelerated has been in response to legislative interventions, in the form of controls on bargaining rights or the imposition of collective agreements. In this regard, major public service

strikes recently have occurred in Quebec and British Columbia, contributing to unusually high levels of lost-time in the service sector.

(ii) Economic Impacts of Strikes and Lockouts:

The economic impacts of strikes and lockouts are difficult to gauge. The relationship between work stoppages and the level of production can vary in each instance, depending on inventories, market demand, and idle capacity.

Frequently, production rates are accelerated and inventories increased in anticipation of a work stoppage. Production increases, efficiency-improving measures, or changed labour rules following a strike or lockout can aid in the recuperation of costs. The economic impacts of a work stoppage are further diminished when measured over time.

National or industry-level disputes hold a potentially greater economic cost than decentralized or local-level stoppages. In this regard, the economic impacts of work stoppages in Canada may be mitigated as compared to those in several other industrialized nations.

In general, time not worked due to strikes and lockout in Canada represents a small amount of total working time: less than two-tenths of one per cent in 1984. By comparison, occupational illness and injury cost 0.8 per cent of working time, or four times that of work stoppages. Estimates of absenteeism including non-occupational illness and injury range between 3 and 4 per cent of total working time.³⁶ Thus, the potential global cost of strikes and lockouts in Canada is quite limited.

(c) International Comparisons

Canada generally is perceived as having a worse labour relations record than most other industrialized nations. This assessment usually is based on statistics published by several international organizations.

Unfortunately, straightforward comparisons of these statistics are difficult and inaccurate, due to discrepancies in international data collection, and because of the substantial differences in collective bargaining systems among countries. The problems inherent in international comparisons will be discussed following an overview of the available data.

(i) Difficulties in International Comparisons:

Existing international labour relations statistics provide a hazardous basis for comparison for several reasons. First, there is no standard definition of what constitutes a strike for statistical purposes, and the definitions utilized internationally vary considerably. For example, Italy, New Zealand, and the United Kingdom exclude political strikes from consideration. Other countries do not report public sector work stoppages.

Virtually all countries do not count in their reported statistics those workers indirectly affected by work stoppages. This phenomenon is of greater significance in several countries than in Canada for two main reasons. First, national-level or industry-wide strikes and lockouts, by virtue of their comprehensive nature, potentially affect larger numbers of workers indirectly, through shortages of supplies, delivery systems, etc. Secondly, some countries experience a higher incidence of "secondary" or "sympathy" walk-outs. These factors increase the impact of work stoppages in a manner not reflected in the existing data.

Similarly, work slowdowns, which are also not reported, play a larger role in some countries. This form of labour dispute is utilized in some countries with more frequency as a means of initiating or speeding-up the negotiations process, or of expressing discontent. Japan, for example, is reported to experience a higher incidence of such slowdowns.

As well, most countries exclude strikes or lockouts which result in less than a minimum number of days lost or which affect less than a minimum number of workers. The minimum threshold levels vary among countries: Canada excludes disputes of less than ten person-days, whereas the United States does not

report strikes involving less than 1,000 workers (regardless of strike duration), nor strikes lasting less than a full shift (regardless of the number of workers involved).³⁷

The effect of these differing reporting methodologies can be dramatic. For example, if Canada were only to report strikes and lockouts involving 1,000 or more workers, the total number of person days lost in 1983 would have appeared as 2,034,560 (rather than the reported 4,443,960), with the percentage of estimated working time lost being less than 0.09 per cent (as compared to 0.19 per cent).

In general, the reporting of strikes and lockouts is much more comprehensive in Canada than in many other industrialized nations. Thus, the incidence and impact of labour disputes in Canada probably is overstated in international comparison on the basis of these statistics.

Substantial variations across countries in the institutional context of collective bargaining also have an impact on work stoppage records.

Centralized bargaining in some countries reduces the probability of work stoppages, as the number of negotiations are reduced dramatically. Countries with centralized bargaining systems, such as Austria, Norway, Sweden, Germany and the Netherlands, experience a low rate of strikes and lockouts.

Those countries with a low incidence of strikes and lockouts also have a high level of integration of workers and unions into the political and economic structure of the country. This is evidenced by such characteristics as a **highly unionized workforce, active worker participation in decision-making, a politically significant labour movement, and tripartite incomes policies.**

Other institutional and economic factors which may influence the varying strike and lockout rates across countries include **differences in the capital intensity of production, the rate of technological advance, the national industrial base, and the occupational composition of the labour force.**

These elements affect both the scope and the nature of bargaining activity, and can impact significantly on the incidence of labour disputes.

A study prepared for the Macdonald Commission concluded that the openness of the Canadian economy and the importance of cyclically-unstable industries (such as mining) which have a greater propensity to strikes and lockouts have contributed to a relatively higher rate of work stoppages. In this analysis, Canada's strike and lock-out activity has increased more than that of the United States due to the greater openness of the Canadian economy and greater sensitivity to fluctuations in resource and commodity prices.

In summary, international comparisons of labour relations performance cannot accurately be based upon reported strike and lockout data. Aside from methodological problems with these statistics, the varying institutional contexts of labour relations make a comparative analysis more complex and difficult.

(ii) Overview:

Based on available data, Table 11 shows the number of labour disputes, the days lost per thousand employees, and the days lost per worker involved, in selected industrialized countries.

According to this data, Canada stands among the most dispute-prone of the countries considered in terms of lost time per employee.

A significant element in this performance is the length of work stoppages in Canada (referred to in an earlier section). The average duration of strikes and lockouts is one of the largest contributing factors to negative international perceptions of the Canadian labour relations record.

(iii) United States Comparisons:

Over the past two decades, reported strike and lockout activity has grown in Canada as compared to the United States. Once an adjustment is made for the

differing rates in union growth, however, the results are somewhat closer. Table 12 indicates that the number of strikes and lockouts per union member has not been substantially higher in Canada than in the United States.

One major factor which renders Canada/U.S. comparisons more difficult is, of course, the different methods of data collection utilized by the two countries (as discussed above).

Another factor in comparisons with the United States is that more Canadian public sector employees have the right to strike than do public sector workers in the United States. However, data on private sector strike and lockout activity is not more favourable to Canada. Both the number of work stoppages per union member and the time lost to strikes and lockouts per union member have grown more rapidly in Canada.

In comparison to other industrialized nations, Canada and the United States rank fairly closely to each other in such measurements of industrial conflict as per capita time loss, strike and lockout frequency per unionized worker, and the duration of work stoppages.

5. Labour Relations and Investment

(a) The Impact of Labour Relations on Investment:

The labour climate in Canada may be seen to have both positive and negative potential effects on investment.

In a positive sense, Canada offers investors a mobile, skilled and educated work force. Relative to the United States, labour compensation rates are competitive, and government-supported benefit programs provide direct cost-savings to employers.

In terms of industrial relations, the decentralized nature of collective bargaining allows for autonomy and flexibility, and offers individual enterprises the opportunity to be the primary determinants of their own labour

relations atmosphere. Strikes and lockouts are very highly regulated in Canada, and a range of mechanisms exists to assist in the resolution of industrial disputes. Administrative bodies in Canada have stronger remedial authority in this regard than do their counterparts in the United States.

In general, over 90 per cent of collective agreements are reached without a work stoppage, and strikes and lockouts result in a proportionately small amount of lost working time.

On the negative side, Canada is perceived to have a relatively high incidence of work stoppages, in international comparison, as indicated by such measures as days lost per thousand employees. As has been discussed, however, this perception is largely influenced by incomplete or incorrect assessments of international data, and fails to account for the institutional differences in industrial relations contexts among countries.

As well, Canada has a higher overall rate of unionization than does the United States. However, international analyses indicate that there is no direct correlation between the level of unionization and the incidence of work stoppages.

There appear to be differing views on the extent to which the labour relations climate in Canada does in fact affect investment decisions.

The recent report of the DRIE Capital Investment Intentions Survey (April 1985)³⁸ revealed "labour problems" to be relatively low on the list of factors affecting investment spending, being identified in only 7 of 278 responses (see Table 13).

Similarly, a survey of foreign investors conducted by the Conference Board of Canada in 1984³⁹ elicited few concerns regarding labour problems. Such factors as the influence of unions, labour costs, and the quality of the labour force were assessed as being "neutral" criteria in investment decisions.

Both surveys highlighted the particular importance of expected market growth, profitability, and anticipated stability of government economic and political activities as determinants of investment.

However, specific experiences would indicate that the labour climate does have some bearing on investment attitudes. Practitioners within DRLE have reported that concerns regarding perceived Canadian labour problems have been expressed by potential investors: for example, by the Japanese during recent negotiations involving the auto sector.

The apparent discrepancy between survey results and reported field experiences may be considered in two ways. In survey responses, some labour factors may be subsumed by other elements, such as anticipated rate of return and profitability. In this regard, expected lost labour time (due to work stoppages and absenteeism) might, as a contributory element of cost per unit of output, form part of other identified determinants of investment.

The labour environment may also constitute a "secondary" set of considerations. Factors such as market demand, profitability, and an attractive investment climate will be of greatest significance, and form the basis of initial investment assessments. Following this, however, "secondary" factors (such as labour climate) may then receive consideration. In this way, while the labour climate may be an eventual concern of investors, it might not be identified as a primary determinant of investment. As well, the labour climate may have a larger influence on locational choices, and on investment decisions of small and medium-sized businesses.

It would be difficult to substantiate empirically the impact that the labour climate has had on investment patterns in Canada.

Nonetheless, whether investors' concerns about the labour climate are anecdotal or widespread, efforts should be undertaken to minimize these concerns.

This could take the form of policy directions aimed at improving the labour climate, and of a communications strategy to enhance perceptions of Canadian labour relations.

(b) Improvements in the Labour Relations Climate:

The labour relations climate in Canada emanates from a complex and well-defined system. Any changes in the legislative or institutional framework for labour relations must be preceded by lengthy consultations with business, labour, and appropriate government departments.

In many aspects, intervention in order to achieve potential improvements in the labour relations record would be difficult and not desirable. For example, various features (such as the industrial structure) may contribute to Canada's level of strike and lockout activity, but clearly should not be altered to reduce the number of industrial disputes.

Limitations on the availability or the power of labour unions would not necessarily improve the labour relations climate. As discussed in an earlier section, those countries with the lowest rates of union density do not possess the lowest levels of industrial disputes. Moreover, a recent United States empirical study has indicated that in most sectors, unionized establishments can be more productive than non-union firms, due in part to the former's lower turnover rates, improved managerial performance, and improved labour/management communications.⁴⁰ The positive impact of unions on productivity was found to be at a level which generally offset any associated differentials in labour costs.

Limitations on unionization may also have a negative impact on broader aspects of the Canadian social and economic system. "Right-to-work" legislation in the United States (which restricts the ability of workers to organize and have a "closed shop") has been correlated with a prevalence of low-wage industries and a concomitant reduction in disposable income, consumer expenditures, and available tax base. As well, so-called "right-to-work" states are characterized by the absence of such laws as equal pay, fair employment

practices, and minimum wages (see Table 14). There is evidence that the long-run problems that may arise from "right-to-work" laws are diminishing its appeal: in the United States, only Louisiana has passed this type of legislation since 1976.⁴¹

Other limitations on unionization are often found in "export zones", designed to attract investment by offering particular incentives. Among these incentives may be special labour legislation which restricts and/or bans unions or work stoppages, and suspends or reduces minimum wages, health and safety regulations, environmental controls, and basic social benefits. In the Canadian context, the elimination of employment regulations in such zones may conflict with existing government standards, public policy, and prevailing social attitudes which are accepting of the right to bargain collectively. As well, the localized removal of labour rights would seem to be inconsistent with current policy directions aimed at equalizing opportunities for all Canadians. Given the capital intensity of potential industrial developments, there would appear to be more scope for increased competitiveness in "export zones" through such means as corporate taxation and duty remission policies rather than harsh and relatively ineffective labour measures.

Other forms of legislative intervention have also had a negative impact on the labour relations record in Canada. As discussed in an earlier section approximately one-third of all person-days lost to work stoppages in 1983 was as a result of legislated contracts in Quebec and legislated restraints or collective bargaining in British Columbia.

Accordingly, it would appear that legislative restrictions on unionization and collective bargaining rights are not advisable means of improving Canada's labour relations climate.

Rather, initiatives to increase co-operation and consultation among management, labour, and government may prove to be a more successful method of facilitating labour relations and reducing the number of strikes and lockouts. The Macdonald Commission, in its review of the collective bargaining system, concluded that a more consultative and co-operative mode of interaction

between employers and employees would contain significant benefits for all parties involved, and should be an objective of Canada's labour relations policy. The Commission's Report suggests that a bipartite labour/management organization could provide the institutional mechanism for developing this approach.

(c) Improving Perceptions of the Labour Climate

Since effecting changes in the pattern of Canadian labour relations would involve extensive research and consultation, a more immediate approach to reducing the negative impact of the labour climate on investment would be to devise a strategy to communication the positive aspects of Canadian labour relations.

Given that work stoppages account for a very small percentage of total estimated working time, labour problems should not be of major concern to potential investors. To the extent that such concerns exist, they may reflect misperceptions about the labour climate in Canada.

A communications strategy could better inform investors as to the Canadian labour relations environment, and provide department representatives with the facts necessary to respond to concerns and counteract existing misconceptions.

The involvement of business and labour in the development of a communications strategy could enhance its diffusion and effectiveness.

The elements which could be stressed in this regard should include:

- * the large percentage of contracts settled without a work stoppage
- * the low incidence of work stoppages as a percentage of total working time
- * the improving Canadian record on strikes and lockouts

- * alternative data on Canadian work stoppages (such as the percentage of work stoppages of short duration; the percentage of industries/firms not affected by strikes or lockouts; etc.)
- * the advantages of a decentralized bargaining system
- * the high degree of strike and lockout regulation in Canada
- * the low rates of illegal, political, secondary, and sympathy strikes in Canada
- * the legal and administrative support framework for labour relations
- * the democratic nature of the Canadian labour movement, and examples of labour/management co-operation
- * Canada's improving labour costs, and Canada/U.S. labour cost comparability
- * the positive economic and social effects of the government infrastructure, including state-run benefit programs
- * the inaccuracies of international labour data comparisons.

FOOTNOTES

1. Labour Canada, Strikes and Lockouts in Canada, 1980-1983 editions, (Ottawa: Supply and Services), and preliminary data for 1984 provided by Labour Canada.
2. Information obtained from Labour Canada, Legislative Analysis Branch. Sixty per cent of workers within the federal jurisdiction are located in the private sector.
3. Brian L. Kinsley, "Strike Activity and the Industrial Relations System in Canada", (Ottawa: Carleton University PhD thesis, 1978), p. 62.
4. John C. Anderson, "The Structure of Collective Bargaining", in John C. Anderson and Morley Gunderson, eds., Union-Management Relations in Canada, (Don Mills: Addison-Wesley Publishers, 1982), p. 177 and p. 179.
5. In addition, the federal jurisdiction contains two separate bodies of legislation: the Public Service Staff Relations Act and the Canada Labour Code.
6. In 1984, approximately 2.1 per cent of total lost time due to work stoppages occurred during the term of a collective agreement. From 1980-1984 inclusive, less than 12 per cent of all strikes and lockouts occurred while a collective agreement was in force. (Labour Canada, Strikes and Lockouts in Canada, 1980-1983 editions, op. cit.; preliminary data for 1984). The method of data collection in the United States makes it difficult to assess the number of work stoppages which occur there under such circumstances.
7. Morley Gunderson, John Kervin, and Frank Reid, The Effect of Labour Relations Legislation on Strike Incidence, (Toronto: Centre for Industrial Relations, University of Toronto, October 1985).
8. Labour Canada, Collective Bargaining Review, (Ottawa: Supply and Services), December 1980, December 1981, December 1982, December 1983, April 1984 editions.
9. Labour Canada, Collective Bargaining Review (August 1985) op. cit., p. 106.
10. Labour Canada, Strikes and Lockouts in Canada, 1983, op. cit., p. 23. The calculation of the average work stoppage duration was derived from dividing the total number of person days not worked by the number of workers involved in work stoppages.
11. Gunderson, Kervin, and Reid, op. cit.
12. Andrew Sharpe, Finance Canada, "An Evaluation of Canada's Economic Position", (Ottawa: May, 1985), p. 19. The United States ranked first, followed by Switzerland, Japan, Germany, Denmark, and Sweden.

13. International Monetary Fund, International Financial Statistics, (May, 1985), and Organization for Economic Cooperation and Development, Economic Outlook, (June 1985), as quoted in Sharpe, op. cit., pp. 7-8.
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16. Mary Lou Coates and J. David Arrowsmith, "Collective Bargaining: Summary Outline", in W.D. Wood and Pradeep Kumar, eds., The Current Industrial Relations Scene in Canada 1985, (Kingston: Queen's University, Industrial Relations Centre, 1985), p. 294.
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18. *ibid.*, p. 415.
19. Sharpe, op. cit., p. 10.
20. *ibid.*, p. 10.
21. *ibid.*, p. 11.
22. Wood and Kumar, op. cit., pp. 413-414.
23. Economic Council of Canada, Strengthening Growth: Options and Constraints, Twenty-Second Annual Review 1985, (Ottawa: Supply and Services, 1985).
24. Sharpe, op. cit., p. 9.
25. Thorne, Stevenson & Kellogg, Employee Benefit Costs in Canada 1984, (Toronto: Thorne, Stevenson & Kellogg, 1984), Table 16, p. 37.
26. *ibid.*, p. 37.
27. Labour Canada, Directory of Labour Organizations in Canada 1985, (Ottawa: Supply and Services, 1985), Table 1, p. xxv.
28. See for example Royal Commission on the Economic Union and Development Prospects for Canada, Report, (Ottawa: Supply and Services), 1985, volume 2, p. 671, and Wood and Kumar, op. cit.
29. Royal Commission on the Economic Union and Development Prospects for Canada, op. cit., volume 2, Figure 17-1, p. 675.
30. See for example Jean Boivin, "Labour Relations in Quebec", in Anderson and Gunderson, op. cit., pp. 422-456.

31. See for example Royal Commission on the Economic Union and Development Prospects for Canada, op. cit., pp. 707-716.
32. Data in this section (unless otherwise indicated) is compiled from Labour Canada, Strikes and Lockouts in Canada, (various years), op. cit., and from preliminary data for 1984.
33. Although this statistic is more indicative of the impact of work stoppages within a particular sector, it does not constitute an accurate measure of "strike proneness", since it does not distinguish the impact of long or large strikes and lockouts from the frequency of work stoppages which may have occurred.
34. In this context, "large work stoppages" refers to those which affect a large number of workers or which result in a large loss of person days.
35. Derived from Table 11. See also Labour Canada, Labour and Labour Issues in the 1980s, Presentation to the Macdonald Royal Commission on the Economic Union and Development Prospects for Canada (Ottawa: Supply and Services, December 16, 1983), p. 83.
36. *ibid.*, pp. 86-87.
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TABLE 1

Hourly Compensation, Output per Hour, and Unit Labour Costs
in Manufacturing Selected Countries, 1982-1984

(Average Annual Percentage Change)

Country	<u>1982</u>	<u>1983</u>	<u>1984</u>
(i) Hourly Compensation: U.S. Dollar Basis			
Canada	10.3	6.8	1.6
France	18.3	12.2	8.9
Germany	5.3	4.1	3.6
Italy	20.4	16.7	10.4
Japan	5.2	3.4	3.2
United Kingdom	8.7	7.2	7.9
United States	9.4	8.8	3.6
(ii) Output per Hour			
Canada	-2.8	6.4	4.0
France	6.5	4.3	5.0
Germany	1.2	4.7	4.7
Italy	2.0	2.4	6.3
Japan	7.1	5.1	9.5
United Kingdom	4.6	6.7	3.9
United States	2.1	4.3	3.5
(iii) Unit Labour Costs: U.S. Dollar Basis			
Canada	10.2	0.5	- 7.0
France	- 8.1	- 7.1	- 9.5
Germany	- 3.4	- 5.4	-11.2
Italy	- 0.7	1.6	-10.1
Japan	-13.0	3.1	- 5.7
United Kingdom	-10.2	-12.9	- 8.4
United States	6.6	- 0.8	0.1

Source: United States, Department of Labour, Bureau of Labor Statistics

TABLE 2

A Comparison of Employee Benefit Costs in Canada and the United States
Expressed as a Percentage of Gross Annual Payroll - 1984

	Overall		Manufacturing		Nonmanufacturing	
	United States(a) %	Canada %	United States(a) %	Canada %	United States(a) %	Canada %
Overall	36.7	32.5	39.1	33.8	34.6	31.3
Paid Vacations and Payments in lieu of Vacation	4.6	6.4	5.0	6.4	4.2	6.4
Payments for Holidays Not Worked	2.8	3.8	3.1	3.8	2.6	3.8
Payments for Guard, Jury or Witness Duty, Death in Family, or other Personal Reasons	0.4	0.9(g)	0.3	1.1(g)	0.5	0.7(g)
Payments for Time Not Worked	7.8	11.1	8.4	11.3	7.3	10.9
Old Age, Survivors and Disability Insurance	6.6	1.2(b)	6.7	1.2(b)	6.5	1.2(b)
Unemployment Compensation	1.4	2.1	1.8	2.1	1.2	2.0
Workmen's Compensation	1.4	1.2	2.1	1.3	0.8	1.0
Railroad Retirement Tax, Railroad Unemployment Insurance, State Sickness Benefits Insurance, etc.	0.1	—	0.1	—	0.1	—
Legally Required Payments	9.5	4.4	10.6	4.6	8.6	4.2
Pension Plan Premiums and Pension Payments Not Covered by Insurance Type Plan (Net)	5.0	4.1	4.6	4.0	5.3	4.3
Life Insurance Premiums, Death Benefits, Hospital, Surgical, Medical, LTD Premiums, Paid Sick Leave, etc. (Net)	7.8	5.2	8.6	5.4	7.1	5.1
Short Term and Long Term Disability Insurance	0.6	(c)	0.7	(c)	0.6	(c)
Dental Insurance Premiums	0.4	(c)	0.5	(c)	0.4	(c)
Discount on Goods and Services Purchased from Company by Employees	0.1	(f)	*	(f)	0.2	(f)
Miscellaneous Payments (Free Meals, Separation or Termination Pay Allowance, Moving Allowance, Compensation Payments in Excess of Legal Requirements, etc.)	0.4	2.1(d)	0.2	2.7(d)	0.5	1.4(d)
Paid Rest Periods, Lunch Periods, Washup, Travel, Clothes—Change and Get Ready Time	2.8	3.9(e)	3.0	3.5(e)	2.6	4.3(e)
Pension and Other Agreed-Upon Payments	17.1	15.3	17.6	15.6	16.7	15.1
Profit Sharing and Thrift Plan Payments, Christmas or Other Special Bonuses, Service Awards, Suggestion Awards, Tuition, etc.	1.8	1.7(h)	2.0	2.2(h)	1.7	1.2(h)
Special Wage Payments Ordered by Courts, Payments to Union Stewards	0.2	—	0.2	—	0.2	—
Employee Education Expenditures	0.2	(f)	0.1	(f)	0.3	(f)
Other Items	2.2	1.7	2.3	2.2	2.2	1.2

(a) U.S. Source: **EMPLOYEE BENEFITS, 1982** prepared by the Economic Analysis and Study Group, The Chamber of Commerce of the United States.

(b) Figure covers CPP/QPP contributions. Previous editions of this table included these costs with private pension plans.

(c) Canadian figures included in Life Insurance Premiums, Accident and Medical Insurance, etc.

(d) Includes Other Noncash Benefits (free lodging, loss on cafeteria, recreational projects, etc.)

(e) Canadian figures cover Rest Periods and Coffee Breaks.

(f) Canadian figures included in Miscellaneous Payments.

(g) Canadian figures include Bereavement, Jury Duty and Other Paid Time Off.

(h) Canadian figures include Profit Sharing and Bonus Plan payments only.

* Less than 0.05 percent.

TABLE 3

Membership of Labour Organizations in Selected Countries

Countries	1961	1968	1974	1981	1982	1983
In Thousands						
Australia	1,895	2,191	2,777 ¹	2,994	3,012	2,985
Canada	1,447	2,010	2,591	3,487	3,617	3,563
Japan	8,154	10,775	12,325	12,355	12,418	12,411
Sweden	1,922	2,301	2,898 ²	3,455	3,505	3,555
United Kingdom	9,916	10,200 ³	11,764	12,106	11,593	11,338
United States	16,303	20,721	22,809	n.a.	19,763	n.a.
West Germany	6,306	7,714	8,658	9,340	9,226	n.a.
As a Percent of Wage and Salary Earners						
Australia	59.0	50.6	55.3 ¹	55.8	57.3	57.8
Canada	29.5	30.2	31.5	35.3	37.8	37.0
Japan	34.3	34.2	33.9	30.6	30.3	29.5
Sweden	n.a.	70.9	80.3	88.8	90.4	91.4
United Kingdom	43.4	45.0 ³	51.6 ²	57.5	54.0	53.5
United States	30.2	30.6	29.4	n.a.	22.1	n.a.
West Germany	30.9	37.3	40.0	41.9	42.2	n.a.

Sources: Union Membership: Australia, Commonwealth Bureau of Census and Statistics, Official Yearbook of the Commonwealth of Australia; Canada, Labour Canada, Directory of Labour Organizations in Canada; Japan, Statistics and Information Department, Yearbook of Labour Statistics; Sweden, National Bureau of Statistics, Statistical Abstract of Sweden; United Kingdom, Department of Employment, Employment Gazette; United States, Bureau of Labor Statistics, Directory of National Unions and Employee Associations; West Germany, Federal Republic of Germany, Statistisches Jahrbuch.

Wage and Salary Earners: O.E.C.D., Labour Force Statistics.

Note: International comparisons should be approached with caution in view of the different methods used in each country to compile trade union membership.

- 1 In 1974 Australia changed the method in which union membership was calculated. The 1974 figure which is strictly comparable to those before the change is 2,762,000, 55 percent of wage and salary earners.
- 2 Due to the exclusion, beginning in 1975, of thirty-one organizations previously regarded as trade unions, figures after 1975 are not strictly comparable with those before.
- 3 Beginning in 1968 the U.S. figures include the membership of employee associations. The 1968 figure strictly comparable with the figures of preceding years is 18,916,000--27.9 percent of wage and salary earners.

From: Wood & Kumar, Current Industrial Relations Scene in Canada, 1985

TABLE 4

Union Membership in Canada, By Province

Part A: Percentage Distribution by Province:

Province	<u>1971</u>	<u>1975</u>	<u>1982</u>
Newfoundland	1.4	1.9	2.4
Prince Edward Island	0.1	0.3	0.3
Nova Scotia	2.9	2.9	2.7
New Brunswick	2.5	2.4	2.4
Quebec	30.7	28.7	27.4
Ontario	37.8	37.0	35.9
Manitoba	3.9	4.2	3.9
Saskatchewan	2.3	2.7	3.1
Alberta	5.7	6.1	7.5
British Columbia	<u>12.7</u>	<u>13.2</u>	<u>14.2</u>
Total	100.0	99.4	99.8

Note: Some columns do not total to 100% due to rounding

Source: Statistics Canada, Corporations and Labour Unions Returns Act, Part II

Part B: As a Percent of Non-Agricultural Paid Workers, By Province

Province	<u>1971</u>	<u>1975</u>	<u>1982</u>
Newfoundland	30.8	41.4	54.2
Prince Edward Island	12.4	30.0	32.1
Nova Scotia	33.1	33.8	32.7
New Brunswick	35.7	35.3	37.4
Quebec	40.3	38.0	38.7
Ontario	32.8	32.0	31.0
Manitoba	30.6	33.2	32.5
Saskatchewan	27.6	30.7	33.8
Alberta	27.6	27.1	25.0
British Columbia	43.9	44.2	44.3

Source: Statistics Canada, Estimates of Employees by Province and Industry

From: Wood and Kumar, Current Industrial Relations Scene in Canada, 1985

TABLE 5

Union Membership in Canada, By Industry

Part A: Percentage Distribution by Industry:

Industry	<u>1971</u>	<u>1975</u>	<u>1982</u>
Forestry	1.0	1.0	0.7
Mining	2.0	2.0	1.6
Manufacturing	32.6	30.7	26.2
Construction	10.4	10.7	8.9
Transportation, Communication and Other Utilities	14.9	14.7	14.6
Trade	4.1	4.4	4.8
Finance	0.1	0.5	0.5
Services	17.6	17.9	24.8
Public Administration	14.9	16.5	16.7

Part B: As a Percent of Non-Agricultural Paid Workers, By Industry

Industry	<u>1971</u>	<u>1975</u>	<u>1982</u>
Forestry	41.4	45.5	37.7
Mining	37.1	41.8	31.7
Manufacturing	47.3	47.8	45.6
Construction	63.1	65.2	65.9
Transportation, Communication and Other Utilities	51.8	52.5	54.0
Trade	8.7	8.8	9.4
Finance	0.9	3.0	3.1
Services	21.7	21.2	25.6
Public Administration	74.3	76.3	78.7

Source: Statistics Canada, Corporations and Labour Returns Act, Part II, and Estimates of Employees by Province and Industry

From: Wook and Kumar, Current Industrial Relations Scene in Canada, 1985

TABLE 6

Union Membership by Type of Union, 1985

Type	Unions	Locals	Membership	%
International	68	3,677	1,444,833	39.4
National	190	12,337	2,095,465	57.2
Directly Chartered Unions	295	N/A	29,946	0.8
Independent Local Organizations	209	N/A	95,444	2.6
Total	762	(16,068)	3,665,688	100.0

Source: Labour Canada, Directory of Labour Organizations in Canada, 1985

TABLE 7

Union Membership by Size of Local Union, 1982

MEMBERSHIP RANGE	NUMBER OF LOCAL UNIONS	%
Under 10 Members	940	6.9
10-24	2,154	15.8
25-49	2,468	18.2
50-99	2,614	19.2
100-199	2,276	16.7
200-299	1,044	7.7
300-399	561	4.1
400-499	355	2.6
500-999	660	4.9
1,000-1,999	309	2.3
2,000-2,999	93	0.7
3,000-3,999	29	0.2
4,000-4,999	24	0.2
5,000 Members and Over	71	0.5
Total	13,598	100.0

Source: Statistics Canada, Corporations and Labour Unions Returns Act, Part II, 1982

TABLE 8

Strikes and Lockouts in Canada, 1979-1984

Year	Work Stoppages	Workers Involved in Work Stoppages	Person-days Lost	P.D.s Lost as % of Estimated Total Working Time	% of Settlements Following Work Stoppages
1984	717	186,990	3,890,480	0.18	7
1983	645	329,309	4,443,960	0.19	6.6
1982	677	444,032	5,795,420	0.25	7
1981	1,048	338,548	8,878,490	0.37	15
1980	1,028	441,025	8,975,390	0.38	12
1979	1,050	462,504	7,834,230	0.34	11

Source: Labour Canada, Strikes and Lockouts in Canada

TABLE 9

Strikes and Lockouts in Canada by Jurisdiction, 1980-1984

Part A: Number of Strikes and Lockouts

Jurisdiction	1980	1981	1982	1983	1984*
Newfoundland	40	32	18	21	16
Prince Edward Island	2	5	2	-	-
Nova Scotia	25	54	15	12	11
New Brunswick	25	59	30	12	25
Quebec	346	331	243	247	323
Ontario	268	243	215	200	210
Manitoba	50	33	10	10	8
Saskatchewan	47	31	32	10	11
Alberta	43	43	27	10	34
British Columbia	113	155	49	84	64
Federal Public Service	17	11	1	-	2
Federal Industries	52	51	36	39	13
Total	1,028	1,048	677	645	717

*Preliminary Data

Source: Labour Canada, Strikes and Lockouts in Canada

Part B: Percentage of Estimated Working Time Lost Due to Strikes and Lockouts, 1980-1983*

Jurisdiction	1980	1981	1982	1983
Newfoundland	2.20	0.11	0.16	0.50
Prince Edward Island	0.02	0.20	0.03	-
Nova Scotia	0.34	0.17	0.09	0.38
New Brunswick	0.50	0.14	0.16	0.02
Quebec	0.71	0.25	0.23	0.43
Ontario	0.20	0.26	0.26	0.09
Manitoba	0.09	0.21	0.02	0.01
Saskatchewan	0.09	0.09	0.60	0.04
Alberta	0.26	0.10	0.17	0.01
British Columbia	0.16	1.12	0.41	0.31
Federal Public Service	0.42	0.75	0.001	-
Federal Industries	0.49	0.74	0.27	0.07
Total	0.38	0.37	0.25	0.19

*1984 data not yet available

Source: Labour Canada, Strikes and Lockouts in Canada

TABLE 10

Strikes and Lockouts in Canada, by Industry, 1980-1984

Part A: Number of Strikes and Lockouts

Industry	1980	1981	1982	1983	1984*
Agriculture	1	3	3	2	2
Forestry	8	14	3	5	9
Fishing	2	1	-	1	-
Mines	33	42	8	12	9
Manufacturing	404	423	292	311	345
Construction	69	44	63	24	37
Transportation and Utilities	106	101	67	63	48
Trade	109	90	72	74	100
Finance	20	18	15	17	23
Services	218	221	110	104	110
Public Administration	58	90	43	32	34
Various Industries	-	1	1	-	-
Total	1,028	1,048	677	645	717

*Preliminary Data

Source: Labour Canada, Strikes and Lockouts in Canada

Part B: Percentage Share of Total Time Lost Due to Strikes and Lockouts by Industry, 1980-1984

Industry	1980	1981	1982	1983	1984	Average Annual % 1980-1984
Agriculture	*	0.1	0.1	*	*	*
Forestry	3.8	3.9	0.1	0.3	0.1	1.8
Fishing	4.4	*	*	*	*	0.9
Mines	4.7	6.5	4.4	4.0	1.0	4.1
Manufacturing	35.0	52.2	29.2	31.2	60.5	41.6
Construction	12.3	0.5	38.0	5.5	5.5	12.4
Transportation and Utilities	8.1	17.1	9.8	6.2	14.1	11.1
Trade	2.4	1.7	3.0	5.7	4.9	2.9
Finance	0.5	3.3	0.9	0.2	1.2	1.2
Services	21.0	6.5	7.2	39.8	10.8	17.1
Public Administration	7.8	8.1	4.3	7.0	2.0	5.8

*Less than 0.1%

Columns may not total 100% due to rounding

Source: Calculations from Data in Labour Canada, Strikes and Lockouts in Canada

TABLE 10 (Cont'd)

Strikes and Lockouts in Canada, by Industry, 1980-1984

Part C: Percentage of Estimated Working Time Lost Due to Strikes and Lockouts, 1980-1983*

Industry	1980	1981	1982	1983
Agriculture	0.00	0.02	0.02	-
Forestry	2.11	2.00	0.06	0.08
Fishing	10.56	0.01	-	0.08
Mines	0.88	1.16	0.62	0.42
Manufacturing	0.60	0.89	0.36	0.30
Construction	0.85	0.03	1.78	0.21
Transportation and Utilities	0.34	0.70	0.20	0.13
Trade	0.05	0.04	0.60	0.06
Finance	0.03	0.21	0.04	0.01
Services	0.27	0.08	0.06	0.23
Public Administration	0.38	0.38	0.14	0.16
Various Industries	-	-	-	-

*1984 data not yet available

Source: Labour Canada, Strikes and Lockouts in Canada

TABLE 11

Work Stoppages in Selected Countries, 1979-1983

(A): Numbers of Disputes

Country	1979	1980	1981	1982	1983
Canada ¹	1,050	1,028	1,048	677	645
Australia ²	2,042	2,429	2,915	2,060	1,788
France ³	3,121	2,118	2,442	3,113	3,360
Germany, Fed. Rep. ⁴	N/A	N/A	N/A	N/A	N/A
Italy ⁵	2,000	2,238	2,204	1,747	1,565
Japan ⁶	1,153	1,133	955	944	893
Sweden	207	212	68	46	92
United Kingdom ⁷	2,080	1,330	1,338	1,528	1,352
United States ⁸	235	187	145	196	81

(B): Working Days Lost Per Thousand Employees

Country	1979	1980	1981	1982	1983
Canada ¹	853	945	908	615	471
Australia ²	N/A	N/A	N/A	N/A	N/A
France ³	214	98	88	136	N/A
Germany, Fed. Rep. ⁴	23	6	3	< 1	2
Italy ⁵	1,630	921	583	1,120	1,000
Japan ⁶	24	25	14	13	12
Sweden	8	1,175	55	< 1	10
United Kingdom ⁷	1,296	532	200	254	175
United States ⁸	231	235	172	102	195

(C): Working Days Lost Per Worker Involved

Country	1979	1980	1981	1982	1983
Canada ¹	16.9	20.4	26.2	13.0	13.5
Australia ²	2.1	2.8	3.3	3.0	3.5
France ³	3.8	3.4	4.5	5.0	3.3
Germany, Fed. Rep. ⁴	6.2	2.8	0.2	0.4	0.4
Italy ⁵	1.7	1.2	1.3	1.8	2.0
Japan ⁶	2.1	1.8	2.2	2.5	2.3
Sweden	0.9	6.0	2.1	0.3	2.6
United Kingdom ⁷	6.4	14.4	2.8	2.5	6.5
United States ⁸	20.0	26.2	23.2	10.6	19.2

TABLE 11 (Cont'd)

Notes:

- 1(Canada) - Excludes disputes in which time lost is less than ten person-days
- Excludes workers indirectly affected
- 2(Australia) - Excludes disputes in which time lost is less than ten person days
- 3(France) - Excludes agriculture and public administration
- 1984 data based on monthly averages
- 4(Germany, Fed. Rep.) - Includes disputes lasting less than one day only if more than 100 working days lost
- 5(Italy) - Excludes political strikes
- Excludes agriculture
- Excludes workers indirectly affected by disputes in their own establishment
- 6(Japan) - Excludes stoppages lasting less than four hours
- Excludes workers indirectly affected by disputes in their own establishment
- 7(United Kingdom) - Excludes workers in other establishments indirectly affected
- Includes disputes lasting less than one day only if more than 100 working days lost
- Excludes disputes not connected with terms of employment or conditions of labour
- 8(United States) - Excludes disputes lasting less than a full day or shift
- Excludes disputes involving less than 1,000 workers

Source: International Labour Office, Yearbook Labour Statistics, and United States Department of Labor, Bureau of Labor Statistics, Handbook of Labor Statistics

TABLE 12

Strikes and Lockouts in Canada and the United States, 1960-1983

Year	Strikes and Lockouts per 1000 Union Members		Time Lost to Strikes and Lockouts per 1000 Union Members	
	Canada	U.S.A.	Canada	U.S.A.
1960	0.184	0.195	506	1,120
1961	0.188	0.207	923	1,000
1962	0.204	0.218	996	1,121
1963	0.219	0.203	633	974
1964	0.219	0.217	1,059	1,360
1965	0.301	0.229	1,479	1,347
1966	0.335	0.246	2,983	1,416
1967	0.259	0.250	6,069	2,292
1968	0.278	0.267	2,529	2,591
1969	0.273	0.299	3,736	2,252
1970	0.231	0.295	3,009	3,427
1971	0.245	0.267	1,285	2,477
1972	0.233	0.258	3,247	1,393
1973	0.261	0.270	2,229	1,408
1974	0.429	0.301	3,376	2,376
1975	0.382	0.257	3,783	1,598
1976	0.303	0.288	3,817	1,928
1977	0.235	0.277	1,050	1,800
1978	0.306	0.209	2,255	1,824
1979	0.297		2,347	
1980	0.280		2,642	
1981	0.270		2,546	
1982	0.168		1,602	
1983	0.162		1,247	

Sources: Canada, Labour Canada, Directory of Labour Organizations in Canada (various years); United States, Bureau of Labor Statistics, Handbook of Labour Statistics (1983); and Directory of National Unions and Employee Associations (1979)

From: Royal Commission on the Economic Union and Development Prospects for Canada, Report, Volume two

TABLE 13

Factors Reported as Affecting Current and Considered Investment Spending

(Frequency of Response)

<u>FACTOR/REGION OF H.Q.</u>	<u>ATLANTIC</u>		<u>QUEBEC</u>		<u>ONTARIO</u>		<u>ALTA</u>		<u>PRAIRIES</u>		<u>B.C. & NORTHERN</u>		<u>TOTAL</u>	
	<u>084</u>	<u>A85</u>	<u>084</u>	<u>A85</u>	<u>084</u>	<u>A85</u>	<u>084</u>	<u>A85</u>	<u>084</u>	<u>A85</u>	<u>084</u>	<u>A85</u>	<u>084</u>	<u>A85</u>
	Cdn. Fed. Gov't Policies	3	2	5	7	43	34	21	21	24	23	5	7	80
Other Cdn. Gov't Policies	2	2	4	1	16	19	12	18	14	21	3	0	39	43
Foreign Gov't Policies	-	0	-	0	9	9	1	2	3	3	2	2	14	14
Exchange Rates	2	1	3	5	18	25	4	2	5	4	4	8	32	43
Non-Tariff Barriers Canada	-	0	-	0	-	0	1	1	1	1	-	0	1	1
Cdn. Tariffs Too High	1	1	1	2	2	2	-	0	-	0	1	0	5	5
Cdn. Tariffs Too Low	-	0	1	0	3	5	-	0	-	0	-	0	4	5
Barriers Abroad	-	0	-	0	4	1	-	0	1	1	-	1	5	3
Other Trading Factors	-	0	1	2	5	4	1	2	1	2	-	1	7	9
Expected Cash Flow	5	4	12	7	44	37	12	13	13	17	13	13	87	78
Rates of Return	2	3	8	9	28	30	6	9	9	12	9	10	56	64
Other Internal Fin. Cond.	2	2	1	2	5	2	1	1	2	2	1	2	11	10
Cost of Funds	2	3	5	4	22	18	7	5	7	6	8	7	44	38
Availability of Funds	3	2	6	4	6	8	1	4	1	4	1	4	17	22
Other External Fin. Cond.	-	1	1	1	2	3	1	1	2	3	3	2	8	10
Other Fin. & Mon. Factors	-	1	1	1	3	2	1	1	2	1	-	0	6	5
Raw Material Shortages	-	0	2	0	5	0	2	1	2	2	2	0	11	2
Mach. & Equip. Shortages	-	0	-	0	-	0	-	0	-	0	1	0	1	0
Manpower Shortages	-	0	-	0	1	0	1	0	1	0	-	0	2	0
Labour Problems	-	0	-	0	4	4	2	1	2	1	2	2	8	7
Expected Sales in Canada	2	2	11	13	45	48	13	10	18	15	6	5	82	83
Expected Sales Abroad	1	0	7	8	28	22	10	10	14	15	8	11	58	56
Exp. Econ. Cond. in Canada	3	3	8	7	33	32	9	10	11	14	7	5	62	61
Exp. Econ. Cond. Abroad	1	0	4	2	9	16	6	10	7	12	8	9	29	39
Other Factors	-	0	2	2	6	6	4	2	5	3	2	2	15	13
<u>Sample Size</u>	<u>14</u>	<u>14</u>	<u>42</u>	<u>41</u>	<u>143</u>	<u>138</u>	<u>36</u>	<u>35</u>	<u>55</u>	<u>53</u>	<u>32</u>	<u>32</u>	<u>287</u>	<u>278</u>

084 = October 1984 Survey

A85 = April 1985 Survey

Source: Department of Regional Industrial Expansion, Report of the DRIE Capital Investment Intentions Survey Conducted in April 1985

TABLE 14

Comparison of Employment Legislation in United States "Right to Work" and "Non Right to Work" States, January 1982

Fair Employment Practice Laws
January 1, 1982

NUMBER OF STATES FEP LAWS		
Right to Work States (20)		
	55%	
Non Right to Work States (31, incl. D.C.)		
		100%

Source: U.S. Department of Labor, Summary of State Labor Laws for Women, March 1969, Updated thereafter from annual state labor legislation article in Monthly Labor Review (December, January or February issues).

Equal Pay Laws for Women
January 1, 1982

NUMBER OF STATES WITH EQUAL PAY LAWS FOR WOMEN		
Right to Work States (20)		
	60%	
Non Right to Work States (31, incl. D.C.)		
		84%

Source: U.S. Department of Labor, Summary of State Labor Laws for Women, March 1969, Updated thereafter from annual state labor legislation article in Monthly Labor Review (December, January or February issues).

TABLE 14 (Cont'd)

Comparison of Employment Legislation in United States "Right to Work" and "Non Right to Work" States, January 1982

**Minimum Wage Laws
January 1, 1982**

NUMBER OF STATES WITH
MINIMUM WAGE LAWS

Right to Work States (20)		
	60%	
Non Right to Work States (31, incl. D.C.)		
		97%

Source: U.S. Department of Labor, Summary of State Labor Laws for Women, March 1969, Updated thereafter from annual state labor legislation article in Monthly Labor Review (December, January or February issues).

From: Fawkes, Assault from the Right

APPENDIX 1

Summary of Benefits Legislation in Canada

This brochure provides a brief summary of legislation affecting benefits plans in Canada.

Canadian legislation encompasses a broad range of government and privately sponsored programs which directly influence employee benefit design as well as total compensation planning.

Government benefits are commonly supplemented by employer sponsored plans to provide a basic level of financial security. Optional supplements to these employer plans are frequently used to meet individual employee needs.

In view of the complexity and cost of benefits programs, private plans should be reviewed regularly and modified when necessary to ensure that government benefits and tax legislation are fully recognized and that current and deferred costs are controlled.

Due to the number of possible sources of benefit payments, differing eligibility requirements, and disclosure legislation, effective communication is required for employees to fully appreciate and comprehend their benefits plans.

The Federal government has announced its intention to examine some aspects of existing government-sponsored benefits as well as supplementary pension plan legislation. In addition, a new tax assistance system for retirement savings is expected to be adopted in 1985.

Summary of Government Benefits & Legislation

(It is necessary to apply in order to receive most of the following benefits. Retroactivity may be available only under certain circumstances. The United States has been added to the list of countries with which Canada has reciprocal agreements concerning government old age, disability and survivors' benefits.)

I. Old Age Security Act:

- payments are indexed quarterly to reflect changes in the CDM of living

1—Old Age Security (OAS) Pension:

- regardless of means, persons are entitled, from age 65, to a monthly payment of \$273.80 as of January 1, 1985.
- since July 1, 1977, the full OAS pension is earned at the yearly rate of $\frac{1}{60}$ of the total pension for each year of residence from age 18 until application up to a maximum of 40 years, persons who were at least 25 years of age on July 1, 1977 and who had resided in Canada for any period after age 18 before that date may claim their pension under the former rules if it is more advantageous, a minimum of 10 years of residence after age 18 is required for payment of OAS pension in Canada (20 years for payment elsewhere).

Recent Changes:

- Retroactive payments may be made to a maximum of 5 years (1 year previously).

2—Spouse's Allowance:

- subject to an income test;
- payable to a spouse (aged 60 but under age 65) of an OAS pensioner, terminates upon pensioner's death, at which time an extended spouse's allowance is payable; benefits cease at age 65.
- as of January 1, 1985, maximum monthly allowance to spouse is \$485.73 and maximum extended spouse allowance is \$536.26.
- payment varies with the years of residence of the spouse and the couple's current income.

Anticipated Change:

- The program will be extended to all low-income widows and widowers between the ages of 60 and 64.

3—Guaranteed Income Supplement (GIS):

- subject to an income test;
- recipient must be aged 65 or over and in receipt of OAS pension;
- subject to continued residence requirements.
- Federal benefit maximum as of January 1, 1985:
 - single —\$325.41 monthly (also for pensioner whose spouse is not receiving OAS or Spouse's Allowance);
 - married —\$211.93 monthly (for each pensioner when both are over age 65 or when spouse is receiving Spouse's Allowance);

- additional supplements of varying amounts also paid by Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan.

II. Canada/Québec Pension Plan (C/QPP):

- became effective January 1, 1966;
- Year's Maximum Pensionable Earnings (YMPE) will increase by 12½% each year until it reaches the Industrial Composite Index. YMPE in 1985 is \$23,400;
- Year's Basic Exemption (YBE) is 10% of YMPE to the next lower \$100; \$2,300 in 1985;
- employee contributions are 1.8% of employment earnings in excess of the YBE up to the YMPE (maximum in 1985 — \$379.80), same formula for employer contributions;
- installment payments are subject to annual COLA, with the exception of QPP orphans and child's benefits.

Recent Change:

- Under QPP, gratuities are now included in the determination of contributions.

1—Retirement Benefits:

- Eligibility for commencement of pension contributions in at least one year.
- Benefit: pension is 25% of average pensionable earnings adjusted in relation to average YMPE in the year of retirement and the preceding two years; in the calculation of average pensionable earnings, the following may be dropped:
 - i) months for which C/QPP disability pension was payable;
 - ii) months during which the contributor was receiving family allowance in respect of a child of less than 7 years of age if pensionable earnings are below YBE;
 - iii) months during which the contributor works after age 65 may be substituted for an equal number of months of lower earnings, subject to restrictions;
 - iv) up to 15% of the contributory months with the lowest adjusted earnings, subject to restrictions.
- pensionable earnings may be split equally between the parties in cases of divorce or declaration of nullity if the spouses cohabited for at least 36 consecutive months while married.
- maximum monthly pension in 1985 is \$435.42.
- C/QPP pension normally payable from age 65;
- reduced QPP pension payable if beneficiary is aged 60 to 64 and is not working when benefits commence, pension is increased if taken between ages 65 and 70.

2—Survivor Benefits:

- Eligibility: contributions in at least 3 years and for $\frac{1}{2}$ of the years of the deceased's contributory period, or for at least 10 years.
- Lump sum payment: lesser of 10% of the YMPE or 6 times the amount of the contributor's retirement pension (maximum in 1985 — \$2,340);
- Spouse's benefit (paid monthly):
 - a) if survivor not entitled to a retirement or disability pension in his/her own right:
 - i) while the surviving spouse is under age 65:
 - CPP — flat \$87.50 + 37½% of contributor's retirement pension (maximum in 1985 — \$250.84);
 - QPP — flat \$287.10 + 37½% of contributor's retirement pension (maximum in 1985 — \$450.38); the flat amount is \$224.40 if the spouse is less than age 55;
 - spouse under age 45 is entitled to a reduced benefit; no benefit if under age 35 unless spouse is disabled or has dependent children; a disabled child is treated as a dependent regardless of age;
 - ii) when the surviving spouse is age 65 or over:
 - 60% of deceased contributor's retirement pension;
 - b) if survivor is entitled to a retirement pension in his/her own right:
 - i) under CPP, the amount of the surviving spouse's pension may be adjusted in order that the total amount received is the greater of a) or b) below:
 - a) 60% of the sum of the survivor's and deceased contributor's retirement pensions;

APPENDIX 1 (continued)

- b) the survivor's retirement pension plus 37.5% of deceased contributor's retirement pension; OR, if less, the maximum retirement pension payable in the year in which the second pension becomes payable.
 - ii) under QPP, where the surviving spouse becomes entitled to the second pension prior to age 65, the surviving spouse's pension is equal to \$287.10 per month plus an amount which is the lesser of:
 - a) 37.5% of deceased contributor's retirement pension; or
 - b) the maximum retirement pension payable in the year in which the second pension becomes payable less the surviving spouse's retirement pension;
 - iii) under QPP, where the surviving spouse attains age 65 or where entitlement to second pension occurs after age 64, the amount of surviving spouse's pension is the lesser of:
 - a) the difference between 60% of deceased contributor's retirement pension and 40% of spouse's retirement pension, or if greater, 37.5% of deceased contributor's retirement pension; or
 - b) the difference between the maximum retirement pension payable in the year in which the surviving spouse attains age 65 (or becomes entitled to the second pension) less the surviving spouse's retirement pension;
 - c. provisions similar to (b.) apply when the surviving spouse is also entitled to disability benefits;
- Note: spouse's benefit ceases on death; under CPP it also ceases on remarriage;
- Orphan's benefit (paid monthly):
 - CPP — \$87.56 per orphan in 1985;
 - QPP — \$29.00 per orphan in 1985;
 - orphan's benefit payable to unmarried dependent child under age 18 and to age 25 if full-time student; a disabled orphan has the same eligibility requirements.

3—Disability Benefits:

- Definition: inability to regularly perform any substantially gainful occupation (under QPP, own occupation if aged 60 or over), the disability must be likely to result in death or be of indefinite duration.
- Eligibility: contributions in at least 5 of the last 10 years of the contributor's period and 1/3 of the years the contributor was eligible to contribute, or at least 10 years of which 5 fall during the last 10 years (QPP — if aged 60 or over, at least 5 years and 1/3 of contributory period or at least 10 years);
- monthly benefits payable from 4th consecutive month following month of disability.
- Contributor's benefit (paid monthly):
 - CPP — flat \$87.56 — 75% of contributor's retirement pension (maximum in 1985 — \$414.13);
 - QPP — flat \$224.40 — 75% of contributor's retirement pension (maximum in 1985 — \$550.97);
- Children's benefit: identical to orphan's benefit

III. Workers' Compensation Legislation:

- varies by province.
- employer contributions only.
- benefits and contribution levels are based on insurable earnings with a maximum which varies by province.
- benefits are payable in respect of occupational accidents or industrial diseases, in the event of:
 - * death — lump sum plus monthly payments which reflect insured earnings and number of eligible dependents.
 - * disability — a percentage of insured salary contingent upon the nature and expected duration of the disability.
- in British Columbia, Quebec, and Saskatchewan, benefits are indexed to reflect cost of living; in Nova Scotia total disability benefit payments over 52 weeks are indexed; in other provinces, periodic improvements are legislated; Saskatchewan considers the earnings capacity of each disabled claimant yearly.
- Quebec requires employers to pay to accident victims prescribed compensation for each day of disability up to the first 5 working days following the day of accident; the Commission subsequently reimburses employers.
- except in British Columbia, New Brunswick, and Saskatchewan there is no integration of workers' compensation with C/QPP benefits; in British Columbia this integration is limited to dependent payments; in New Brunswick, all benefits other than disability benefits on behalf of dependents are integrated; in Saskatchewan all CPP benefits are integrated;
- in Alberta, New Brunswick, and Quebec, benefits are based on net eligible income, elsewhere, benefits are related to gross eligible income.

Recent Change:

- Ontario has enacted Bill 99 which provides for a 5% increase in claimants and survivors' benefits.

Anticipated Changes:

- Ontario has introduced Bill 101 which proposes extensive amendments to its Workers' Compensation Act. Proposals include basing compensation on net rather than gross earnings, increasing the pre-injury earnings ceiling, commencing benefit payments from the first day of injury, and the creation of an independent appeals tribunal.
- Quebec has re-introduced Bill 42, which contains revisions from the original

version. Proposals include a simplification of claims procedures for minor injuries and the creation of an independent appeals board.

IV. Unemployment Insurance Act, 1971 (UI):

- Benefit level: 60% of insurable earnings, including regularly scheduled overtime and bonuses (maximum weekly insurable earnings in 1985 — \$460);
- weekly premium in 1985 is \$2.35 for employee and \$3.29 for employer per \$100 of weekly insurable earnings; (maximum weekly contributions — employee \$10.81, employer \$15.13).
- Eligibility: employees under age 65 working at least 15 hours weekly or earning at least 20% of the maximum insurable earnings, based on number of weeks of insurable employment in the last 52 (up to 104 in certain instances), as follows:
 - a. for lay-off:
 - i) new entrants and re-entrants to the labour force require at least 20 weeks of insurable employment.
 - ii) persons who have received benefits must have 10 to 20 weeks of insurable employment according to the number of benefit weeks claimed within the previous year as well as the regional unemployment rate;
 - iii) other persons are eligible after a variable number of weeks of insurable employment ranging from 10 to 14 depending on the regional unemployment rate;
 - b. for pregnancy, adoption, sickness, and accident benefits: after 20 weeks of insurable employment or since the last claim;
- Waiting period: 2 weeks beginning the Sunday in a week for which benefits would otherwise be payable;
- Benefit duration:
 - a. lay-off benefits are payable for up to 50 weeks depending on number of weeks of insurable employment and the regional unemployment rate;
 - b. pregnancy, adoption, sickness, and accident benefits are payable for up to 15 weeks in total;
- a special payment of 3 times the weekly benefit may be payable at age 65;
- up to 30% of benefits received are repayable, if the claimant's net income for a taxation year exceeds 1 1/2 times the maximum yearly insurable earnings;
- Premium reduction:
 - employers with formal disability income plans at least as generous as UI quality, if registered, for a UI premium reduction related to the number of months the qualified plan was in effect during the preceding calendar year;
 - plans qualified for premium reduction must provide, subject to certain exceptions, disability benefits for pregnancy related illness; also, benefits must be provided for illness resulting from venereal disease or drug or alcohol abuse, provided the employee is under a physician's care;
 - amount of reduction: \$0.35 per \$100 of weekly insurable earnings for most plans, cumulative sick leave plans are eligible for a partial reduction of \$0.28 per \$100 of weekly insurable earnings if the plan meets certain standards, 5/12 of the reduction must be shared with employees in cash or equivalent benefits.

Anticipated Change:

- UI legislation is expected to be amended in the near future, so as to include pension income, separation allowances, and vacation pay in the determination of UI benefits. In addition, the Federal government has announced its intention to review the UI program and publish a discussion paper thereafter.

V. Maternity, Paternity, and Adoption Benefits Legislation:

1—Maternity Leave

- all jurisdictions have legislation regarding maternity leave;
- Eligibility: employment by the same employer for 20 weeks to 63 weeks, depending on the jurisdiction.
- Duration: varies from 17 to 18 weeks between jurisdictions, in Alberta, British Columbia, Manitoba, Quebec, and Saskatchewan, extensions are possible when medically required.
- British Columbia and Quebec require participation in employer sponsored benefits to continue during maternity leave, subject to the continuation of employee contributions, if any;
- Alberta, Manitoba, Newfoundland, Nova Scotia, Ontario, and Prince Edward Island require benefits to resume after maternity leave at the same level as they were prior to the leave.
- in Ontario, leaves due to pregnancy or pregnancy related illness must be treated no differently from other types of leaves;
- the Federal jurisdiction allows for more favourable treatment of women on maternity leave than of employees on other types of leave;
- Québec grants a \$240 lump sum maternity allocation to women who have lived in Québec for at least one year and who qualify for Unemployment Insurance maternity benefits.

2—Paternity Leave

- Québec and Saskatchewan have legislation regarding paternity leave;
- Saskatchewan requires 12 months of employment with the same employer;
- Duration: Québec: 2 days, Saskatchewan: 6 weeks.

APPENDIX 1 (continued)

3—Adoption Leave

- Nova Scotia, Prince Edward Island, Québec, and Saskatchewan have legislation regarding adoption leave;
 - Saskatchewan requires 12 months of employment with the same employer;
 - Duration: varies between jurisdictions from 2 days to 6 weeks;
- Recent Changes:**
- Québec has reduced maternity leave eligibility requirements from 52 to 20 weeks of work during the year preceding the leave.
 - Under Federal jurisdiction, 24 weeks of "child care" leave is added to the 17-week maternity leave. The extra 24 weeks can be taken by either parent, including adoptive parents. Eligibility is reduced from 12 to 6 months of employment.

Anticipated Change:

- In Ontario, the pregnancy leave eligibility period is expected to be shortened from 63 to 52 weeks. An adoptive parent would be allowed a leave of up to 17 weeks.

VI. Hospital and Medical Care Programs:

1—Hospital Benefits:

- hospital plans vary somewhat by province, but they all cover room and board to ward level, nursing care, drugs, operating room and anaesthetic facilities, laboratory and diagnostic services, and out-patient emergency services;
 - additional costs for a semi-private or private room vary by province, city, and length of stay;
 - entry fees and/or daily ward charges exist in some provinces; in certain jurisdictions these may not be insurable under a private plan;
 - all provinces cover out-of-province expenses, to varying degrees.
- Recent Changes:**
- The Canada Health Act penalizes provinces which allow hospital user fees: federal medicare grants to provinces will be reduced by the amount of hospital fees levied.
 - Hospital user fees in British Columbia no longer apply to newborns and to persons admitted involuntarily to a psychiatric unit.

2—Medical Care, Drug and Dental Programs:

- **Medical care:**
 - medicare plans essentially cover all services rendered by a medical practitioner at home, office or hospital; depending on province of residence, limited coverage is available for paramedic or optometric services and prosthetic or orthopaedic appliances;
 - participating doctors are allowed to extra bill patients in Alberta, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, and Saskatchewan; private insurers may cover excess charges by participating doctors in New Brunswick and Nova Scotia and charges by non-participating doctors in New Brunswick, Newfoundland, Nova Scotia, and Saskatchewan.
 - in Québec, hospital expenses are reimbursed at "host" province rates while other expenses are covered at "home" rates, charges incurred by a resident temporarily in another province are reimbursed by Prince Edward Island to the level payable under the "host" plan and by other provinces up to the level payable under the "home" plan; out-of-Canada emergency costs are reimbursed by Manitoba and Prince Edward Island at rates approved by the plan, other provinces reimburse costs at the rate payable in the "home" province; private coverage of excess out-of-province charges is permitted;
 - **Drug expenses:**
 - British Columbia: 80% reimbursement after \$175 individual annual deductible; full reimbursement for those aged 65 and over;
 - Manitoba: 80% reimbursement after a \$75 annual family deductible (\$50 for residents aged 65 and over);
 - Saskatchewan: full reimbursement of drug expenses after a \$3.95 per prescription deductible;
 - other provinces, except Prince Edward Island, provide drug benefits at least to those residents in receipt of a GIS;
 - **Dental coverage:**
 - except in Alberta, British Columbia, and Ontario, coverage is provided for some children in varying ages; dental care ranges from preventive treatment only to full plans including limited orthodontic coverage in some provinces;
 - Alberta has limited coverage for those aged 65 and over and their dependents;
 - **Contributions:**
 - medicare and hospitalization costs in some provinces are supported by additional contributions as follows:

Alberta:	\$14.00 single, \$28.00 family,
	per month;
British Columbia:	\$16.00 single, \$30.00 couple,
	\$34.00 family, per month;
Ontario:	\$29.75 single, \$59.50 family,
	per month;
Manitoba — Employer:	1.5% payroll tax;
Québec — Employer:	3.0% payroll tax.
- Recent Change:**
- The Canada Health Act penalizes provinces which allow extra-billing

by doctors; Federal medicare grants to provinces will be reduced by the amounts billed above scale.

VII. Private Pension Plan Legislation:

- legislation applicable to the provisions of employee pension plans was enacted by Alberta (1/1/67), Manitoba (7/1/76), Newfoundland (1/1/85), Nova Scotia (1/1/77), Ontario (1/1/65), Québec (1/1/66), and Saskatchewan (1/1/69); the Federal government enacted similar legislation (10/1/67) applicable to employment with organizations not normally subject to provincial jurisdiction;
- these laws generally require that:
 - members be informed of their rights and duties under the plan;
 - benefits accrued since the qualification date (see enactment date above) vest in the participant as a deferred annuity on attainment of age 45 and 10 years of service or participation in the plan, employee's contributions are locked-in, although 25% of the commuted value of the pension may be available in a lump sum (see below for Manitoba and Saskatchewan);
 - sufficient funds be commuted to enable the plan to become solvent so as to meet its obligations, initial unfunded liabilities resulting from increases in past service benefits and, in most jurisdictions, resulting from a change in valuation basis, be funded over a maximum period of 15 years; experience deficiencies be funded over a period not exceeding 5 years; Ontario, Québec, and Federal legislation permit an extension under certain conditions;
- New Brunswick requires plans to be registered but does not yet have the same requirements as outlined above (effective 9/1/73);
- reciprocal agreements exist between jurisdictions that have pension legislation to avoid multiple registration, except between the Québec and Federal jurisdictions;
- in Manitoba, benefits accrued after the qualification date and before 1985 must vest after 10 years of service or participation in the plan, irrespective of age; however, members terminating before age 45 can elect to receive a refund of their contributions in respect of service before 1985 in lieu of the vested benefits; minimum interest on employee contributions;
- in Saskatchewan, accrued benefits vest when the sum of the employee's age and years of service equals 45, provided he has at least one year of service (the employee has the option of receiving up to 50% of his contributions with interest); upon termination, the employee must have provided no more than 50% of the commuted value of the contributory pension; minimum interest on employee contributions;
- only Québec and Federal legislation require audited financial statements;
- Manitoba, Ontario, Québec, and Saskatchewan have varying requirements pertaining to the periodic disclosure of pension plan information and access to pension plan documents; the interval between information statements varies by jurisdiction;
- an Ontario fund insures specified portions of accrued pension benefits to members of wound up defined benefit plans;
- Québec requires that employer past and current service contributions be made monthly;
- in cases of postponed retirement, Québec requires that plans allow for pension deferral and revalorization, and provide for payment of the pension, in whole or in part, to compensate for salary reduction;
- certain jurisdictions require that a written benefits statement be sent to the plan member (or estate) in the event of termination of employment or participation, disability, death, or retirement.

Anticipated Change:

- Québec is expected to pass legislation modifying its approach to the registration, control, investment, solvency, and funding of private pension plans.

Recent Change:

- Manitoba requires, after 5 years of service or plan membership, the vesting of the benefits accrued and locking-in of contributions made after 1/1/85; 25% commutation disallowed for benefits accruing after 1984; employers must provide for at least 50% of the commuted value of the deferred pension benefit accruing after 1984; sex discrimination in benefits and/or employee contributions is prohibited after 1/1/85.

VIII. Tax Provisions:

I—Income Tax:

- Old Age Security Act:**
 - OAS payments are taxable but can be transferred tax free to an RRSP until age 71;
 - Spouse's Allowance and GIS payments are essentially non-taxable;
- Canada/Québec Pension Plan:**
 - payments are taxable but can be transferred tax free to an RRSP until age 71; contributions are deductible;
- Workers' Compensation:**
 - payments are essentially non-taxable; employer contributions are deductible.
- Unemployment Insurance:**
 - payments are taxable; contributions are deductible;
- Health and Dental Expenses, Benefits, and Contributions:**
 - required employee contributions to a government plan that are paid by an employer are taxable to employees, but required employer contributions are not; employers may deduct their contributions;
 - employer contributions to a private plan are deductible and are not taxable to employees; employee contributions to a private plan are treated as medical expenses by the employee;

APPENDIX 1 (continued)

- expenses reimbursed by a government or private plan are not taxable;
- f. **Insured Salary Continuance:**
 - benefits paid from a plan to which an employer has contributed are taxable; employer contributions are not taxable to employees.
 - where employees are deemed to receive taxable benefits, their own contributions to the plan since 1968 may be deducted from such taxable benefits;
 - benefits paid under an employee-pay-all plan are non-taxable;
- g. **Group Life Insurance Policies:**
 - net employer contributions on the total amount of group life insurance (inclusive of the commuted value of insured survivor income benefits) in excess of \$25,000 is considered taxable income for the employee; employee contributions may be applied to insurance in excess of \$25,000 to reduce taxable benefit;
- h. **Private Pension Programs:**
 - in computing taxable income, a maximum annual deduction of \$1,000 may be made for the total of:
 1. life annuity payments from an RPP: if the taxpayer is less than age 60, the annuity payments must not have been transferred to an RRSP or another RPP, whether in whole or in part, and
 2. annuity payments out of a DPSP or RRSP and the taxable portion of other annuities (not claimed as interest for the purpose of the investment income deduction), if age 65 or older, or regardless of age if received due to the spouse's death;
 - i) **Registered Pension Plans (RPP):**
 - employee current service contributions and, in some cases, past service contributions are tax deductible up to an annual limit of \$3,500 (\$5,500 for Québec income tax purposes), employer past service contributions are tax deductible without limit but must be approved by tax authorities, employer current service contributions are normally limited to \$3,500 (\$5,500 in Québec) except that the total of such contributions is tax deductible without limit subject to approval by tax authorities;
 - ii) **Deferred Profit Sharing Plans (DPSP):**
 - employer contributions are tax deductible up to \$3,500 per annum less contributions made by the employer for current service under an RPP, or 20% of the individual's earned income, whichever is less; non-deductible employee contributions may be allowed;
 - for Federal tax purposes, employer deductions for payments into a DPSP on behalf of a beneficiary who is a principal shareholder (or related persons) are disallowed;
 - registration of a new DPSP is denied if a principal shareholder (or related person) is a beneficiary;
 - iii) **Registered Retirement Savings Plan (RRSP):**
 - individual contributions are tax deductible up to the lesser of \$3,500 or 20% of earned income if the individual is not accruing benefits under an RPP or a DPSP; in other cases, contributions are deductible to the lesser of \$3,500 or 20% of earned income less contributions to an RPP;
 - funds accumulated under an RRSP can be withdrawn as one lump sum at any time prior to the end of the year in which the individual attains age 71; in addition, over the same age period, these funds can be used to purchase a life annuity or a fixed-term annuity to age 90 or they can be transferred into a registered retirement income fund which will provide payments, up to age 90, varying in accordance with the return on the fund or a lower rate (up to 6% lower) as selected each year by the annuitant;

- the amount of retiring allowance an employee is able to transfer tax free to his RRSP is limited to \$2,000 for each year of service for which he acquired vested rights under his employer's pension plan or DPSP and to \$3,500 for each year of service in respect of which employer contributions to the plan did not vest in him.

2—Insurance Premium Tax:

- 2% of net premiums in all provinces except:
 - Newfoundland — 3%;
 - Nova Scotia — 2% on life premium, 3% on other premium,
 - Saskatchewan — 2% on life, accident, and short term disability premium, 3% on other premium.

IX. Human Rights Legislation:

- the provinces have jurisdiction in the area of human rights, except for those businesses falling under the jurisdiction of the Parliament of Canada.
- discrimination in employment is prohibited with respect to age (defined differently in various jurisdictions), sex, marital status, and physical handicap (unless the work requires a bona fide physical occupational qualification); British Columbia, Ontario, Québec, and the Federal jurisdiction also prohibit discrimination on the grounds of pardoned offences;
- all jurisdictions, except Saskatchewan, permit pre-employment medical examinations after the interview stage provided the results are not used in a discriminatory manner;
- in Manitoba, New Brunswick, Québec, and the Federal jurisdiction, mandatory retirement has been eliminated or limited except under certain circumstances which vary by jurisdiction.
- Ontario and Saskatchewan can appoint boards of inquiry that may order companies to adopt affirmative action programs;
- the principle of equal salary for work of equal value is recognized in Québec and the Federal jurisdiction;
- the Canadian Charter of Rights and Freedoms (1982) will override any inconsistent provisions in federal and provincial legislation after a three year delay period and will affect many human rights areas, such as mandatory retirement and sex discrimination in employee benefits.

Recent Changes:

- Québec's amended Charter also prohibits discrimination in employment with respect to pregnancy, race, sexual orientation, religion, political conviction, language, place of origin, social condition, and handicap.
- In Alberta, guidelines concerning physical characteristics have been developed.
- Newfoundland's Act prohibits harassment in the workplace and makes provisions for affirmative action programs.

Anticipated Changes:

- In Manitoba, prohibited areas of discrimination may be extended to include pregnancy, social status, sexual orientation, and criminal record. The principle of equal pay for work of equal value may be recognized. Employee benefits regulations are also expected.
- Ontario and the Federal jurisdiction may strengthen the principle of equal pay for work of equal value.
- Québec is expected to adopt regulations empowering courts to impose affirmative action programs.
- Human rights legislation is also expected to apply to pension and insurance plans, subject to certain exceptions; in Québec, differentiation in benefits plans with respect to prohibited areas of discrimination will not be permitted unless based on actuarial or other specified factors.

Source: Summary prepared annually by William M. Mercer Ltd., and published under the title "Benefits Legislation in Canada".

From: Wood and Kumar, Current Industrial Relations Scene in Canada, 1985.

APPENDIX 2

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