

OPEN STATEMENT BY CANADIAN SCHOLARS ON UNIONIZATION AND THE ECONOMIC AND SOCIAL WELL-BEING OF CANADIANS (NOVEMBER 2009)

Canada and the United States share many common traits and features, and are closely linked through trade, geography, history, travel, and ties of family and friendship. Despite these similarities, there are many important economic and legal differences between our two countries. One important difference is that union membership is more pervasive in Canada. Around 30 percent of employees in Canada are covered by collective bargaining arrangements, more than twice as large a proportion as in the U.S.

Americans are currently engaged in an important national debate about proposed changes (defined in the Employee Free Choice Act) to the legal framework governing union certification and collective bargaining. Since union membership and collective bargaining structures are more pervasive in Canada, it is interesting to analyze Canada's experience with unions in light of this U.S. discussion.

Labour relations legislation is largely a provincial responsibility in Canada (although the federal government regulates labour relations in some industries - accounting for approximately 10% of total employment). Several Canadian jurisdictions have enacted legislation (regarding union certification and first-contract arbitration) similar to measures proposed in the Employee Free Choice Act. For example, five of Canada's ten provinces (plus the federal jurisdiction) feature some form of majority sign-up mechanism, and seven of the ten provinces (plus the federal jurisdiction) feature some form of first-contract arbitration procedure. These practices partly explain why union membership is more common in Canada, but many other factors have also contributed to Canada's more widespread unionization - including differences in employee and employer attitudes, Canada's larger public sector, and other differences in labour law (such as stronger rules and penalties regarding unfair labour practices, and accelerated certification procedures).

Some U.S. opponents of the Employee Free Choice Act have argued that Canada's history demonstrates that increased union membership (which is a likely long-run outcome of the Act, if it is passed and implemented) will lead to lower employment and higher unemployment in the U.S.. In our judgment as scholarly observers of Canada's labour market and labour relations system, this argument is not supported by scholarly, peer-reviewed empirical evidence.

Canadian labour market outcomes are presently superior to those in the U.S. Canadian job-creation has been more robust for several years, a larger share

of working-age adults is employed in Canada than in the U.S., and Canada's unemployment rate is lower than America's (See table on page 10).

At other times Canada's unemployment rate has been higher than in the U.S. In our judgment, differences in unemployment between Canada and the U.S. have mostly been caused by the differential impact of cyclical and macroeconomic factors. In the early 1990s, for example, Canada's painful recession (caused largely by uniquely high Canadian interest rates) pushed Canada's unemployment rate above the U.S. level. In contrast, the present severe downturn in the U.S. economy, caused by financial market instability, has pushed America's unemployment rate well above Canada's.

An extensive academic literature has considered the relationship (if any) between unionization, employment, and unemployment. There are theoretical arguments for the existence of both positive and negative effects of unionization on labour market performance, but in the Canadian case there is no consistent empirical evidence that Canada's more extensive unionization has affected employment or unemployment either way - whether positively or negatively. Canada's labour relations system works in a relatively effective and timely manner; the vast majority of contracts are settled without work stoppage. In the context of the current economic downturn, it is worth noting that collective bargaining arrangements also play a useful macroeconomic role in preventing generalized wage and price deflation.

There are also significant social benefits from Canada's more extensive collective bargaining system. Income inequality is less extreme in Canada compared to the U.S., according to a variety of measures. The incidence of poverty (including poverty among employed persons) is significantly smaller. The impact of unions and collective bargaining systems in limiting low pay and providing more comprehensive and secure employee benefits to workers has surely contributed to these positive outcomes. Empirical evidence also indicates that union membership and collective bargaining has had an especially significant impact on the wages and benefits of workers who are most susceptible to precarious or insecure employment, including women, racialized groups, and new Canadians.

Americans will decide whether the changes proposed in the Employee Free Choice Act are sensible and positive for their economy and their labour market. But we wish to express our judgment regarding the impact of unionization and collective bargaining on Canadian labour market and social outcomes. In our view, that impact has been generally positive.

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Table 1:
Selected Labour Market and Social Indicators Canada and the U.S.

	Canada	United States
Unionization <i>(union coverage as share employed non-agricultural workforce, 2008)</i>	31.2%	13.7%
Employment Rate <i>(employed as share of working-age population¹, 2008)</i>	63.6%	62.2%
Standardized Unemployment Rate² <i>(unemployed as share of labour force, 2008)</i>	5.3%	5.8%
Employment Growth <i>(average annual growth in employment, 1998-2008)</i>	2.0%	1.0%
Poverty Rate <i>(share households with less than half median income, 2000)</i>	11.4%	17.0%
Income Inequality (I) <i>(ratio of top decile to bottom decile, 2000)</i>	9.4	15.9
Income Inequality (II) <i>(Gini Index of Income Inequality³, 2004)</i>	0.318	0.372
Absence of Health Coverage <i>(proportion of population without health insurance, 2007)</i>	n.a. ⁴	15.3%

Sources:

- Bureau of Labor Statistics, Current Population Survey database and International Unemployment Rates and Employment Indexes 207-2009 (<http://www.bls.gov/data/#employment>).
- Barry T. Hirsch and David A. Macpherson, (<http://www.unionstats.com/>)
- U.S. Census Bureau, Income, Poverty, and Health Insurance Coverage in the United States 2007
- Statistics Canada, Labour Force Survey, CANSIM Tables 2820055 and 2820078
- Luxembourg Income Study "Key Figures"
- United Nations Development Program, Human Development Report 2007-08.

Notes:

1. Working-age population over 15 years old in Canada, over 16 in the U.S.
2. Unemployment rates adjusted to reflect common U.S. statistical concepts.
3. Higher index indicates more inequality.
4. All citizens, permanent residents, and landed immigrants in Canada are entitled to comprehensive public health insurance.