
AN ANNOTATED BIBLIOGRAPHY OF RECENT RESEARCH ON LABOUR RELATIONS POLICY, UNIONIZATION, AND CANADA-U.S. LABOUR MARKET PERFORMANCE

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Below is an annotated list of selected recent publications on unionization and labour market performance, with relevance to Canada-U.S. labour market comparisons and the effect of collective bargaining structures on economic and social outcomes. While the broad literature on this topic is vast, the publications summarized below seem to be germane to Canadian aspects of the U.S. *Employee Free Choice Act* debate that are considered in this special issue of *Just Labour*.

Baker, D., Glyn, A., Howell, D., and Schmitt, J. (2004). "Unemployment and Labor Market Institutions: The Failure of the Empirical Case for Deregulation." *Economic Policy Analysis*, New School University, pp. 1 - 44.

This paper examines labour market protections and the pattern of unemployment across the developed world since the 1960s. The researchers test the robustness of results obtained by the IMF in its *April 2003 World Economic Outlook* publication in which the IMF suggests weakening labour market institutions to achieve lower unemployment. The authors' tests conclude that the lack of robustness in the IMF estimates makes it misleading to use these estimates to predict unemployment effects of particular policy reforms. The authors find that bivariate scatter plot examinations show no significant relationship between unemployment and the extent of social protection, union density, or bargaining coordination. Further, the authors conclude that "the empirical case has not been made that could justify the sweeping and unconditional prescriptions for labor market deregulation which pervade much of the policy discussion."

Baker, D., Glyn, A., Howell, D., and Schmitt, J. (2005). "Labour Market Institutions and Unemployment: Assessment of the Cross-Country Evidence."

In David R. Howell (ed.), *Fighting Unemployment: The Limits of Free-Market Orthodoxy*. Oxford: Oxford University Press, pp. 72 - 118.

This paper analyses and assesses cross-country literature on the impact of labour market institutions and policies on unemployment in OECD countries. The authors find that neither the generosity of unemployment insurance benefits nor the strength of trade unions is significantly correlated with unemployment. The authors empirically estimate the effects of labour market institutions on unemployment rates across OECD for the period between 1960-1999. Their test results suggest a relatively minor role for labour institutions and policies in accounting for unemployment patterns. The authors conclude that an empirical case has not been made that could justify labour market deregulation of the sort that pervades much of current policy discussion.

Bowlby, G. (2005). "Divergence in the Canadian and US Labour Markets" *Canadian Public Policy* Vol. 31, No. 1, pp. 83-92.

In this paper, Bowlby reviews the divergent patterns in the Canadian and U.S. labour markets. This study uses Canadian and U.S. data on employment growth, the employment rate, the unemployment rate, and the participation rate. The author notes that there has been a recent shift in the relative health of the Canadian labour market. In the early 2000s, Canada's unemployment gap with the U.S. narrowed substantially and Canadian participation rates came to surpass those in the U.S. In terms of employment growth and employment rate, the Canadian labour market remained slightly stronger than the U.S. due to the fact that more Canadians are now participating in the labour market. The paper also focuses on sectoral trends and reports that there is not a single source for the divergence in Canadian and U.S. employment.

Chaison, G. N. and Rose, J.B. (1985). "The State of the Unions: United States and Canada," *Journal of Labor Research* Vol. 6, No. 1, pp. 97 - 111.

This paper studies and compares the experience of the Canadian and U.S. labor movements in terms of union growth, union density, and certification outcomes. The study reveals that Canadian labour movement outperformed U.S. unions according to all three measures. The study concluded that public policy, employer resistance, and union-related variables (such as militancy, structure and desire, and ability to organize) all influenced union growth, union density, and representation outcomes. The study identified that the decline in unionization in the U.S. is attributed to both unfavourable public policy and increased employer resistance.

Ferrao, V. (2009). "The Recent Labour Market in Canada and the United States," *Perspectives on Labour and Income Statistics Canada Catalogue No. 75-001-X (March)*, pp. 14 - 18.

This study describes the recent labour market conditions in both Canada and the U.S. Using common U.S. definitions of participation, the working-age population, job search, and employment, the paper compares employment growth, unemployment, and participation rates in both countries in the wake of the U.S. housing market collapse and subsequent worldwide recession. The paper shows that since 2002, Canada has outperformed the U.S. in employment growth, employment rates, and participation rates. Further, unemployment rates (on common definitions) have been consistently lower in Canada. The author concludes that Canada performed better through the economic decline, but the start of 2009 shows discouraging signs for both countries.

Fortin, P., Keil, M., and Symons, J. (2001). "The Sources of Unemployment in Canada, 1967-91: Evidence from a Panel of Regions and Demographic Groups" *Oxford Economic Papers, New Series, Vol. 53, No. 1*, pp. 67 - 93.

This study analyzes the determinants of unemployment rates in Canada. The authors undertake a regression analysis for five regions and four demographic groups in Canada. In this paper, the econometric model of unemployment uses 500 observations of regional-demographic data for the 25 year period 1967 - 1991. The analysis incorporates demand and supply-side variables: the interest rate, taxation, foreign activity, minimum wages union density, demographic pressure, unemployment insurance, terms of trade. The study finds that there is no link between unemployment and unionization. The authors conclude that the long-term rise in Canadian unemployment since 1960 is attributed to higher real interest rates, the unemployment insurance reform of 1972, and slightly adverse net demographic pressure.

Johnson, S. (2002) "Card Check or Mandatory Representation Vote? How the Type of Union Recognition Procedure Affects Union Certification Success," *The Economic Journal Vol. 112, No. 479*, pp. 344 - 361.

This paper empirically tests certification outcomes from card check and mandatory representation votes from nine Canadian jurisdictions. A cross-sectional analysis of 19 years of data from 1978 - 1996 is used to identify certification success rates. Two dependent variables are tested in this paper: certification success rate and win rate. The results of the empirical analysis indicate that mandatory votes reduce certification success rates by approximately 9% when compared to card check procedures. The purpose of this study was to

describe the differences in union density between the U.S. and Canada, and to further explain how certification policies can influence the ability of unions to expand and retain membership.

Johnson, S. (2004) "The Impact of Mandatory Votes on the Canada-U.S. Union Density Gap: A Note," *Industrial Relations* Vol. 43, No. 2, pp. 356 - 363.

This paper empirically analyses the differences in union density between Canada and the U.S. This paper estimates the impact of mandatory voting regimes on union density rates. The analysis reveals that the increasing use of mandatory votes in Canada has narrowed the gap by about 1 percentage point. Further, the study revealed that the differences in union recognition procedures between Canada and the U.S. accounted for at least 3 to 5 percentage points of the union density gap in 1998.

Johnson, S. (2008) "First Contract Arbitration: Effects on Bargaining and Work Stoppages," *Laurier Center for Research and Policy*. www.lcerpa.org. pp. 1 - 32.

This paper empirically discusses the use of Canadian data to test the impact of first contract arbitration on incidence of work stoppages, the duration of work stoppages, and how it encourages or discourages collective bargaining. Johnson found that first contract arbitration reduces the incidence of work stoppages by at least 50 percent. The author also reported that first contract arbitration shows no significant impact on the duration of first agreement work stoppages. Lastly, the author's findings suggest that first contract arbitration encourages collective bargaining by creating incentives for the parties to bargain in good faith and negotiate an agreement.

Lynk, M. (2009). "Labour Law and the New Inequality," *Ivan Cleveland Rand Memorial Lecture, University of New Brunswick*. pp. 1 - 34.

In this paper, M. Lynk discusses the role of labour law and its connection to economic inequality. The paper examines the relationship between Canadian provincial data on unionisation and the after-tax inequality ratio. The results show that provinces with high rates of unionisation have lower inequality ratios. The paper also reports that in other economic jurisdictions as unionisation rates fall, inequality levels tend to climb. Moreover, Lynk states that recent changes to labour laws governing unionization have had a negative impact on union organizing which in turn has impacted income inequality. The author concludes by stating that labour laws can and will make for a more equal distribution of income, wealth, and social opportunities, and thus make society more cohesive.

Macklem, T., and Barillas, F. (2005). "Recent Developments in the Canada-US Unemployment Rate Gap: Changing Patterns in Unemployment Incidence and Duration?" *Canadian Public Policy* Vol. 31, No. 1, pp. 101-108.

In this paper, the authors seek to explain and identify the reasons behind the relative improvement in labour market conditions in Canada in the late 1990s and early 2000s compared to the U.S. experience during the same period. The authors pay particular attention to unemployment experience described by incidence of unemployment (or the probability of becoming unemployed) and the duration of unemployment. The paper empirically tested the unemployment experience for selected time periods and found that the unemployment gap that emerged in the 1980s was a result of a relative increase in both incidence and duration in Canada. The results also suggested that the post-1996 narrowing of the unemployment gap was largely due to a decline in relative duration in Canada. The empirical analysis suggests that changes in the relative size of the labour forces in the two countries played a minor role in the unemployment rate gap.

Organisation for Economic Co-operation and Development (2006). "Reassessing the Role of Policies and Institutions for Labour Market Performance: A Quantitative Analysis," *OECD Employment Outlook 2006*, Ch. 7, pp. 207 - 231.

This paper quantitatively analyses the impact of structural policies and institutions on employment and unemployment. It makes use of cross-sectional/time-series econometric techniques to determine the impact of labour market policies and institutions. The study reports that minimum wages, union density, and employment protection laws do not have an empirically visible impact on unemployment. Further, the study reports that government spending on active labour programmes such as job retraining is found strongly to reduce unemployment. The study reports that unemployment benefits, high payroll tax wedges and more stringent anti-competitive product market regulation are all found to increase aggregate unemployment.

Riddell, C. (2004). "Union Certification Success under Voting Versus Card-Check Procedures: Evidence from British Columbia, 1978 - 1998," *Industrial and Labor Relations Review*, Vol. 57, No. 4, pp. 493 - 517.

In this study, Chris Riddell estimates certification success in British Columbia using data on over 6,500 private sector certifications for the period 1978 - 1998. During this period, the B.C. labour law regarding union certification changed twice: First, in 1984 the repeal of card-check procedure in favour of

mandatory elections; and second, in 1993, the return to the original card-check procedure. The study found that union success rates declined by an average of 19 percent during the mandatory voting period and then increased by the same amount during the card-check procedure period. Riddell also estimated the effectiveness of management opposition during the two different union certification periods. The author reports that under mandatory elections, the opposition was twice as effective as under card-check procedure.

Riddell, W.C. (2005). "Why is Canada's Unemployment Rate Persistently Higher than the United States?" *Canadian Public Policy* Vol. 31, No. 1, pp. 93-100.

In this paper, Craig Riddell surveys the historical evolution of the gap between the Canadian and U.S. unemployment rates. Riddell notes that the unemployment gap between the two economies was persistent for most of the 1980s and the early part of the 1990s. During the latter half of the 1990s and by the early 2000s, the gap had narrowed substantially, which Riddell attributes to cyclical conditions. Measurement differences in the two countries' respective labour market surveys explain as much as 1 percentage point of the unemployment gap. In identifying the sources of the remaining unemployment gap (after adjusting for common definitions and measurement concepts), the paper finds that most of the rise in the unemployment gap took place during the 1981-1989 period – a period during which there was no corresponding gap in employment rates. Most of the widening gap in the 1980s was due to the greater labour force attachment in Canada of non-employed people. Differences in employment and labour force participation account for little of the unemployment rate gap that arose during 1980-1989 period. In the 1990s, in contrast, the further (smaller) increase in the unemployment gap was mostly the result of weaker growth in employment in Canada – a condition which was reversed later in the 1990s and into the present decade.

Slinn, S. (2004). "Empirical Analysis of the Effects of the Change from Card-Check to Mandatory Vote Certification," *Canadian Labor & Employment Law Journal*, Vol. 11, pp. 259 – 302.

In 1995, the Ontario government legislated a change from a card-check system to a mandatory vote system in union certification. In this study, Slinn conducts an empirical analysis of the effects of the change from card-check to mandatory vote certification in Ontario. This study found that the mandatory vote procedure had a significant negative effect on the probability that a given certification application would succeed. The results reported that the legislation reduced the certification success rate by an estimated 10.3 percentage points. The

study also reported that certification success was less likely in the private sector and negatively related to the extent of delay and voter turnout. Further, the influences on certification success of these effects were different under the two procedures.

Stanford, J. (2005). "Revisiting the "Flexibility Hypothesis," *Canadian Public Policy*, Vol. 31, No. 1, pp. 109-116.

In explaining the recent evolution of labour market conditions in Canada and the U.S., Stanford revisits the so-called "flexibility hypothesis". In the 1990s, this hypothesis advocated policies to enhance competitiveness and flexibility in the Canadian labour market (such as deep cutbacks to EI and employer-friendly changes in labour law). The conventional assumption was that these pro-competitive reforms would allow a more "flexible" labour market to find a better match between supply and demand, and hence lower unemployment. The paper reports that the positive developments in Canada's labour market since the 1990s were not the result of these pro-competitive policy changes. In fact, by taking a closer look at labour market policy indicators, Canada is no more "flexible" compared to the U.S. than it was when Canada's unemployment rate was higher than in the U.S. EI and welfare benefits have been reduced (both absolutely and relative to U.S. levels); but minimum wage protections, payroll taxes, and unionization rates have all moved in a direction which (according to the flexibility hypothesis) should have increased Canada's unemployment disadvantage, not reduced it. The paper reports other findings that there is no visible correlation between the intensity of labour market regulation (including unionization rates) and the employment performance of OECD countries. The stronger performance of the Canadian labour market in recent years must be attributed to stronger output growth and aggregate demand conditions, not to employer-friendly changes in social and labour policies.