

**To: Canadian Labour Market and Labour Studies Scholars**

**Re: Open Statement on the U.S. Employee Free Choice Act and Canada's Experience With Collective Bargaining**

**Dear Friends;**

*There is an important debate unfolding in the U.S. that will have an historic impact on the future of unions and collective bargaining there – and important spillover consequences for Canada. President Obama's proposed Employee Free Choice Act would implement certain measures (including majority sign-up certification and first-contract arbitration) that could potentially help to halt and reverse the long decline in unionization in the U.S. labour market, that has had such negative consequences for economic and social conditions there.*

*As America's neighbours, we have an obvious interest in the outcome of this debate. But there is another Canadian dimension that we need to consider, as well: Some opponents of the Act have seized on the Canadian experience (given our higher union density, and the use of majority sign-up and first-contract arbitration procedures in several Canadian jurisdictions) to argue that these provisions would undermine future U.S. labour market performance. One widely-cited study (completed by a contract researcher working for business opponents of the Act) has used Canadian data to argue that the Act would increase U.S. unemployment by as much as 5.4 million people. (The entire study, authored by Anne Layne-Farrar of LECG Consulting, is available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1353305](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1353305).)*

*As scholarly observers of the Canadian labour market and labour relations system, it is important that we provide some needed perspective to this debate. Therefore the Centre for Research on Work and Society at York University is pleased to circulate the Open Letter below. We welcome signatures from any Canadian-based university-affiliated scholars in economics, labour studies, labour or industrial relations, or any other labour-related discipline. It states our view that Canada's more extensive collective bargaining system has not undermined our aggregate labour market performance, and has had generally positive impacts on economic and social well-being here.*

*If you are willing to add your name to this Open Letter, please confirm so by e-mailing to Garry Sran at [gsran@econ.yorku.ca](mailto:gsran@econ.yorku.ca). Please include your title and any other affiliations (eg. present or past positions with learned societies, journals, awards, etc.) that we can include in the listing.*

*The Open Letter, with all participating signatures, will be posted to the Centre for Research on Work and Society's web site. In addition, we are planning a special edition of our on-line journal, *Just Labour*, to examine the implications of the U.S. debate for Canada and to critically review arguments such as Layne-Farrar's that unionization leads to poorer labour market performance. Contributions to that edition are welcome; please contact [gsran@econ.yorku.ca](mailto:gsran@econ.yorku.ca) if you are interested in participating.*

*Thank you for your interest in this important debate, and best wishes.*

*Norene Pupo, Director  
Centre for Research on Work and Society, York University*

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## **Open Statement by Canadian Scholars on Unionization and the Economic and Social Well-Being of Canadians**

June 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).

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.

Signed,

*Signatures of Canadian academics in economics, labour relations, industrial relations, labour studies, and related disciplines.*

**Selected Labour Market and Social Indicators  
Canada and the U.S.**

	<b>Canada</b>	<b>U.S.</b>
<b>Unionization</b> <i>(union coverage as share employed non-agricultural workforce, 2008)</i>	31.2%	13.7%
<b>Employment Rate</b> <i>(employed as share of working-age population<sup>1</sup>, 2008)</i>	63.6%	62.2%
<b>Standardized Unemployment Rate<sup>2</sup></b> <i>(unemployed as share of labour force, 2008)</i>	5.3%	5.8%
<b>Employment Growth</b> <i>(average annual growth in employment, 1998-2008)</i>	2.0%	1.0%
<b>Poverty Rate</b> <i>(share households with less than half median income, 2000)</i>	11.4%	17.0%
<b>Income Inequality (I)</b> <i>(ratio of top decile to bottom decile, 2000)</i>	9.4	15.9
<b>Income Inequality (II)</b> <i>(Gini Index of Income Inequality<sup>3</sup>, 2004)</i>	0.318	0.372
<b>Absence of Health Coverage</b> <i>(proportion of population without health insurance, 2007)</i>	n.a. <sup>4</sup>	15.3%
<p><i>Sources:</i> Bureau of Labor Statistics, Current Population Survey database (<a href="http://www.bls.gov/data/#employment">http://www.bls.gov/data/#employment</a>) and <i>International Unemployment Rates and Employment Indexes 207-2009</i>; Barry T. Hirsch and David A. Macpherson, <a href="http://unionstats.com">unionstats.com</a>; U.S. Census Bureau, <i>Income, Poverty, and Health Insurance Coverage in the United States 2007</i>; Statistics Canada, Labour Force Survey, CANSIM Tables 2820055 and 2820078; Luxembourg Income Study “Key Figures”; United Nations Development Program, <i>Human Development Report 2007-08</i>.</p> <p><i>Notes:</i></p> <ol style="list-style-type: none"> <li>1. Working-age population over 15 years old in Canada, over 16 in the U.S.</li> <li>2. Unemployment rates adjusted to reflect common U.S. statistical concepts.</li> <li>3. Higher index indicates more inequality.</li> <li>4. All citizens, permanent residents, and landed immigrants in Canada are entitled to comprehensive public health insurance.</li> </ol>		