

Topic 5.1 - Union Growth and Incidence

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Economics 471

Unions:

- ◆ "Collective organizations whose primary objective is to improve the well-being of their members"
- ◆ Achieve this through "collective bargaining"
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- ◆ In "North America" bargaining is done primarily at the firm level
- ◆ Unions are also often involved in government lobbying
- ◆ In European countries the ties between unions and political parties are particularly close
 - e.g. The Labour Party in the UK

Unions in Canada

- ◆ In Canada Unions have relatively close ties with the New Democratic Party
- ◆ There are two types of Unions in Canada

Craft Unions:



Industrial Unions:



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Union Membership in Canada

- ◆ Unlike in the US, the percentage of workers covered by a "collective agreement" in Canada has increased (or stable) in recent years
- ◆ Table 14.1 presents a number of different measures of "union density"
- ◆
- ◆ Non-agricultural paid workers exclude a number of individuals who are not eligible for unionization
 - e.g. self-employed and agricultural workers
- ◆ In fact, these measures likely understate the fraction of workers influenced by collective agreements

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Union Membership in Canada

TABLE 14.1

Union Membership and Union Density in Canada, 1920–2015

Year	Union Membership (000s)	Union Membership as a Percentage of Civilian Labour Force	Union Membership as a Percentage of Nonagricultural Paid Workers
1920	374	9.4	16.0
1925	271	7.6	14.4
1930	322	7.9	13.9
1935	281	6.4	14.5
1940	362	7.9	16.3
1945	711	15.7	24.2
1951*	1029	19.7	28.4
1955	1268	23.6	33.7
1960	1459	23.5	32.3
1965	1589	23.2	29.7
1970	2173	27.2	33.6
1975	2884	29.9	35.6
1980	3397	29.2	35.7
1985	3666	28.3	36.4
1990	4031	28.5	34.5
1995	4003	27.0	34.3
2000	4058	26.0	32.2
2005	4381	25.5	30.7
2010	4645	25.3	30.8
2015	4524	23.6	30.6

*The survey was not conducted in 1950.

SOURCE: Table 1: Union Membership in Canada, 2000–2010, published in Labour Organizations in Canada 2015, http://www.labour.gc.ca/english/sources/info/publications/union_labour/union_coverage.shtml. Permission granted by the Ministry of Labour, 2015. Data for 2015 also taken from Statistics Canada, Labour Force Survey, January 2015.

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Union Membership in Canada

- ◆ First, there is a distinction between union “membership” and union “coverage”
- ◆
- ◆ Once certified the union is the exclusive bargaining representative for a bargaining unit
- ◆ Thus, union coverage is likely even higher
- ◆ Second, a unions influence may reach far beyond those covered by a collective agreement
- ◆

e.g. Steel industry in Hamilton – Stelco (unionized) while Dofasco (not unionized)

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Legal Framework

- ◆ The law with respect to collective bargaining in Canada has passed through three main phases

Phase 1 (prior to confederation):



Phase 2 (Trade Unions Act of 1872):

- ◆ Saw the removal of many of the restrictions on union formation and collective action



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Legal Framework

Phase 3 (1944 National War Labour Order):

- ◆ Modeled on the Wagner Act of 1935 in the US
- ◆ Labour law facilitated the formation of unions
- ◆ Established employees' rights to union representation and collective bargaining
- ◆ Also established the certification process and limited the interference of employers with union establishment

Certification process:

- ◆ The process by which unions come to represent workers is somewhat complex and varies by province (power is divided between federal and provincial governments)

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Certification Process

- ◆ Basically, an application is made by the union to the province's Labour Relations Board
- ◆ Certification depends on the percentage of workers who indicate their desire for organization by signing union membership cards
- ◆
- ◆ In some provinces, even if this threshold is not met an election may be held to determine if representation is given to the union

Determinants of Growth and Incidence

What explains the large variation in union density?

- ◆ We have seen that union density in Canada varies through time
- ◆ The extent of unionization in Canada also varies by industry, occupation, region and other characteristics
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- ◆ Union density and growth also varies by country
- ◆ Most notable are the divergent trends in unionization between Canada and the US. (Figure 14.1)

Union Density in Canada and the US

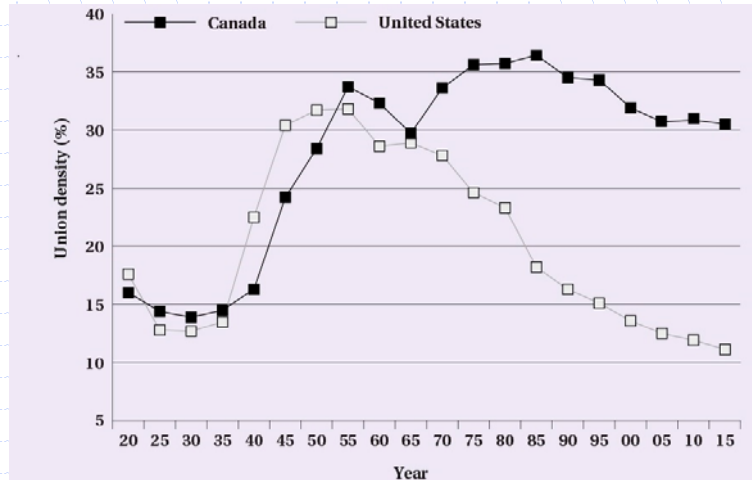


Figure 14.1 Union Density in Canada and the United States, 1920–2015

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Demand and Supply Framework

- ◆ We can analyze the reasons for variation in union density using a demand and supply framework

Demand for Union Representation:

- ◆ Lies with the employees
- ◆ Depends on the benefits and costs associated with union representation

Benefits:

- ◆
- ◆
- ◆
- ◆

Costs:

- ◆
- ◆
- ◆

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Demand and Supply Framework

Supply of Union Representation:

- ◆ Lies with union leaders and their staff
- ◆ Unions allocate their scarce resources to achieve the unions objective
- ◆ Administering contracts and organizing new workplaces are obviously costly activities
- ◆

Determinants

Thus, the extent of unionization depends on:

1. Demand –

- ◆ Demand will be high in organizations where many employees perceive the benefits of unionization to be substantial
- ◆ Depends on the actions of the employer and the political, social and economic environment at any point in time

2. Supply –

- ◆ Supply will be high in organizations in which per worker costs of organization/representation is low
- ◆ Depends on the legal and political environment also

Empirical Evidence

- ◆ The demand and supply framework has been used as the basis for a number of empirical studies
- ◆ Several factors suggested by the demand and supply framework have been investigated using cross-sectional data

These include:

i) Social Attitudes Towards Unions

- ◆ The idea here is that the resistance to unionization and the receptiveness of employees to union representation are affected
- ◆ The difficulty is measuring social attitudes

Empirical Evidence

- ◆ Example: Ashenfelter and Pencavel (1969)
- ◆
- ◆
- ◆ Find that the percent of Democrats is positively correlated with union growth
- ◆ This can't help to explain Canada/US differences in unionization as attitudes towards unions has become increasingly unfavourable in both countries

Empirical Evidence

ii) Legislation Towards Unionization

- ◆ This is somewhat related to the previous factor as legislation is often influenced by social attitudes
 -
- ◆
- ◆ Changes in the legislative framework in Canada have been used to explain the growth in unionization
- ◆ These changes led to decreases in the costs of unionization for employees
- ◆ Differences in legislation have also been used to explain the divergent trends in unionization between Canada and the US

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Empirical Evidence

iii) Other Economic and Social Legislation

- ◆ Legislation that raises employment standards can narrow the gap between union and non-union workers
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- ◆

iv) Aggregate Economic Conditions

- ◆ The Business cycle may also influence the rate of union growth

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Empirical Evidence

Economic conditions work through:

- ◆ The number and growth rate of employees who are eligible for unionization
- ◆ Its influence on the resistance of employers to union formation
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- ◆ The unions ability to get wage increases
- ◆ These suggest that union growth is procyclical
- ◆

Empirical Evidence

v) Firm and Industry Characteristics

- ◆ Studies find that union density is higher in industries where
 - a)
 - ◆ It is more difficult for a single person to be heard in a large firm
 - ◆ Likely that the need for work rules, grievance procedures etc. is greater
 - ◆ Per worker cost of union organizing is lower
 - b)
 - ◆ Implies labour costs are a small fraction of total costs

Empirical Evidence

c)

- ◆ Barriers to entry may limit the threat of union competition in the form of new entrants
- ◆ Potentially greater benefits due to barriers to entry
- ◆ Organizing costs may be lower

vi) Personal Characteristics

- ◆ The characteristics of the individual affect the demand for union representation
e.g. part-time workers are less likely to be unionized
- ◆ The benefits are likely lower
- ◆ Age, gender and the individuals earnings level have also been found to influence the demand