

# **LABOUR UNIONS**

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## **Executive Summary**

Unions have played an essential role in the past in the encouragement of human rights and defenders of citizenship and stateliness in the public and private workforce. The growing concern is whether unions have a reduced authority in terms of their representation of the changing workforce. Unions are often criticized for their lack of democracy and effectiveness in large corporations in the public sector. Although they protect their members and prevent unemployment, their place in the new workforce is highly debatable. This decreased authenticity is a result of there decreased productivity compared to nonunionized companies. As a new business sector is shifting away from manufacturing and moving towards information and technology industries, the decision to sustain unions is being questioned. Their performance in competitiveness as well as adaptations to changing labour forces will be a main determinant in the necessity of unions in today's changing society.

## **Unions are becoming obsolete in today's changing society**

### **Competitive Disadvantage**

Canada currently ranks third in competitiveness, with the US and Australia having the top two positions respectively. ([www.cric.ca](http://www.cric.ca)) Job market performance is mainly affected by public sector employment as a percent of total employment; minimum wages as a percent of per – capital GDP; unionized employment as a percent of total employment and measures of flexibility in labour relations laws in private sectors. ([www.fraserinstitute.ca](http://www.fraserinstitute.ca)) Canada's rank in competitiveness can be attributed to high inflation rates, higher effective minimum wages, larger public sectors and more rigid labour laws. The percentage of private sector unionization has decreased to below 10% since 1997 whereas Canadian private sector unionization has only decreased to 17.8 %. ([www.bls.gov](http://www.bls.gov)) Firms in the U.S, which are nonunionized, are promising, enabling them to maintain their number one position, whereas Canada is lagging, partially due to the relatively high percentage of unionized workers.

### **Unable to Adapt to Technology Changes**

Unions are often criticized for their inability to adjust to technological expansion and changes in market conditions. This problem is attributed to the labour costs needed to maintain a union, on average, they are 15% higher than that of a nonunionized firm. ([www.statisticscanada.ca](http://www.statisticscanada.ca)) These high labour costs make it extremely hard for unionized companies to compete against nonunionized companies. If the unionized company does not have a healthy profit, it will likely not be able to sustain the high cost of labour. Union rules can make it considerably harder for a union to invest in modern technology. According to union rules, when new machines increase a firm's productivity, union wages increase consecutively. (Introduction to Trade Unionism in Canada, p.180) This common practice deters unionized firms from investing in technology; in fact, they generally invest 30% less in technological advancement compared to nonunionized firms.

([www.bls.gov](http://www.bls.gov)) Without investment in technological advancements, unionized firms will continue to fall behind their U.S counterparts.

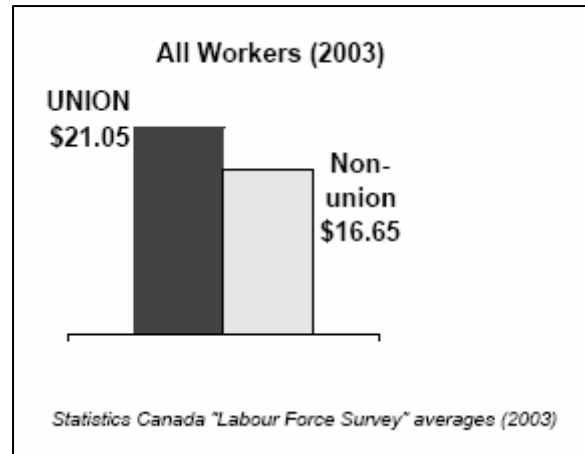
### **Unable to Adapt to Changing Labour Force**

Canada is experiencing a change in the demographics of the labour force. Labour unions mainly cater to the public sector, which includes trades and other blue-collar work. Labour unions are still prevalent in this area, (72% of the public sector is unionized) however, unionization in the private sector has decreased to 17.8%. ([www.statisticscanada.ca](http://www.statisticscanada.ca)) Currently, there is a shift towards the private work sector. Nationally, highly skilled occupations jumped 32.9% between 1991 and 2001. Provincially, growth is strongest in British Columbia (+49.8%), followed by Alberta (+39.2%) and Ontario (+35.8%). Highly skilled occupations accounted for more than 17% of all occupations in Ontario, up from 14% in 1991. ([www.statisticscanada.ca](http://www.statisticscanada.ca)) Unions do not have a strong influence over highly paid workers in the private sector and will therefore become increasingly obsolete as the labour force shifts away from the public sector.

## Unions protect the rights of employees in the public and private workforce

### Protection of Members

A union's main objective is to democratically represent its members in collective bargaining agreements; a process of formal negotiations between a union and employer to establish a collective agreement. (All About Unions in Canada p.30) The agreement is broken down into several sections of importance, including wages, employment and working conditions. Statistics Canada found that unionized workers continue to earn, on



average a 15% higher wage than those of nonunionized workers.

([www.statisticscanada.ca](http://www.statisticscanada.ca)) As well the union negotiates wage increases through the collective bargaining process. The average collective agreement provides a 5% wage increase for private sector workers in 1988 and a 4% raise for public sector employees. Wages were increased in all contract settlements by 2.8% in 2002.

([www.statisticscanada.ca](http://www.statisticscanada.ca)) Workers belonging to unions have security knowing that their wages will likely increase each year.

### Grievance Procedures

All collective agreements contain a grievance-arbitration article, which provides a mechanism for resolving disputes that arise out of the application (policy grievances usually initiated by the union) and/or administration of the collective agreement (individual grievances with members.) (Introduction to Trade Unionism in Canada, p.70) Unions are legally required to take all grievances seriously and provide fair representation to all members. Access to grievance systems is considerably higher for the unionized: 85% to 35% for the nonunionized. 11.2% of unionized workers make use of the grievance system annually. 61% of the 11.2% who used the grievance system in 1999

felt that there was some type of improvement. ([www.statisticscanada.ca](http://www.statisticscanada.ca)) The grievance system works to protect the rights of union members by eliminating the instances of unfair corrective actions and/or firing.

### **Prevention of Cyclical Unemployment**

Cyclical unemployment is the occurrence of individuals facing dismissal because of changes in the economic cycle. Nonunionized companies have the legal rights to dismiss workers at their own will when it is not profitable to keep them as employees. This usually occurs when growth in an economic activity reaches its maximum point and production needs to be stopped to avoid accumulating inventories.

(<http://www.digitaleconomist.com/>) Union members have legally binding agreements known as collective bargaining agreements, which ensure that they cannot be fired without “just cause”. “Just cause” can be used when there is a lack of work, documentation of poor performance or employee dishonesty. ([www.legalbasics.com](http://www.legalbasics.com)) Unionized companies do not have the ability to terminate their employees without a just purpose. This helps temporarily stabilize the economy in turbulent times when nonunionized companies have the ability to dismiss workers, adding to the unemployment rate.

## Conclusion

I believe that unions are no longer essential in today's society. Unions were beneficial at the time of the Industrial Revolution when workers needed to band together to form a political voice. Now that our economy has moved away from the assembly line, a union is not necessarily needed to protect workers. Canada's economy is no longer based on the large manufacturing sector and is instead moving towards technological industries. Canada is currently experiencing changes in workforce demographics as well as economic structure, causing a decreased need for unions. The high cost of sustaining unions is preventing them from becoming prevalent in the quickly growing information – technology industries and occupations. The likelihood of employees staying with the same company for the majority of their career is decreasing. Loyalty to companies is not heavily valued in today's workforce, and therefore employees tend to change careers at will. Therefore, today's employees do not value the protection of job security that a union would offer. As well, there is an increased amount of entrepreneurs and people working at a home office, this group of workers have no need for a union, as they control their own working conditions. In conclusion, unions were extremely beneficial when worker's rights were ignored, but now that the workforce had evolved, they are becoming more of a burden than a necessity.

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