

What Can Canada Learn from Britain's Experience of Industrial Relations Reform?

by J.R. Shackleton

In 1979, the incoming British government under Margaret Thatcher faced an economically and politically powerful trade union movement organizing more than half the workforce. Five million employees were in “closed shops”—union membership was required if workers wished to hold a job. Unions were unaccountable institutions that resisted attempts by Labour and Conservative politicians to reform them, and were consulted and deferred to on a huge range of issues. Many believed them to be an important causative factor in the poor performance of the British economy in the 1960s and 1970s—slow growth, rapid inflation, and rising unemployment.

Today, Britain looks remarkably different. Fourteen years of uninterrupted economic growth have pushed per capita income ahead of the French, Italian, Swedish, and other economies that used to outperform that of the UK. Employment is at record levels, while unemployment is well below that in

most other major OECD economies, including Canada.

The UK's success clearly does not rest on a single factor, but most analysts agree that the reforms of industrial relations undertaken by the Thatcher administrations, and largely continued by her successors, were crucial. Are there lessons for Canada in this experience?

The Thatcher-Major reforms

In 18 years of office until 1997, the Conservatives under Margaret Thatcher and John Major produced eight major pieces of legislation¹ that fundamentally altered the UK industrial relations environment. Key themes were:

- Narrowing the scope of permissible union action in pursuit of a dispute. Secret ballots were now required prior to strikes, no “secondary” or sympathetic action was allowed, and there was an end to coercive mass picketing which had been employed

in some strikes, notably those involving the National Union of Mineworkers.

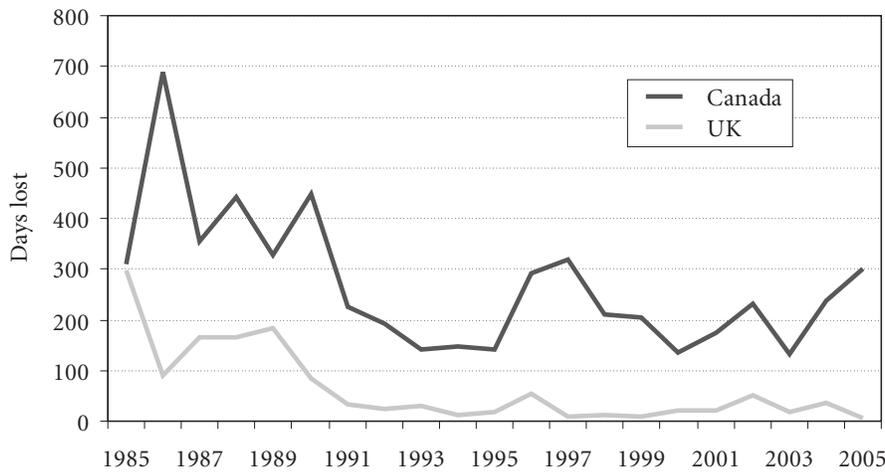
- Unions were made financially liable for torts committed by their members: unofficial “wildcat” strikes (a recurrent and expensive problem in Britain in the postwar period) became potentially costly for union funds. Union officials now had a strong incentive to curb unofficial action.
- The scope of the closed shop was narrowed in successive acts until it was finally abolished in 1990: no longer could non-union workers be denied employment in unionized workplaces.
- Unions themselves were reformed and democratized. Secret ballots were required, at regular intervals, to elect officials and to institute or continue political funds paid from member subscriptions. Properly audited accounts had to be available to union members, and individuals were protected against expulsion for refusing to support a strike.

It should be emphasized that this process of reform was gradual, rather than the full-frontal approach attempted by the Heath administration in the early 1970s.² Despite legends that have grown up about the Thatcher period, her administrations offered a pragmatic approach, in line with opinion polls supporting moderate reforms. The same areas were revisited on several occasions, with each return going a little bit further. Sometimes reform measures would be wrapped up with “sweeteners” in the form of measures that could be presented as favourable to union members—such as European directives on discrimination. Importantly, measures to reform unions’ internal structures and processes were presented as “giving

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Days Lost to Labour Disputes per Thousand Employees, 1985-2005



Sources: Office of National Statistics, UK; Statistics Canada; calculations by author.

unions back to their members,” a powerful narrative.

If the reforms tended to reduce the power of unions, various other policy shifts had the same tendency: the breakup of union-dominated nationalized industries as part of the privatization program; deregulation allowing new competition in previously protected areas of the economy; and reform of the benefits system which, for example, no longer allowed strikers’ families to claim a range of benefits.

Tony Blair’s administrations

Very few of the Conservatives’ industrial relations reforms have been reversed by Tony Blair’s administrations. Although “New Labour” has introduced many measures aimed at favouring ordinary workers, including enhanced employment protection, a National Minimum Wage, increased holiday entitlements, reduced working hours, and extended parental leave,³ it has left unchanged the core Thatcher legacy.

It is true that since 1998 there is now a procedure in place for statutory union recognition,⁴ but this is weaker than some Canadian equivalents. Under the UK procedure, independent trade unions in businesses employing 21 or more workers have the right to claim recognition for collective bargaining.

If the employer rejects the request, the union can apply to the Central Arbitration Committee (CAC). To have its application accepted, the union must show that 10 percent of workers in the relevant bargaining unit belong to the union, and that a majority is likely to favour recognition. The CAC can then make a declaration of recognition or hold a ballot of workers in the bargaining unit. To win recognition the union must get a majority of those voting and at least 40 percent of those entitled to vote. If it fails, a union must wait three years before making a new application.

What has happened since this legislation? There are indications that the more favorable climate for unionism has led to an increase in recognition agreements. In the five years after the

legislation came into effect just under 1,800 new union recognition agreements were signed (Gall, 2005).

New union recognitions have been concentrated in the slower-growing manufacturing sector where unions were traditionally relatively strong. Furthermore, there have also been substantial numbers of “derecognitions” as well: derecognitions can occur under the legislation when business reconstructions mean that bargaining units change, for example. Those firms which have derecognized unions have grown faster, as have those which never recognized them in the first place (Gall 2005, Blanden *et al.*, 2006).

Decline in union power in Britain

Thus, overall, the new legislation has done little to reverse the decline in unionism begun under the Conservatives. Over 13 million at its peak in 1979, union membership had fallen to well under 7 million by 2005.⁵

From the beginning of the twentieth century, British union density—the proportion of the workforce in unions—was considerably higher than that in Canada (Blanchflower and Bryson, 2004). In 1979 union density in the UK reached 53 percent, at which time the comparable figure in Canada was 37 percent.

However, density in the UK has dropped sharply in the last quarter of a century, so that it is now very close to that of Canada.

This similarity in the overall density figure needs further comment. For although the private sector density figures (Great Britain, 17.1%; Canada, 17.9%) are very close, there are marked

differences between public sector union density, with Canada having 71.3 percent of its public sector workers in unions as against only 58.2 percent in Britain.⁶

The downward drift of British unionization is not the result of large numbers of existing members leaving unions, but of a big increase in the percentage of employees who have never been union members—up from 28 percent in 1983 to 48 percent in 2001. This figure is now almost 60 percent for 25-34 year-olds: younger generations are losing the habit of union membership.⁷

During this period, the number and scale of industrial disputes has fallen dramatically. Here the recent British experience diverges sharply from that of Canada. Both countries at the end of the 1970s were troubled with large-scale industrial action. In 1979 the UK had 2000 disputes and lost over 29 million working days through strikes. However strikes in the UK are now rare. There were only 116 strikes in 2005, with a mere 157,000 working days lost (mainly in the public sector).

In contrast, Canada's much smaller workforce lost 4.1 million working days last year. As Figure 1 shows, Canada now consistently outstrips the UK in terms of working days lost per thousand employees.

Canadian differences

Canada in 2006 is not Britain in 1979. Its living standard is much higher, its economy is more successful—and its unions are rather less powerful than was the case in 1970s Britain. But unions are a real force in some provinces, and in some areas of the Canadian economy.

The economic impact of unions has been the subject of much research. The

Table 1: Union density versus employment rates in Canada, 2006

	Union density, 2006	Unemployment rate, August 2006	Employment rate, August 2006
Newfoundland and Labrador	36.3	15.1	50.5
Prince Edward Island	28.9	10.9	60.9
Nova Scotia	27.5	8.4	57.3
New Brunswick	26.4	9.1	57.3
Quebec	37.0	7.9	60.2
Ontario	26.7	6.4	63.4
Manitoba	34.8	4.5	65.9
Saskatchewan	35.0	5.4	65.7
Alberta	22.4	4.2	70.8
British Columbia	30.2	4.8	62.3

Source: Statistics Canada.

consensus seems to be that unionization reduces employment growth in unionized firms and sectors (Bryson, 2004). “Insiders” gain at the expense of “outsiders”: the middle-aged union worker does well, but the younger worker, or anybody who becomes unemployed, finds it difficult to get into a well-paid job.

Industrial relations legislation in some Canadian provinces favours union organization to a degree unknown in most other countries. The difference in industrial relations regimes between the various provinces is almost certainly a factor in the large disparities in unionization rates.⁸ This in turn probably affects employment and unemployment rates.

Table 1 shows that those jurisdictions with pro-union legislation (for example in relation to certification processes, replacement workers, and compulsory membership)—Quebec, British Columbia, Newfoundland/Labrador—show high levels of unionization. Differences in union density are associated with differences in employment and unemployment rates. An extreme comparison is between Newfoundland/Labrador and Alberta, with

the former's higher unionization being associated with higher unemployment and lower employment than the latter. Of course there are many other factors affecting the various Canadian provinces, but it is not fanciful to suggest that, in an era of footloose investment, pro-union regimes carry a cost.

Apart from their economic impact, industrial relations provisions in some Canadian provinces arguably breach individual liberties and property rights in a way which is becoming unacceptable in the twenty-first century. Although compulsory union membership was common in the UK, it has long been abolished and is no longer allowed in any major OECD economy: Canada is out on a limb. Unions in Canada can punish members by fines or expulsion: this is no longer lawful in the UK. Nor does the ban on replacing workers during strikes, a feature of Quebec's law, have a counterpart in the UK.

It is not easy to transfer the lessons of one country's experience at one date to another time and place. But the experience of the UK suggests that a gradual but consistent process of rebalancing



employment law can succeed even in the face of fierce political opposition. Part of the process may be selling the idea of giving union members a greater role in making decisions: this was a feature in the UK and could provide part of a plausible reform strategy in Canada.

Britain today is a much more successful economy than could have been anticipated in the late 1970s and early 1980s. It is testimony to the importance of the British industrial relations reforms that there is now no significant constituency in the UK for returning to those features of the legal environment prevailing in the pre-Thatcher period.

Notes

¹The Employment Act 1980, the Employment Act 1982, the Trade Union Act 1984, the Wages Act 1986, the Employment Act 1988, the Employment Act 1989, the Employment Act 1990, and the Trade Union Reform and Employment Rights Act 1993.

²That period saw militant unionists being jailed, followed by their being released as a result of popular outcry. Edward Heath called the February 1974 election on the issue of “Who rules Britain?” Unfortunately for him, the electorate decided it would be Harold Wilson.

³See Shackleton (2005) for a discussion of these measures.

⁴Strictly speaking, this was a reintroduction, for there was a procedure which operated under the Commission on Industrial Relations between 1971 and 1974, and a second procedure operated under the Advisory, Conciliation and Arbitration Service from 1976 to 1980.

⁵The estimate of union membership based on the Labour Force Survey is now considered to be the best measure, as the Certification Office data (based on unions’ own returns), includes retired members, those working abroad and so forth. It also includes the whole of the UK rather than simply Great Britain. Unfortunately the series does not go back before 1995.

⁶The overall density figures are close together because the UK has a larger proportion of its employment counted as within the public sector.

⁷This trend is also discernible in Canada, although the change has not been so dramatic as in Britain (Bryson, Gomez, Gunderson and Meltz, 2005).

⁸For example, Riddell (2001) shows how changes in certification procedures affect unionization rates.

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