

Unions in a Democratic Society

A Response to the Consultation Paper on the
Renewal of Labour Legislation in Saskatchewan

Christopher Schenk





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CANADIAN CENTRE
for POLICY ALTERNATIVES
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de POLITIQUES ALTERNATIVES

ISBN 978-1-77125-028-3

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CCPA 2017
OTTAWA

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ACKNOWLEDGEMENTS

The author would like to thank the two academic reviewers, Elaine Bernard of Harvard Law School and Larry Haiven of St. Mary's University. The CCPA acknowledges the National Union of Public and General Employees (NUPGE) for its generous support of this research.

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A Response to the Consultation Paper on the Renewal of Labour Legislation in Saskatchewan

Executive Summary

This paper constitutes a response to the *Consultation Paper on the Renewal of Labour Legislation in Saskatchewan* issued by the Ministry of Labour Relations and Workplace Safety in May 2012 (herein referred to as Consultation Paper).

It was not its intent to respond specifically to each of the legislative directions contemplated in the Consultation Paper. Rather, the paper provides a critical review of the Consultation Paper's orientation, namely its lack of recognition of the role of labour rights in advancing democracy, equality and economic justice. It also explores how the Consultation Paper fails to understand the historical context and principles behind several key features of the Canadian industrial relations system.

The following provides a brief overview of each section of the paper.

Perspectives on Unions

The paper begins with a review of the prevailing perspectives on the role unions play in society as described in the labour relations literature. It presents the case that unions should be viewed from a collective “voice” perspective, which enables union members to participate in democratic workplace processes through discussion, voting, union elections and negotiations with their employer on issues of common concern to the workers.

The Compulsory Payment of Dues

This section explores this issue by examining in detail one of the most important labour rights decisions of the Supreme Court of Canada, the 1991 ruling in the case of *Lavigne v. Ontario Public Service Employees Union (OPSEU)*, which upheld that the compulsory payment of dues does not violate an individual’s rights and freedoms under Canada’s *Charter*. Using taxation as an analogy, the Court noted that citizens do not have the right to withhold taxes if they disagree with government actions. One of several reasons the Court gave for its decision was that compulsory dues does not identify a member with union activities, nor does it prevent a member from expressing his/her own views.

Everybody Benefits, Everybody Pays

The Consultation Paper raises the question of whether an individual worker should have the right to choose not to pay dues. In response, this section of the paper discusses the well-established principle of our labour relations system – that everybody in a unionized workplace benefits from the union’s efforts, and therefore everyone should pay dues. This is the basis of current law in all jurisdictions across Canada.

The Rand Formula & ‘Right-to-Work’ Legislation

The Consultation Paper contemplates legislative changes that would give employees in a unionized workplace the legal right to opt of paying dues. The paper contends that this would have the effect of adopting a so-called ‘Right-to-Work’ law in Saskatchewan, similar to laws found in several U.S. States. It reviews recent research on U.S. ‘Right-to-Work’ laws, which exposes the negative economic and social consequences of such laws. The

paper also points out that these laws would be incompatible with the well-established Rand formula. This is a core principal of Canadian labour relations, which recognizes all workers in a unionized workplace benefit from the union and therefore, they should equally pay the costs of achieving and protecting those benefits.

Globalization and ‘Right-to-Work’

One of the key unspoken objectives of ‘Right-to-Work’ laws is to lower workers’ wages. In this regard, the paper points out that globalization has largely rendered ‘Right-to-Work’ laws ineffective. Based solely on the wage costs, there is now little incentive for a corporation to relocate its operations to a ‘Right-to-Work’ jurisdiction when even cheaper labour costs can be found elsewhere in third world countries around the world.

Growing Inequality in Canada

One of the biggest challenges facing Canada today – growing income inequality – is addressed in this section. The dimensions of this dangerous phenomenon are examined as are the negative consequences of societies becoming more unequal.

Unions Reduce Inequality

Evidence from Canada and internationally is given to support the assertion that unions play a key role in reducing inequality, both in the workplace and in society as a whole. Reference is made to a 2008 International Labour Organization’s (ILO) study of 51 countries, which shows a strong correlation between high union density and greater income equality.

Democracy and Equality

Unions have been, and continue to be, an important force for democracy, not just in the workplace, but also in the community – locally, nationally and globally. The paper points out that not only do democracies benefit from unions, so do economies. Unions promote higher levels of economic equality for all citizens.

Restrictive Legislation

The paper examines the attack on labour rights here in Canada over the past three decades through the enactment of restrictive labour laws that have denied, eliminated or restricted collective bargaining rights of workers. It notes that several of these pieces of legislation have violated Canada's *Charter of Rights and Freedoms* as well as international labour standards that Canada is obliged to support, promote and adhere to.

Conclusion

The paper concludes with a discussion on how to confront the challenge of income inequality. It suggests the best way to deal with insecurity faced by a growing number of workers resulting from low wages and increasingly precarious work, is through progressive labour law reform which promotes unionization, rather than legislation like 'Right-to-Work' laws, which impact negatively on the living standards of Canadian workers.

Introduction

This paper is written in response to *A Consultation Paper on the Renewal of Labour Legislation in Saskatchewan* (2012), in particular, to the section on the Saskatchewan *Trade Union Act*. Rather than exploring how to improve the rights of Saskatchewan workers and to protect them in the face of recent changes brought on by economic restructuring, outsourcing and globalization, the Government's *Consultation Paper* contemplates more restrictive, indeed punitive, changes to Canada's existing industrial relations system that more closely resemble legislation adopted in so-called right-to-work jurisdictions of the United States.

The following paper is not intended to be a legal opinion of the questions posed in the *Consultation Paper*. Its purpose is to discuss the democratic and social role of unions in Canadian society, a role vigorously challenged by some of the issues raised by the *Consultation Paper*.

In order to understand the ideological biases behind the current discussion of unions in society, this paper begins by examining two different perspectives on unions. It then proceeds to examine the Supreme Court's ruling in the case of *Lavigne v. Ontario Public Service Employees Union*. This is followed by a discussion of the Rand formula and how it differs from right-to-work (RTW) and similar restrictive labour legislation. It then takes up the

issue of RTW legislation in light of the changes introduced by globalization. This is followed by a discussion of growing income inequality in Canada and the impact unionization has on it. A final section explores the issues of union democracy and free collective bargaining versus the federal government's interference in labour relations.

The Debate: Two Perspectives of Unions

Ever since the days of Adam Smith, economists, social scientists and political pundits have debated the pros and cons of unions. Despite long years of debate and controversy a consensus has yet to emerge. A few decades ago, Flanders (1970:15) held that “trade unions have always had two faces, sword of justice and vested interest.” One of the most important examinations of the varied role of unions is that of Freeman and Medoff (1984) in their influential book *What Do Unions Do?* Unions, say the authors, are often misperceived as monopolies, when in fact they only imperfectly and often with considerable difficulty withhold labour from employers in order to achieve their goals. Another vital feature of union activity often willfully ignored by opponents is the “collective voice/institutional response” associated with unions’ democratic representation of workers within the workplace. Those who only see unions as *monopolistic* argue that unions in the private and public sectors can effectively impose wage increases for their members. They insist that such increases cause companies to become uncompetitive, lower output, limit employment and, as a result, harm economic efficiency and income distribution.

Despite the obsessive attention paid by economists to this perspective, particularly in recent decades, the findings of Freeman and Medoff (1984:6) suggest otherwise. They maintain that we cannot equate unions with monopolistic companies that dominate an economic sector or set their own prices to “maximize profits.” Rather, they say, unions are “collective organizations of workers with diverse interests.” They bargain over wages and benefits with employers, usually coming to a mutually satisfactory agreement. So unless one believes that bargaining is a mere “sham,” say Freeman and Medoff (1984:6), the resulting wage levels “must be viewed as a joint responsibility.” Put another way, if all unions did was to raise wages above a competitive level they would have a difficult time surviving. Unionized companies would have far higher production costs than other firms and they and the union would both suffer, if not expire. In the public sector, services, hospi-

tals and schools would have to be drastically curtailed and employment of union members reduced. In reality, this is not so.

In the public sector, the employer is also often the government either directly or indirectly, and has the power to not only reject a union's demands but to place legislative restraints on them, such as wage controls. A further option, utilized by Ontario and other provinces in the 1990s, was to curtail expenditures by forcing government employees to take days off without pay.

Provincial and federal governments have used their legislative powers to prevent many groups of public workers from exercising their right to strike. Where strikes are not forbidden, governments impose harsh rules on the proportion of employees designated "essential." The level of designation is often so high that union bargaining strength is decidedly weakened, enabling government services to continue with designated employees and managerial staff. Both sides then realize that the union is at a disadvantage and therefore hobbled in its ability to pursue issues to the point of a work stoppage. Even in cases where these repressive tactics are not utilized, a public sector union's ability to raise wages and procure increased benefits is limited by the economic reality in which it functions, by the nature of the government it faces at the bargaining table and by popular opinion as expressed by taxpayers. It is therefore the government of the day, not the public sector union that has the monopoly power. Depending on the circumstances, it can choose to use this authority or not. Private sector unions have a similar economic reality but not the same political restraints.

Alternatively, the "collective voice/institutional response" of unions permits groups of people two basic mechanisms for expressing dissatisfaction with their lot (Hirschman, 1971). The first involves the "classic market mechanism of exit-and-entry" wherein individuals exercise their freedom of choice to either accept a situation or vacate it. Just as a dissatisfied consumer can change products or service providers, a dissatisfied worker can theoretically refuse a bad job in favour of a more desirable one. In the labour market, says Hirschman, exit is synonymous with quitting and entry with new company hires. Large public sector entities, such as governments, hospitals or schools have similar exit-and-entry options, although some of this activity can be mitigated when employees have the ability to transfer from one department to another instead of quitting. As Freeman and Med-off (1984:8) remark: "As long as the exit-entry market mechanism is viewed as the only adjustment mechanism, institutions like unions are invariably seen as impediments to the optimal operation of the economy."

A second mechanism is what Hirschman refers to as “voice.” Voice in this situation refers to participation in the democratic process through discussion, voting, union elections and negotiation. Participation and success in these activities tends to narrow the gap between actual and the desired situations. In both the private and public job markets, voice entails discussing or bargaining with an employer about conditions one feels need to be changed or improved rather than quitting and going elsewhere. In today’s market economy, particularly in large enterprises, trade unions tend to be the vehicle for a democratic voice. They represent a collective voice rather than an individual one. This is more effective for employees for several reasons. First, many issues are membership or public issues, such as safety conditions, pensions, the promotion process, benefits, wage levels, etc. Second, individuals often fear job loss if they speak up on their own. In addition, collective representation strengthens the position of all members and their issues by enabling a more equitable playing field, and it is generally protected by labour law.

By enabling a collective voice unions also alter the social relations of the workplace. The essence of the employment relationship in industrial capitalist societies, whether in the public sector or the private sector, is one of people selling their ability (qualifications, skill, experience) to work for payment from an employer, with the employer maintaining control over the work process and the employees’ time. The employer seeks to utilize the employees’ skill and ability in a manner that both produces a needed product and maximizes the profitability of the company or provides a needed public service. While the employer ultimately determines the way in which an employee’s time and ability is allocated, there is necessarily some interaction between the employer and the worker. In non-union workplaces this interaction most often invokes limited responses to the directives that the employee feels are unfair or incorrect. Should solutions to the concerns not be found the employee often finds that she or he must either live with the employer’s directives or quit.

By contrast, unionized workplaces offer employees more power to mitigate managerial authority by offering members some protection and “voice” through labour relations jurisprudence. The grievance and arbitration system wherein disputes over proper managerial decision-making on work issues can be resolved in an open and reasonable manner can also be utilized. This results in a situation where a worker’s input and rights are far more likely to be resolved and enforced. As Freeman and Medoff (1984:11) note: “Economic theorists of all persuasions have increasingly recognized

that unions' ability to enforce labour agreements, particularly those with deferred claims, creates the possibility for improved labour contracts and arrangements and higher economic efficiency.”

The point of this discussion is to suggest that just as there are two sides in a market economy, supply and demand, there are two sides to industrial relations, management and labour. While each has differing interests and views, unions offer management through collective bargaining a critical opportunity to learn about the concerns of employees and thereby improve the operation of the workplace. In most cases, unions are associated not only with improved efficiency but with reducing earnings inequality and contributing to economic democracy. Indeed, Freeman and Medoff (1984:11) insist that focusing only on the monopolistic activity of unions leads to an *inaccurate* representation of the role unions play in a democratic society. The alternative perspective, the “voice/response” function of unions, enables a more realistic and well-rounded understanding of what unions actually do and the processes that allow them to do it.

The Supreme Court's Lavigne Case and the Compulsory Payment of Dues

One of the most important cases exploring these complex issues is the Supreme Court of Canada's ruling in the case of *Lavigne v. Ontario Public Service Employees Union* (OPSEU) (1990–91). The reasoning of the Justices provides numerous insights for labour relations today, building on the thinking behind the Rand formula. As is common across Canadian jurisdictions, trade union members are required to pay dues under the mandatory check-off clause in their collective agreement. The applicant, Lavigne, a community college teacher in Ontario, objected to paying dues for purposes he claimed were not directly related to collective bargaining, such as support for the NDP and disarmament campaigns. The core of his argument was that the mandatory dues check-off deprived him of his right to refuse to support the Union and its causes. This speaks directly to the *Consultation Paper's* questions on “Accountability” (13–14). In a lengthy ruling the Court found that Lavigne's “freedom of expression” guaranteed under the *Charter of Rights and Freedoms* had “not been infringed.”

The purpose of the Rand formula is simply to promote industrial peace through the encouragement of collective bargaining. It does not purport to align those subject to its operation with the union or any of its activities, since

it specifically provides for dissent by stipulating that no member of the bargaining unit is required to become a member of the union.... The compelled payment of dues does not publicly identify him with the Union's activities, and does not prevent him from expressing his own views (Lavigne, 217).

The ruling goes on to state that “no one's desire or power to speak his mind is checked or curbed.” The court held that: “The individual member may express his view in any public or private forum as freely as he could before the Union collected his dues. Using taxation as an analogy, the court wrote that “our system of taxation arguably brings all taxpayers into forced association with the political party in power, its policies and the uses to which our tax money is put.” If such was the case, that s.2(d) of the Charter of Rights and Freedoms “protected such compelled associations, all taxpayers with a grievance to air would theoretically be able to come before the courts...(Lavigne, 260).”

The Court went on to explain:

...there is no distinction in principle between our overall system of government and the role of taxation within it and the mini-democracy of the workplace. Under our labour relations regime all members of the bargaining unit have an equal opportunity to participate in choosing who is to represent them and to join the ranks of the union or not as they see fit. Further, as in our system of representative democracy, members of a bargaining unit may also decide to oust their bargaining agent if dissatisfied with its performance. Hence, the system of compulsory dues check-off is no different in principle from the system of taxation in a democracy...(Lavigne, 260).

Further on the ruling returns to the analogy of taxation, saying: “It seems axiomatic that the payment of taxes does not signify in the eyes of others support for the uses to which tax money is put or support for the political party in power or, indeed, support for the idea of government at all (Lavigne, 281).”

In reference to the question of union expenditure, even on issues not directly related to collective bargaining, the Court ruled: “Union discretion in relation to dues expenditure forms part of the means by which the legislature sought to achieve its aim, and there is a rational connection between promoting collective bargaining and permitting unions to invest in ways they believe will best serve their constituencies (Lavigne, 237).” The Court approvingly quoted a Professor Etherington as saying:

The attempt to distinguish the economic and political concerns rests on the misguided premise that unions can represent the economic interests

of workers effectively without engaging in political activity. If this was ever more than a myth, it is certainly not the case in a post laissez-faire society in which government intervention and regulation in most spheres of economic and social life is a daily event (Lavigne, 288–289).

Later in the ruling the Court states that the “Rand formula builds on the strength and independence of unions by permitting them to determine where, when and whether to give support to other entities which will act in their interests.” (Lavigne, 288). The Saskatchewan Government’s *Consultation Paper* flies in the face of this view (2012: 13–14).

At the same time, the Supreme Court reminded everyone that a union may compel the payment of dues only after a majority of employees have democratically chosen to unionize and that “if members of the bargaining unit find that they are unhappy with their bargaining representative, they may take a vote to decertify the Union.” (Lavigne, 302).

It should be added that union members need not take such drastic action to question the policies and practices of their union. Many decisions are put to votes of the membership at democratically mandated conventions and it is not uncommon for the membership to reject union initiatives. Unlike parliamentary democracy, where a majority government can run roughshod over the rest of the House of Commons, with sufficient support union members can stop their leaders in their tracks on particular issues.

Finally, it is worth noting that while the *Lavigne v. OPSEU* court ruling upheld the Rand formula giving the Union considerable freedom of action with its members’ dues, it also maintained that “with that authority comes a great deal of responsibility.” The process of union representation, it held, “carries the hall mark of democracy.” This speaks to the earlier discussion wherein Freeman and Medoff (1984) were cited concerning working people having a democratic “voice” in the workplace through voting on the issues the union presents at the bargaining table, electing a bargaining team, voting for or against a new tentative agreement, electing union officers, etc. The ruling was at pains to point out that: “This is not a case of the heavy hand of government coming down and enforcing its will with little or no regard for the rights and freedoms of those affected.” The objective remains one of “promoting collective bargaining and respecting as far as possible the rights of individual employees.” (Lavigne, 303).

In concluding this section it should be remembered that legislation from province to province often contains certain unique provisions, just as each union has a distinct constitution. The “Union” referred to in the Lavigne case,

when capitalized, is OPSEU, and not necessarily unions in general. Legislation and union constitutions in Saskatchewan are a case in point, exhibiting certain unique intent and language. The ruling in the Lavigne case is over one hundred pages long. I have therefore limited the above discussion to those sections of the Supreme Court's ruling that have general applicability and speak to the basic principles of the Rand formula.

Everybody Benefits, Everybody Pays

The *Consultation Paper on the Renewal of Labour Legislation in Saskatchewan* raises several concerns regarding union dues that throw into question the current Rand formula of “everybody benefits, everybody pays.” Some background therefore may be helpful.

Ivan Rand authored the formula that bears his name based on his arbitration of a bitter and lengthy 1945 Ford auto strike in Windsor, Ontario. The strike proved to be one of the key labour disputes responsible for forging our modern industrial relations system. It prompted a definitive break from pre-war labour legislation, in which unions were tolerated but left unprotected. Justice Rand's ruling occurred in the context of industrial labour turmoil, mass strikes and plant occupations on both sides of the Canada-U.S. border, as well as the adoption in the U.S. of the Wagner Act. Canada would soon enact its own similar legislation known as Privy Council Order 1003. Michael Lynk (2009:15) notes how “This *nouvelle epoch* would positively affirm the collective voice of unions in the Canadian workplace, recognize the legal status of collective agreements, and replace the court's jurisdiction to regulate the workplace with expert panels of labour relations boards and arbitration boards.”

With legal certification and protection union membership grew significantly. To Rand and many others at the time, this was to be expected and encouraged:

...labour unions should become strong in order to carry on the functions for which they are intended. This is machinery devised to adjust, toward an increasing harmony, the interests of capital, labour and public in the production of goods and services which our philosophy accepts as part of the good life; it is to secure industrial civilization within a framework of a labour-employer constitutional law on a rational economic and social doctrine (Ford Motor, 1944-48: note 2, 160).

The years of industrial unrest and strikes had won labour recognition, legal protection, and financial stability via the dues check-off. Where unions were legally certified, following a government supervised majority vote by the employees, employers were now required to deduct union dues and transfer them to the union. The predominance of capital versus individual workers was recognized and a system of collective representation and bargaining was now encouraged.

The economic power of private capital was curbed, and as a consequence social stability entered the industrial sphere (Fudge and Tucker, 2001:302–315). Collective bargaining and other union activities enabled workers to have a democratic voice in their daily work lives. Strikes were not allowed during the life of a contract and processes were developed to assuage conflict when it did occur. In place of strikes or other disruptive actions during the life of a collective agreement individual grievances were permitted. Most grievances were settled in the workplace. When they weren't, they could proceed to private arbitration. After the Second World War, labour legislation devolved to the provinces. Some variations on the theme emerged, but the Wagner Act/PC 1003 model has remained intact with modifications and reforms accompanying economic changes such as the growth of the private and public service sectors.

The notion that everybody benefits and so everybody pays continues to this day. Changes to this provision would mean the end of financial security for labour and a return to workplace conflict and uncertainty for employers.

The Rand Formula and Right-to-Work Legislation

The recent spread of RTW laws in the U.S. (e.g., Indiana) and the issues raised by the Saskatchewan government in its *Consultation Paper*, including the suggestion that employees be allowed to opt out of the union on other than religious grounds, and should not have to pay dues if they opt out, signals a clear move in the direction of RTW and invites further comment. Supporters of RTW-type measures justify their views on two grounds: first, RTW will help boost economic growth; and, second, RTW will be a benefit to workers, their communities, and their province. Both deserve comment.

In the current economic climate RTW may sound positive, but the name is misleading: RTW laws do not guarantee a job for anyone. Furthermore, determining a region or a province's economic climate is not within the purview of RTW legislation. RTW laws often contribute to lowering workers' in-

comes, to the advantage of their employers, but the cost of labour is only one consideration among many. Other considerations include geographical location, provincial and federal taxes, communications and other infrastructure, the skill level of a workforce, the quality of the health care system, the quality of education, affordable housing and, yes, a stable industrial relations system. The importance of these considerations is evident in the case of the Oklahoma Council of Public Affairs, a conservative think tank that promoted Oklahoma's RTW laws, which recently reported that the state has lost manufacturing jobs (Moody and Warcholik, 2011) and further, that it became a net job exporter (Moody and Warcholik, 2010), with many jobs leaving to surrounding states, including non-RTW Colorado. There is also evidence that choice of location affects small manufacturers. *Area Development* (2011) magazine updated its annual survey and found that RTW jurisdictions, which had never ranked in the top 10 location choices, ranked 14th in 2009 and had slipped to 16th by 2010. This is not to deny that wages and other costs need to be competitive in the private sector or that public sector labour costs need to approximate them, but it strongly suggests other factors are also influential.

The Fraser Institute's publication *Measuring Labour Markets in Canada and the United States* by Karabegovic, Gainer and Veldhuis (2011) ranks the fifty U.S. states and ten Canadian provinces employing a composite index of labour market performance. Surprisingly, it finds results that fail to support RTW laws, and that there is an "absence of a correlation between weak unions and strong labour markets" (Roberts, 2012:3). In other words, there exists a positive correlation between labour laws that support unionization and improved labour market results.

RTW-type laws weaken unions by making dues optional and allowing many to receive union benefits and not contribute their fair share of the costs. Such people are known as "free riders." The *Consultation Paper* (2012:22–23) questions whether dues should be a requirement even though everyone benefits, including part-time employees and casuals in terms of their pay scale and benefits. The *Consultation Paper* further questions whether the employer should collect dues "in a situation where the employee has opted out?" But doesn't an opted-out employee still receive union level wages and benefits? A core principle of Canadian labour relations and the Rand formula, as already pointed out, is that everybody benefits and everybody pays. Any weakening of this foundation should be strongly resisted. To do otherwise would reduce the financial capacity and ability of unions to negotiate with the employer for a more favourable contract, higher wages and benefits.

Indeed, such a change would make it illegal for workers and employers to negotiate a collective agreement in which everyone who benefits pays their share of the costs of negotiations and administration. The union would be put in the impossible position of representing all employees equitably whether they join the union and pay dues or not (Olson, 1965). This latter point is based on what is known as the “duty of fair representation” whereby unions are compelled by law to represent everyone, even those who opt out of the union and opt out of paying their fair share of dues. It follows that it would be decidedly unfair and extremely detrimental to Canada’s labour relations system and those who do pay dues if other employees could access benefits without paying for them, as posed in the *Consultation Paper*.

Other points bear consideration. First, if a unionized workplace can have non-members who legally must be represented but who do not have to pay dues, an employer could well opt to hire only those new employees who have an anti-union bias, thereby weakening the union’s ability to bargain as the number of dues-paying union members becomes smaller and smaller. Second, contrary to the accusation – rarely acknowledged but often implied – that unions hold their members hostage their entire working lives, members can and do democratically choose to unionize (certify) and dissatisfied members can and do democratically choose to throw a union out of their workplace (decertify) (see *Consultation Paper*, 2012:14–15). In Saskatchewan, unionized employees get thirty (30) days every year within which they are able to decertify.

One could again make the analogy with taxes: everybody benefits, everybody pays. If people were left with the option of paying or not paying their taxes, it is reasonable to assume a considerable number would choose not to pay, severely affecting government budgets, programs and monies for economic stimulus. Allowing individuals to choose what taxes to pay or not to pay would have severe consequences on programs such as universal health care and public education. The democratic majority principle applies to both unions and government; if a majority of employees want a union they can vote for one under government supervision, have it certified, and everyone pays dues for the associated benefits. If a majority of citizens want democratic government they can elect one and everyone has to pay taxes for the consequent services. In both cases, those who do not support the policies and priorities of office holders have the option to maintain their views and run for office in the next election. Democratic processes necessarily involve a majority principle. As Paul Weiler (1980:143) stated, “a democracy does not try to obtain unanimous consent. Instead it relies on the principle of

majority rule to decide what its policies will be.” Legislating voluntary taxes could well ruin government and would certainly diminish economic growth.

“Similarly,” say Gould and Shierholz (2011:1), “by diminishing union resources, an RTW law makes it more difficult for unions to provide a worker’s voice on policy issues ranging from unemployment insurance to workers compensation, minimum wages, and other areas.” Not only do RTW-type laws undermine the resources that assist workers and their unions to bargain for better wages and benefits, they also undermine the basic democracy that gives workers some voice in the workplace.

The second argument often made in support of RTW or similar laws is that such legislation will assist workers and their communities. Yet Gould and Shierholz find that American right-to-work states pay wages that “are 3.2% lower than those in non-RTW states after controlling for...demographic and socioeconomic factors.” Gould and Shierholz (2011:1) also state that “Using the average wage in non-RTW states as the base (\$22.11), the average full-time, full-year worker in an RTW state makes about \$1,500 less annually than a similar worker in a non-RTW state.” There is also a lower rate of employer-sponsored health insurance and pension benefits, negatively affecting millions of workers. A study by economists from the University of Nevada and Claremont McKenna College (Eren and Ozbeklik, 2012) estimates that the damage to non-union workers is even greater than earlier research predicted. The authors estimate that the wages of non-union employees in Oklahoma fell 4.3% as a result of RTW laws. Gould and Shierholz (2011:2) make it clear that RTW-type laws impact all employees: where union density is high and unions are strong, compensation even for workers not covered by a collective agreement is higher as non-union employers face competitive pressure to match union standards.

The findings summarized above strongly suggest that RTW-type initiatives should not be entertained. The benefits touted by RTW advocates are largely myth. Whether one holds a monopolistic view of trade unions or a democratic voice/response view, legislators need to base their policy on economic realities, rather than ideological passion. Empirical research demonstrates that neither union nor non-union workers are assisted by RTW-type legislation, but both have lower compensation in right-to-work jurisdictions. Their communities suffer too. “There is scant evidence,” states Madland et al, (1212:1), that “these laws create jobs, help workers, or are good for a state’s economy, as supporters claim.”

Globalization and RTW

With anti-union sentiment in high gear and debates on the pros and cons of RTW appearing in the media there remains an obvious issue that rarely surfaces: globalization. Thus a word and a concept familiar to everyone is somehow omitted from discussions on RTW. Yet globalization has largely rendered RTW impotent. Why move to a right-to-work jurisdiction when even cheaper labour costs can be found in other parts of the world? The average factory worker's salary in China, despite minimum wage increases, is still low compared to North America and Europe. The Average Salary Survey in China for 2011/2012 reports average hourly earnings in southern China of about 80 cents per hour. Coastal cities pay more and rural workers earn only about \$200 USD per month, working six or seven days a week. The conundrum RTW advocates find themselves in is that at the very moment such ideas are again being raised globalization has made them ineffective and, indeed, passé.

Although a number of companies moved to RTW states in the 1970s and 1980s, today companies look off-shore for cheaper labour costs. No matter how much wages are lowered in North America, there is always a cheaper jurisdiction somewhere else. The report *Right to Work: Wrong for New Hampshire* (2011) documents how RTW laws have been powerless to stop this penchant to “offshore.” The harsh reality is that other solutions to cost containment, corporate movement overseas and consequent job loss must be found.

Growing Inequality in Canada

An historic change has been occurring to Canadian incomes. From the end of the Second World War to the 1980s, real incomes rose substantially in response to economic growth. Income inequality remained relatively stable or even declined slightly. The decline in the income gap and wealth inequality was referred to by Paul Krugman (2007: 38), the 2008 Nobel Laureate in Economics, as the “Great Compression.” In this period, U.S. President Lyndon Johnson launched his national program, termed a “War on Poverty” (1964), the U.K. established a Royal Commission on income distribution and, in Canada, the Senate issued a major study on poverty (1971). Since the 1980s, however, such trends and initiatives no longer prevail. We now live in a period that Krugman calls the “Great Divergence,” with widening income gaps and rising levels of inequality.

In the past few years, the gap between rich and poor in Canada has grown wider than at any point in the past 30 years, and it has been growing at an increasingly rapid rate. Between 1951 and 1981 the bottom 80% of income earners across Canada increased their share of total income by only 1.2%, while the top 20% of income earners saw their incomes decline by the same percentage (Osberg, 2008:7). At the same time, union density increased from 28.4% in 1951 to an all-time high of 41.8% in 1984. This coincided with the expansion of government sponsored social programs, the establishment of a comprehensive legislative framework of collective bargaining rights, the development of stronger employment or labour standards, a national public medicare system, public pensions, the development of progressive taxation and increased investment in public infrastructure. Productivity grew substantially. These initiatives and others led to greater equality for all Canadians.

This trend then began to reverse itself. Provincial and federal governments changed their focus from more equitable income distribution, expanding social programs and fostering full employment, to labour and economic policies that readjusted the labour market, promoted corporate power, globalization and free trade. These developments were thought necessary to grow the economy. Yet in whole or in part they improved only corporate earnings, exports, and incomes in the top quintile to the detriment of others and thereby functioned to *increase* inequality. Between 1981 and 2005 the only group of income earners to increase their share of income was the top 20%. Their share of income rose by 5.3% to nearly half of all income earned in Canada, 46.9% (Osberg, 2008:7). In the same period, the bottom 20% of income earners lost 0.5%. Most significant is that the middle three income quintiles in the 1981–2005 period, that is 60% of all Canadian income earners, lost 4.7%.

Table 1 provides data on income distribution by each quintile, from the poorest Canadian family unit to the richest.

While this form of comparability has the advantage of showing comparisons over time, it should also be recognized that it is a somewhat crude measure of inequality as differences between millions of Canadians are constantly evolving within and between quintiles. Although differences between those in the top 20% and the bottom 20% are relatively straightforward, changes in the middle quintiles are more complex and imprecise. Nonetheless, although a number of economists hold that shares of income measured by decile or quintile understate inequality (Frenette, Green and Milligan, 2007, Osberg, 2008, Murphy, Roberts and Wolfson, 2007) and there

TABLE 1 Share of Aggregate Incomes Received by Each Quintile of Families and Unattached Individuals (%)

	1951	1961	1971	1981	1991	1996	2001	2005
Bottom 20% (Poorest)	4.4	4.2	3.6	4.6	4.5	4.2	4.1	4.1
Second 20%	11.2	11.9	10.6	11	10	9.6	9.7	9.6
Middle 20%	18.3	18.3	17.6	17.7	16.4	16	15.6	15.6
Fourth 20%	23.3	24.5	24.9	25.1	24.7	24.6	23.7	23.9
Top 20% (Richest)	42.8	41.1	43.3	41.6	44.4	45.6	46.9	46.9

Sources Statistics Canada (1998) Income Distribution by Size in Canada Catalogue No. 13-207, CANSIM Table 202-0701, V1546461 to V1546465, J.R. Podoluk (1968) Incomes of Canadians, Dominion Bureau of Statistics, cited in Osberg (2008).

exist other approaches to inequality, such as examining wealth rather than income, the basic trends are the same: inequality is growing across Canada.

This growth in inequality “works its way into all...dimensions of human experience” notes economist Yalnizyan (2008:3). “Simply put,” says Lynk (2009:20) “more unequal societies tend to produce greater levels of dysfunction.” As more and more economic wealth is concentrated in fewer and fewer hands so to is more and more political power; power to influence public opinion, taxation laws, legislative agendas and government policy. Increased poverty within this growing inequality, on the other hand, not only leads to inequality of opportunity, but also to issues of weakened health, inadequate housing, poor diet, less readiness to learn, higher levels of mental illness and crime, reduced productivity and indeed lifespan (ILO:2008). If left unchecked, these issues and others lead to less civic engagement, less social stability, and indeed, lower economic growth. Should such a situation be allowed to develop and exacerbate it will involve both increased human suffering and an enormous waste of “human capital” that would otherwise contribute to the common good.

These problems alone are significant and challenging for any society. But there is another concern, that of productivity (the value produced by a unit of labour). The “Great Divergence” has also had economic consequences detrimental to people’s standard of living. Productivity increased between 1980 and 2005 by 37%. The growth in average wages throughout the same period, accounting for inflation, was almost nil – an increase of only \$53.00 (Lynk, 2009:27). Had median wages increased at the same rate as labour productivity (37%), this wage level would have risen from \$41,403 in 2005 to \$56,800 (Sharpe et al, 2008). Historically, wage levels followed and mir-

rored productivity until about 1991, where after they diverged (Dufour and Haiven, 2008). Russell and Dufour (2007: 7) note how there has been a “30-year stagnation” in workers real wages and that this “is remarkable, given that Canadian workers are increasingly productive.”

This damage to economic growth is now widely recognized by traditionally free market institutions such as the International Monetary Fund, the Conference Board of Canada and the OECD.

Unions Reduce Inequality

How unions affect the distribution of income has long concerned social scientists. In the 1970s, economic orthodoxy held that unions tended to increase inequality. Harvard University Professor Richard Freeman’s (1980) groundbreaking paper challenged this view. Using more in-depth research techniques he found that “the inequality-reducing effects of unions were substantially larger than the inequality-increasing effects” (Card, et al, 2003). These equalizing effects, such as raising the pay floor and compressing wage differentials, became central in his book with Medoff, titled *What Do Unions Do?*, and served to change opinion on this issue.

The recent rise of inequality in many industrialized countries has occasioned a renewed interest in the subject. The two countries with the largest declines in unionization are the United States and the United Kingdom. These two countries have also experienced the largest increase in wage inequality, raising again the question of the linkage between inequality and unionization. David Card, Thomas Lemieux and Craig Riddell have made a very thorough contribution on this issue, examining developments not only in the U. S. and the U.K., but also Canada. Their findings concur with Freeman’s earlier work, namely, “that, overall, unions tend to reduce wage inequality among men because the inequality-increasing ‘between-sector’ effect is smaller than the dispersion-reducing ‘within-sector’ effect.” (Card et al, 2004:24). Thus the authors find that unions have an equalizing effect on the dispersion of wages across skill groups in all three countries. They attribute approximately 15% of Canada’s growth in inequality during the 1980s and ‘90s to declining unionization. In the U.S. and the U.K., where more dramatic union declines occurred, they attribute over a 20% rise in inequality due to lower rates of unionization, usually due to manufacturing closures.

Other studies have not qualified union equalizing effects in quite the same manner as Card, Lemieux and Riddell, an example being the Inter-

national Labour Organization's (ILO), *World of Work Report 2008*. This report consists of a comprehensive study of fifty-one countries that found a clear and positive correlation between unionization and income equality. The countries in which income inequality was on average lower tended to be those that had a higher union density rate and vice versa, the countries with high income inequality tended to have a lower unionization rate. Also Bruce Weston and Jake Rosenfeld, writing in the *American Sociological Review* (ASA) (August, 2011), found that the plunge in unionization in the U.S. accounts for approximately a fifth of the increase in hourly wage inequality among women and about a third among men. Author Bruce Weston, interviewed by ASA, held that their study "underscores the role of unions as an equalizing force in the labour market." Gould and Shierholz (2011:3), cited earlier, claim that the average hourly wages are a full 16% higher in non-RTW states, and employer-paid health care and pension benefits are considerably lower compared to non-RTW states. They conduct a multivariate regression analysis controlling for a range of individual demographic and socio-economic variables resulting in a lower wage figure of 3.2% in right-to-work states.

Unionized workers in almost all countries earn higher wages than comparable non-union workers; this is called the "union premium." Fang and Verma (2003) have calculated the wage premium for comparable jobs, holding constant for other factors that determine wages, to be between 7% to 14% in Canada during the 1990s. The current union premium is mainly in the area of benefits. Union benefit packages, such as extended health care, eye care, pensions and more, are both richer and more widespread than what is normally found in non-union workplaces. The equalizing impacts of unions, despite this estimated premium, tend to be limited if union density is low and where the labour market is largely composed of small non-union enterprises in the private service sector. On the other hand, unions will be a force for equality, including higher wages for women, if union coverage is high in traditionally low-wage sectors and those of contingent or precarious employment.

This brief overview of some of the extensive literature on unions and inequality suggests two things: one, various scholars using different methods and writing at somewhat different times have, as one might expect, come to somewhat distinct conclusions; and two, despite these distinctions virtually all these studies find that to varying degrees unions do enhance equality. The equality effects also vary according to the degree of unionization,

higher in Canada than the United States, and whether one is separating out men or women from the general population.

Democracy and Equality

The issues of democracy and equality have been major themes in this paper. As has been shown, unions bring an important element of democracy, often termed “industrial democracy,” to the workplace. This is not to argue that unionized workplaces are a perfect or complete democracy. After all, in the private sector it is the owners of the workplace and the management they hire that make the majority of decisions, even where their employees are unionized. All collective agreements contain a “management’s rights” clause affirming the employer’s right to do as it wishes except for the rare occasion where the agreement specifically forbids it. Public sector workplaces, however benevolent management may be, are also directed from the top down.

Nonetheless, voting on one’s wages, benefits and working conditions is significant, as is electing a bargaining team to negotiate a new collective agreement based on the issues members voted on and having the opportunity to accept or reject a new tentative settlement. The ability to grieve alleged violations of the collective agreement and resolve issues of due process is also important. Collective agreements and due process help protect members against arbitrary decisions and work rules, unfair termination, challenge discrimination on the basis of gender or colour, promote equal pay for similar work, oppose unfair treatment and more.

The process of voting by secret ballot in a union election is similar to voting for a candidate to a provincial legislature or to the federal parliament in Ottawa. Candidates either win the election or don’t. Losers either look to others with similar views who have won a position or seat and/or maintain their views and run in the next election. While governments tend to take their mandate and proceed to govern, local unions, provincial and federal unions and labour federations generally rely on committees to further engage members such as health and safety committees, women’s committees and bargaining committees. Yet in too many instances participation remains low, as does the percentage of voters in elections for government office. More efforts are needed to engage and activate people in the democratic process. “Meaningful democracy,” note Kumar and Schenk (2006: 51) in *Paths to Union Renewal*, “is about more than elections every two years; it is also about regularly engaging members in decision-making on the issues

that affect their daily lives and thereby expanding their political education, developing their capacities, and thus their confidence in themselves and their collective power as workers.”

Despite such challenges unions continue to play a broader role in society. Over the decades, labour movements in Canada and many other countries have been front and centre in the fight for democracy both in the workplace and in society. Canada signed the ILO’s Convention 87, which recognizes freedom of association and the right of workers to organize unions as fundamental human rights. Labour rights are seen quite correctly as a key component of human rights. But improved legislation is needed in Saskatchewan if everyone is to have the opportunity – the choice – to join or reject a union with the democratic rights of the Rand formula.

Market-oriented international organizations such as the Organization of Economic Cooperation and Development (OECD), the World Bank and the International Monetary Fund (IMF) have recognized that unions promote equality while also enabling good economic performance. As indicated earlier, a recent ILO report (2008) found that countries with lower income inequality tend to be ones in which a greater proportion of workers are members of unions. Importantly, the same study found that higher rates of unionization had a positive impact on a range of social rights beyond the workplace, including progressive taxation, social programs and labour laws that come closer to meeting international standards.

Across Canada unions have led the fight for the eight-hour workday, better employment or labour standards, training and income support for the unemployed, public pensions (now the Canada Pension Plan), workplace health and safety laws, minimum wages to enable poor workers to live above the poverty line, protections for injured workers, and parental and maternity benefits. In virtually every province these achievements have become common social rights extended to everyone, not only to union members. It is hoped this process continues.

Restrictive Legislation

Despite this record of achievement and improvement in the lives of working Canadians some governments have gone out of their way to thwart freedom of association and collective bargaining rights.

The Harper government, for example, has used its majority, following the May 2011 election, to initiate a harsh political climate when it comes to

labour relations, an initiative that has exercised a demonstrably bad effect on other jurisdictions. Bill C-5 was intended to legislate an end to a sixteen-hour private sector strike at Air Canada. The parties, however, were able to negotiate a shotgun settlement before the legislation was passed (Fudge, 2012:234–260). Four days later, Bill C-6 forced locked-out postal employees back-to-work. This legislation further interfered in the collective bargaining process by imposing language in the back-to-work legislation that directed the arbitrator’s choice of priorities. This resulted in a wage settlement that was less than the employer’s last offer. Fudge also notes that between the 2007 B.C. Health Services decision and his date of writing no less than fourteen regressive labour laws were passed (2012:234–260). Panitch and Swartz (2003), long known for their extensive work on the detrimental role of government intervention in labour relations in past decades, present further evidence.

Such government interference flies in the face of the United Nations position on the importance of freedom of association, inclusive of the right to unionize and collectively bargain, and that of the International Labour Organization’s (ILO) (2008) declarations and covenants upholding the same position. These are key ILO covenants that the Canadian government has signed and is expected to uphold. The Canadian Charter of Rights and Freedoms also contains provisions upholding freedom of association and bargaining, yet governments across Canada have so far refused to recognize labour rights as human rights and therefore free collective bargaining as integral to a democratic society (Adams, 2008). The thinking behind the Rand formula, outlined so clearly by Lynk (2009: 15) and in the Lavigne case, is rejected. More recently, the Supreme Court ruled in the *B.C. Health Services* (2007) case that the Charter “protects the capacity of members of labour unions to engage, in association, in collective bargaining on fundamental workplace issues” (para. 19) and favoured formalizing the right of collective bargaining in Canada, under section 2(d) of the Charter (Smith, 2012: 193). Yet some governments, both the federal and provincial, are ignoring the ruling, blatantly opposing it, or both.

Further detrimental interventions can be seen in Bill C-377, currently in the House of Commons. This bill, should it pass, will require unions to make public detailed financial disclosures on all forms of advocacy, such as lobbying and union campaigns. As of the time of writing, there is no similar call for corporations to disclose tax deductible spending on advocacy, such as lobbying and political campaigns.

Conclusion

This discussion, prompted by the *Consultation Paper on the Renewal of Labour Legislation in Saskatchewan*, began by posing two views of unionism — namely, unions as monopolies and unions as “collective voice.” The value of this approach is that it recognizes varied, indeed counterposed, perspectives to the role of unions in contemporary society. That role remains controversial, yet it is hoped that the foregoing evidence and explanation has disposed of some misplaced ideological bias and expanded understanding. The Lavigne case provides ample commentary on how the Rand formula operates and why it is preferable to most alternatives. I have explained in some detail how the Rand formula actually works and why RTW and similarly restrictive laws would not only violate tested provisions of the Canadian industrial relations system and international agreements signed at the United Nations, but also why such changes would make matters worse for peoples’ democratic rights — their “voice” — and lower their standard of living. I included a section on RTW and globalization since it should be apparent under globalization that outsourcing to locations such as Mexico and off-shoring to China and other Asian destinations is far cheaper for employers than relocating to RTW jurisdictions. This is not to argue in favour of such contracting out, but to demonstrate that RTW-type laws have not stopped and show no sign of stopping the flow of out-sourcing and indeed may encourage firms to send jobs to even cheaper jurisdictions. Such activities have made RTW and related restrictive legislation redundant and unnecessary for employers to whom low labour costs are paramount.

The subsequent sections of this paper engaged the serious problem of growing inequality and examined the equalizing effects of unionization. It was found that at the macro level unions tend to lift up the lower economic levels, spread out and expand the middle levels and reduce expansion at the top. The discussion of social dysfunction arising from inequality is particularly pertinent today given labour market trends. Should these trends continue one can expect that Canadian society will exhibit more illiteracy, greater crime, lower levels of mental and physical health, and more. Today there is a virtual consensus that unions increase equality in contemporary society. The higher the rate of unionization or what is often termed “union density,” the more equality one finds in a society; the lower the level of unionization, the higher the level of inequality. This is, of course, not to say that unionization is the only cause of equality, merely to recognize that it is a significant factor.

In a period of widening inequality restrictive labour laws are blatantly unnecessary and regressive. Indeed, their consideration is shocking when one considers that 34% of the workforce has neither full-time work nor job security, but occupies jobs that are termed contingent or precarious, including casual employment, irregular part time work, contract work, temporary work and self employment (Vosko, Cranford and Zukewitch, 2003). This growing percentage of the workforce, which generally receives low pay and no benefits, needs an economic lift and unionization, not laws that negatively impact living standards. The literature discussed above strongly suggests that RTW-type laws, contrary to Rand formula-based laws, are both inefficient and serve to slow economic growth. Saskatchewan and the rest of Canada need to move away from austerity policies and weak economic recovery and toward environmentally sustainable economic growth that allows those who need and want to work to do so in a more democratic, equitable society. Unionization contributes to this end and labour laws should respond accordingly.

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