

## Working for a Living: The Union Advantage in British Columbia

By Marc Lee

Reflecting on the state of the economics profession, American economist Joseph Stiglitz commented that: "There is an old saying that a kid with a hammer sees everything as a nail. An economist with a neoclassical toolkit sees every social problem as a 'market' waiting to be developed and perfected." Unfortunately, policy discussions surrounding the labour market are all too often afflicted by this syndrome.

The labour market is a complex set of social relationships and institutions. As a result, structure matters a great deal to the outcomes received by most people. Collective bargaining through unions is fundamental to enabling workers to have better working conditions, and to get a fairer share of the economic pie. Unions have also played an important role in democratic development, by giving a voice to workers in the workplace, and by pushing for progressive social reforms outside it.

### Inside the Labour Market

Most individuals and families depend on paid work to make a living. In addition to being a source of income, for many work is a primary place of social interaction, and a place to participate in the broader work of society. Hence, issues of how the labour market is structured matter a great deal to workers.

Treating the world of work as just another market can be highly problematic.

The market for labour is not the same as the market for toothpaste or umbrellas. In the words of economist James Galbraith, the term "labour market" is a "dangerous metaphor" because this lens can distort and mislead policy choices. Efforts to improve the "efficiency" and "flexibility" of the labour market (well-intentioned or not) can have negative consequences for the livelihoods of a large cross-section of workers.

Indeed, we explicitly do not want a pure free market in the buying and selling of human beings—in other words, a return to slavery—a practice that has been illegal around the world for well over a century. Even ignoring slavery, the labour market is much more complicated than supply and demand. Job search is a costly and information-intensive process, as is acquiring experience and skills. Bargaining power is very important in the real world, and affects how the fruits of labour are distributed. These factors defy the simple models of a textbook, idealized market.

A better approach is to consider work as embedded in, and structured by, institutions—such as unions, minimum wages, and labour laws and regulations around working conditions, hours of work, and health and safety. This structure affects the distribution of income, how workers are hired and fired, and sets standards in the workplace below which employers cannot go.

### Strength in Numbers

In the absence of unions, workers have little (if any) bargaining power. All decisions relating to pay, health and safety, breaks, overtime and so on are made almost exclusively by the employer on a "take it or leave it" basis. And since employers want to minimize their labour costs to boost profits, many workers' share of the pie can be reduced to a few crumbs.

Collective bargaining alters this relationship through negotiation of a contract between employers and workers that affects the compensation workers receive, other benefits like pensions and extra health insurance coverage, and working conditions. Most businesses, as a result, resent unions and collective bargaining (not to mention other measures that improve the lives of working people, like higher minimum wages).

In 1998, 513,000 workers were members of a union in BC, and another 25,000 workers were covered by collective agreements (but were not union members). As Table 1 shows, this means that 36.6% of workers were beneficiaries of collective bargaining. Coverage varies a great deal across industrial sectors, with the highest levels of coverage in public sector areas such as education, health care and public administration. Low end service industries such as accommodation and food have among the lowest coverage rates.

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The bottom line of collective bargaining shows a clear advantage to belonging to a union in terms of take-home pay. In 1998, unionized workers in BC earned an average of \$20.47 an hour compared to \$15.34 for non-unionized workers, a wage premium of 33%. Non-unionized workers also indirectly benefit from the wage levels established in unionized workplaces.

For part-time workers, coverage under collective agreements was less, at 28.7%. But the relative gains were greater—the average wage for unionized part-time workers was \$18.54 an hour, compared to only \$11.00 for non-unionized workers.

Women have benefited in recent decades from increased collective bargaining coverage. Historically, the majority of union members were men, but in 1998 union membership in BC was about equally split between men and women. Women union members earned an average of \$19.22 an hour in 1998, a large wage premium over the \$13.27 earned by their non-union counterparts. There is still a wage gap between men and

women union members (\$21.64 an hour for men compared to \$19.22 for women), but it is much smaller than the gap for non-union members (\$17.32 for men compared to \$13.27 for women).

Beyond union membership, the labour movement has been integral to the expansion of rights enjoyed by all workers—in terms of regulations on health and safety, overtime, and vacations. But the true impact of unions far exceeds the workplace, as the labour movement has played an important social and political role by advocating for expanded rights to vote, minimum wages, and public health care and education, among other things.

### The Decline of Unions?

The benefits of collective bargaining are often taken for granted. Sanitized versions of history from business and government alike imply that workers got a better deal magically through the benevolence of company managers and owners. But history reveals that the path to better wages and working conditions was not an easy one.

Throughout North America, efforts to improve the livelihoods of workers were met with fierce resistance by companies (usually through intimidation, blacklisting, and violence), often backed by governments. In the early 1900s, there was little legal standing for unions, although collective strength could be exercised through strikes. Worker struggles eventually made significant gains beginning in the late 1930s and continuing into the mid-1950s.

Union density in BC peaked in 1958 with 55.4% of workers belonging to a union. Since then, however, this percentage has gradually declined. Part of the reason for this is that highly unionized resource extraction industries now account for a much smaller share of the workforce than they did a few decades ago. The service sector now accounts for roughly two-thirds of GDP and three-quarters of employment. As a result, current organizing efforts by unions have focused on the service sector.

The difficulty with organizing the service sector is that labour regulations are based around organizing specific workplaces, rather than companies or sectors, and workplaces in the service sector tend to be smaller.

As a result, in small workplaces (less than 20 employees), only 16.7% of workers were covered by collective agreements in 1998, compared to 79% covered in workplaces with more

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**Table 1: Union Membership & Coverage in BC, 1998**

	Member of a Union	Covered by Collective Agreement
	(percent of workers)	
<b>Total</b>	34.9	36.6
<b>Gender</b>		
Male	35.0	36.8
Female	34.8	36.4
<b>Work Status</b>		
Full Time	36.9	38.6
Part Time	27.1	28.7

Notes: 1. Agriculture not included.

Source: Perspectives on Labour and Income, August 1999, Statistics Canada

**Table 2: Average Hourly Earnings in BC, 1998**

	Union Member	Not a Union Member <sup>1</sup>
	(dollars per hour)	
All Workers	20.47	15.34
Men	21.64	17.32
Women	19.22	13.27
Full-time	20.82	16.59
Part-time	18.54	11.00

Notes: 1. Includes workers who are neither union members nor are covered by collective agreements.

Source: Perspectives on Labour and Income, August 1999, Statistics Canada

# Reducing Overtime to Create More Jobs

By Fred Wilson

Think of a mega-project that could create over 400 new, permanent jobs with average wages of \$50,000 per year, plus excellent health and welfare benefits and pension plan. Would this economic project attract the attention of any government—past, present or future? And what if this project could be undertaken with no capital expenditures, no additional demands on natural resources, and no increased pollution. Do we have your attention now?

This is the proposition that has been put to the BC pulp and paper industry by my union, the Communications, Energy and Paperworkers of Canada (CEP), and the Pulp, Paper and Woodworkers of Canada (PPWC).

The proposal of the unions is based on a groundbreaking study by labour researcher Julie White released late last year. The report analyzes the trend to increasing overtime hours and reveals that hundreds of regular full-time jobs are bound up in these overtime rates.

The key finding of the study is that more than 80% of CEP and PPWC members would be willing to give up overtime on the condition that it would save or create jobs in the industry. This spring, the two unions brought this campaign to 18 pulp and paper mills throughout BC and made presentations to members, employers and the public calling for a 50% reduction in overtime rates with the conversion of these hours into 413 new, regular jobs.

An economic analysis, prepared by BC economist Sylvie Lefebvre, punctured the myth that employers want high rates of overtime because it is cheaper than hiring new workers. In

fact, employers could reduce OT by 50%, hire new workers *and reduce labour costs*. In this industry, OT is expensive. When all the costs of OT are calculated—including the cost of call time (premium pay for workers called into work), banked time (provision for compensatory time off for overtime hours) and meals provided for workers on overtime—employers pay double time for every overtime hour worked. In contrast, the cost of a new worker is straight time pay plus their benefit plan (which is about 40% of wages).

A closer look at another primary sector, the oil and gas industry, shows how the trend to increasing rates of overtime is eliminating full-time jobs. In 1998, there were 407 hourly workers in the BC oil refining and coal products sector. Between them they logged 1,042 overtime hours per week that year. In the first quarter of 2000, the work force in this sector had been reduced to 338 workers, but their cumulative overtime was all but unchanged, averaging 1,032 hours per week.

There is a similar story in the petro-

chemical sector. In 1990 there were 2,467 workers, but this work force was 41% smaller in 1999 when only 1,452 workers remained. However, the remaining workers were putting in almost the same number of overtime hours as before. The average OT hours per week per worker rose from 1.3 hours per week to 2.2 hours per week.

Another key part of the working time equation is vacations. One of the main strike issues in the recent coastal BC strike by IWA Canada members was an employer demand to allow companies to “buy back” earned vacations over the statutory minimum. This anti-social demand is a job killer—every 25 employees enticed into selling two weeks of vacation would eliminate a full-time job for a year. In addition, some vacation schedules can reduce employment. For example, if workers take vacation a day at a time or in small blocks so that employers do not require relief workers, or if vacation is deferred from one year to the next, these schedules will require less workers.

High rates of overtime and buying

**Jobs and Overtime in BC's Pulp and Paper Industry**

Year	Number of workers	Overtime hours per week	Overtime hours per worker per week	Rate of overtime (% of all hours worked)
1983	11,433	18,270	1.6	3.09
1987	13,632	34,775	2.6	5.92
1990	14,962	50,721	3.4	7.93
1995	11,113	46,905	4.2	9.19
1998	9,167	35,049	3.8	7.44

Sources: Survey of Employment, Payroll and Hours, Statistics Canada; BC Pulp and Paper Employee Relations Forum

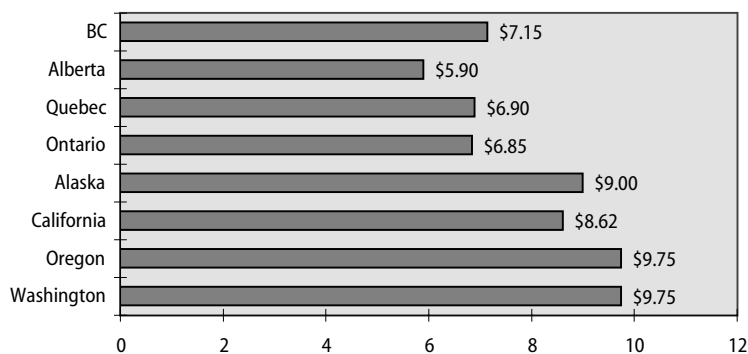
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## Recent Indicators

Unemployment Rate (%)			
	Jun-00	May-00	Jun-99
BC	6.7	6.8	8.7
Canada	6.6	6.6	7.5

Note: Unemployment rates are seasonally adjusted  
Source: Statistics Canada

Hourly Minimum Wages in Selected Canadian Provinces and US States, 2000



Note: US figures converted to Canadian dollars at prevailing exchange rate of US\$ .67.  
Source: BC Ministry of Labour

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back vacations amount to the same management strategy—downsize and make the survivors work longer. Reduced working time is one of the primary mechanisms for redistributing productivity gains, with the result of increased leisure time and improved quality of life. Now, new research points to what we have always suspected: working long hours has negative effects on health.

Every job that we can add by working less overtime or taking our earned time off is a productive gain. In these small gains throughout our economy there is an economic potential of mega-project proportions. North American unions were forged in the struggle for shorter working time, and many in the labour movement are inspired today by France's legislated 35 hour work week. This larger agenda may seem distant at this time in Canada's neoliberal economy. But by addressing issues that we can directly influence, such as overtime and time off, we can begin to act on our social goals.

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than 500 workers, and 60.2% in workplaces with between 100 and 500 workers.

Because of so many small workplaces, the "workplace" model is no longer appropriate in 2000. An alternative lies in *sectoral bargaining*, which would grant collective bargaining rights across a particular sector, once a threshold percentage of members have signed on. This would confer the benefits of collective bargaining to employees in small workplaces (and to the precariously employed), and would lead to upwards harmonization of working conditions across a sector. To date, moves toward a sectoral bargaining model have received strong opposition from the business community.

While declines in union membership

are greeted with glee by conservatives, the need for unions is as strong as ever. The rights to organize and to bargain collectively are, at their core, about democratic development and participation, in the workplace and beyond.

At a time when politicians of all stripes are looking to the market for answers, there is a danger that institutions that have enhanced the lives of working people will be dismantled, and like some kind of socio-political Y2K bug, we will find ourselves back in 1900. The way forward should be in the opposite direction: by moving to reduce income inequality and enhance economic democracy.

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