

The Laws of Unintended Consequence: The Effect of Labour Legislation on Wages and Strikes

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The Study in Brief

Canadian governments, both federally and provincially, heavily regulate labour relations between unions and employers. In both the private and public sectors, this government intervention has unintended consequences on wages and strikes.

As governments across Canada tackle their deficits, bringing down labour costs will likely be at the top of their agendas. We find that legislation that requires labour disputes with public employees be settled by compulsory arbitration has increased wages by about 1.2 percent. Although strikes by employees providing some services currently subject to compulsory arbitration might be politically costly, the long-term effects of higher costs paid by taxpayers might offset any temporary loss of services.

Once strikes are under way, many governments have also taken steps to order an end to them. However, the long-term consequences of —back-to-work orders is a lower likelihood of a freely settled contract in the next round of negotiations, perpetuating the cycle of government intervention.

Two provinces – British Columbia and Quebec – have bans on using replacement workers during strikes, and a similar law has been proposed federally. The long-term effect of replacement worker bans is to increase strike length and duration while reducing investment, wages and employment. Similarly, reinstatement rights for striking workers has reduced wages while causing strikes to be more frequent and longer. The federal and provincial governments with these laws in place should recognize their economic costs and factor these unintended effects into any cost benefit analysis of the legislation.

Unions have fought to remove secret ballots for certification votes to ease union formation. Although removing secret ballots will likely increase unionized-worker wages, this is at the cost of more strikes in provinces without secret ballots for union certification.

This Commentary provides policymakers with a wider array of the consequences of various labour relations policies than previously considered. A caveat of our research is the fact that we have not examined the full policy purposes of these laws. For example, compulsory arbitration is in place for some occupations (e.g., police and firefighters) where the potential dangers a strike presents clearly offset the higher wages that may result from arbitration. Also, the primary purpose of replacement worker bans was to reduce picket line violence. There is only anecdotal evidence of the success of such policies. A full enquiry into the full policy reasons behind each of the laws is beyond the scope of this Commentary.