

LESSON 1: LEGAL, ECONOMIC, SOCIAL, AND POLITICAL ENVIRONMENTS

INTRODUCTION

This lesson sets the stage for your course in Canadian Industrial Relations. It introduces you to the meanings of key terms, such as human resources and, of course, industrial relations. Once that's done, the balance of the lesson helps you understand the legal, economic, social, and political environments that interact with and shape industrial relations in Canada.

LESSON OBJECTIVES

When you complete this lesson, you'll be able to do the following:

- Identify the different aspects of the industrial relations system
- Discuss how the labour movement is affected by economic, social, and political environments
- Explain how international and employment law impact employee rights and conditions

SECTION 1: WHAT IS INDUSTRIAL RELATIONS?

Academics tend to view *industrial relations* as the study of both union and nonunion employment relationships. However, the term is also synonymous with issues concerning unionized employment relationships.

Unions are groups of workers recognized by law to collectively bargain terms and conditions of employment with their employer. *Collective bargaining* is the negotiation process by which management and the union create a *collective agreement*, a document that outlines the terms and conditions of employment in a unionized workplace.

The term *industrial relations* is occasionally used interchangeably with *labour relations*, *human resources management*, *employee relations*, and *employment relations*. However, these terms all differ slightly. The focus of the textbook is on issues related to *labour relations*, or *union-management relations*, which is the study of the relationship between groups of employees and their employers.

The Industrial Relations System

Though the textbook's focus concerns labour relations issues, the authors of the textbook use industrial relations frameworks to examine those issues.

The field of industrial relations is relatively new. It draws on sociology, social psychology, economics, and political science to better understand employment relationships and issues.

Dunlop's Industrial Relations System Model and Its Criticisms

The components of John Dunlop's industrial relations system model are as follows:

- *Actors*, or the people involved or affected
 - The bureaucratic actors within specialized government agencies that interpret and implement policy
 - The hierarchy of managers and their representatives
 - The hierarchy of workers and their representatives
 - The end user of the services/products generated from the employment relationship in question
- *Shared ideology*, which is a set of values, beliefs, and ideals shared by workers and managers
- *Contexts*, or the environmental factors influencing the actors
 - Market and budget restraints
 - Technical characteristics of the workplace and work community
 - Distribution of power in the larger society
- *Web of rules*, which outlines the rights and responsibilities of the actors
 - Procedures for establishing rules
 - *Substantive rules*, which pertain to the outcomes of the employment relationship, such as performance expectations
 - *Procedural rules*, which are the rules that determine how substantive rules are applied, such as rules concerning work schedules

Dunlop's model isn't, strictly speaking, a systems model; it's what biologists might call a taxonomy. Parts are defined, but there's little insight into how the parts interact. Other issues with the model are that it underestimates the importance of power and conflict and that it's static in nature. It also can't explain the rapid decrease in unionization, instead operating as though unionized workplaces are the norm.

External and Internal Inputs and Conversion Mechanisms

Improvements to Dunlop's model as provided by Alton Craig and others are closer to an actual industrial relations systems model. Natural systems interact with their environments in a dynamic fashion—through *feedback loops*. A common example of a feedback loop is a thermostat. Heat kicks in when a temperature drops to a preset level. Then, the heat source switches off when a preset “comfort zone” temperature is reached.

In Craig's model, there are five subsystems that you'll learn about more fully in Chapters 3 and 4:

1. *Legal*, which includes common law, statutory law, and collective bargaining law
2. *Economic*, which includes the key elements product/service markets, labour markets, money markets, and technology
3. *Ecological*, which includes the physical environment, climate, and natural resources that influence actors and the industrial relations system
4. *Political*, which concerns Canada's form of democracy and its action to create and amend legislation relative to employment issues
5. *Sociocultural*, which are societal values and beliefs that affect the actors

When the actors of the system are influenced by the external inputs, they provide inputs to the systems in regard to their values, goals, strategies, and power, which guide their actions.

Actors use processes called *conversion mechanisms* to convert those internal and external inputs into outputs of the system. Conversion methods include the following:

- Collective bargaining
- Day-to-day relations
- Conflict resolution mechanisms, such as grievances procedures
- Third-party dispute resolution interventions
- Joint committees
- Committees that handle broader issues
- Strikes and lockouts

The outputs, or results of the conversion methods, include the following:

- Employer outcomes, such as the rights and responsibilities of management in the employment relationship
- Labour outcomes, which are equity issues of ways to instill fairness in the workplace
- Worker perceptions, including the work climate, morale, and union satisfaction
- Conflict, which are strikes and lockouts (which are also conversion mechanisms)

Views of Industrial Relations

The *neoclassical economic perspective* is mainly concerned with principles of profitable efficiency related to supply and demand within a *free market*, which is institutionally unencumbered and unregulated. Business needs for labour are seen in the same light as supply and demand for any other kind of commodity or service. Therefore, unions are viewed as direct obstructions to labour-resource efficiency, and therefore profitability.

In the *pluralist and institutional perspective*, labour unions act as countervailing forces that strive to balance and reconcile the interests of employers and employees. The systems framework to which you've just been introduced represents your textbook's point of view, as well as the dominant industrial relations perspective in present-day Canada.

The *human resources/strategic choice perspective* is currently dominant in the United States. Indeed, sociologists, reflecting on social and political trends that began in the United States in the 1970s, speak of a "hard turn to the right." In this view, the differences in the frames of reference of employees and employers are minimized. And in effect, the outcome of this perspective has been a steady decline in the power and influence of organized labour in the United States.

The perspective called *political economy* designates the earliest in-depth intellectual evaluations of the Industrial Revolution, particularly in regard to the United Kingdom. We recall eighteenth-century contributions from Adam Smith, Ricardo, and Mill, onward to the radical political economy of Marx and Engels that arose in the nineteenth century. In general, political economic perspectives recognize tensions and antagonisms inherent in social class relationships. Thus, workers and managers/owners are understood to have different interests with respect to the means and relations of production.



Self-Check 1

At the end of each section of Labour Relations, you'll be asked to pause and check your understanding of what you've just read by completing a "Self-Check" exercise. Answering these questions will help you review what you've studied so far. Please complete *Self-Check 1* now.

Provide the correct response to each question.

1. _____ relations refers to employment relationships and issues, often in unionized workplaces.
2. What's the fundamental element of the political economy view of industrial relations?
3. The goal of Marxism is to overthrow _____.
4. What subsystem of the IR systems model varies the *most* in its impact on actors?
5. In which context does a shared set of ideas and beliefs figure prominently?
6. The _____ view of industrial relations focuses on factors related to the satisfaction of labour demands.
7. _____ is a third-party process that's used when parties can't reach a collective agreement on their own.
8. The _____ subsystem of the industrial relations model includes technology.
9. _____ are outputs of the industrial relations system model?
10. _____ refers to the length of time a person has belonged to a union..

Check your answers with those in the back of this study guide.

SECTION 2: ECONOMIC, SOCIAL, AND POLITICAL ENVIRONMENTS

Read the following section. Then read Chapter 3 in your textbook.

The Economic Context

Macroeconomics may be thought of as dealing with economy-wide issues, such as inflation, unemployment, and growth. Present-day macroeconomic policies have heavily impacted industrial relations. Almost all industries have been affected by deregulation or privatization. Also affecting industries is the North American Free Trade Agreement (NAFTA), which promotes free trade in goods and services among Canada, the United States, and Mexico.

Deregulation creates more industry competition by allowing market forces to determine prices. *Privatization* is the transfer or outsourcing of services to the private sector.

Where unions aren't present, labour market forces will largely determine wages, salaries, and working conditions. In ideal conditions, the demand for labour matches its supply. If a small increase in wages causes a large increase in the supply of labor, the supply curve is said to be *elastic*. The extent to which demand is inelastic is the extent to which unions can exert power over wages and working conditions. Further, demand is more likely to be inelastic when the following occur:

- Product markets are less competitive—say, in the case of a niche market demanding specialized worker skills.
- It's harder to substitute labour for capital, as in a case where human labour can't feasibly be exchanged for automated production.
- Labour costs are small relative to the total costs of production.
- Markets for product substitutes aren't terribly competitive.

The supply of labour varies in terms of variables that include the following:

- **Population and immigration.** Canada is becoming increasingly multicultural as immigration, especially from Asia, is changing the faces of labour.
- **Work-leisure decisions.** People strive to strike a balance between living and making a living. The challenge of finding that balance isn't easy, but it certainly affects the nature of the labour force.

- **Noncompetitive factors and institutional barriers to supply.** Noncompetitive factors include *monopsony*, which exists when an industry is dominated by a single producer-supplier. In such cases, we have the ultimate “seller’s market.” Institutional barriers to supply may include inadequate educational resources or opportunities or, perhaps, governmental failures to subsidize work-skills training or retraining.
- **Demographic factors.** Among current demographic trends of relevance, note the general aging of the workforce and the increased presence of women in the workplace.

Social Conditions

Industrial relations exists in a web of social relations—casual and transient, passionate and intense, familial and tight-knit, or institutional and chilly. This section explores social conditions particular to industrial relations. In that context, the selected social measures serve as an assessment of the effects of globalization on workers and workplaces.

Public attitudes toward unions have remained relatively stable from 1936 to 2005. Available Canadian studies suggest two findings. First, approval of unions remains relatively robust. Second, attitudes toward unions may be somewhat more sanguine in Canada, at least within eastern Canadian provinces and especially among women and youths.

In tandem with relatively positive attitudes toward unions, attitudes toward work appear to be quite positive. These facts point to the paradoxical conclusion that American and Canadian workers favor unions for other than economic or job-satisfaction concerns.

Across the globe, the gap between rich and poor has widened in recent decades. Among developed economies, the gap is widest in the United States. However, *poverty rates*—defined as percentages of persons living below a determined poverty line—are higher in former British Commonwealth states (Australia, Canada, United Kingdom, and the United States) and Italy. Looking especially at rates of child poverty, academic studies indicate that, in both Canada and the United States, these rates have increased at an alarming rate.

Compositional changes have significant impact on unions. Here, the term *compositional* refers to demographic factors and types and conditions of employment. In particular, the proportion of women in the workforce has increased. Immigrants are also being integrated into the labour force.

It’s important to note that for the first time, there are more persons aged 55 to 64 in the workforce than there are persons aged 15 to 24. By 2021, 17.9 percent of the population will be 65 or older. A consequence of this is an increase in poverty for persons older than 55. To deal with this crisis, employers may revamp the workplace and its policies to accommodate the aging workforce, such as by providing flexible retirement options.

The impact of these compositional changes resulted in more women in unions and more occupational shifts. Also, the increase in numbers of contingent workers and alternative work arrangements has been remarkable. Alternative work arrangements include part-time work, temporary or contingent work, flextime, compressed work weeks, and telecommuting. Unions have trouble organizing contingent workers, but it's predicted that the "nonstandard" job of today will become the standard job of the future.

Labour and employment-relations challenges emerge as part and parcel of our present era. In general, new forms of work have meant a significant shift in the labour-management balance of power in favor of management. Meanwhile, as globalization has impacted workers, working conditions, and workplaces, it has also aggravated work-life balance issues. *Work-life balance (WLB)* refers to the desire, on the part of both employees and employers, to find a livable balance between the demands of work and one's obligations to family, friends, and the community at large.

In this context, *work-life conflict (WLC)* refers to incompatible demands of work roles and nonwork roles—such as mother, father, parishioner, son, daughter, and so on. The three components of WLC are *role overload* (too much to do in too little time), work interference with family life, and family interference with work life.

The Political Environment

By contrast with the United States, the Canadian political system has permitted the actualization of pro-labour policies. There are two primary reasons for this:

1. As opposed to the one-size-fits-all American labour-law system, Canada has one federal, ten provincial, and several territorial labour laws. As a result, varying labour issues in different regions encourage adaptive, experimental legislation.
2. Canada's parliamentary system of government allows labour-oriented political parties a relevant and effective voice in shaping national labour law in the context of coalition governments.

Meanwhile, as an effect of globalization and international trade agreements, Canada's pro-labour positions are being diluted by compromise. Trade agreements push Canadian labour law toward standards established and adjudicated by international trade boards. Therefore, for example, as conservative governments took control in Saskatchewan, Ontario, and British Columbia, union organization under the card system of certification was scrapped in favor of the U.S. Wagner Act model. That model includes a mandatory voting system—a system that's all too readily manipulated by anti-union forces within management.



Self-Check 2

Provide the correct response to each question.

1. Why are poverty rates in Canada increasing?
2. Why have unions declined rapidly in the U.S. but have stayed strong in Canada?
3. _____ will limits labour mobility.
4. In economic theory, what kinds of markets generally have lower wages and employment levels?
5. In the context of elasticity of demand, what does *steep demand* mean?
6. Support for unions in North America remains strong, and yet surveys show workers are also very satisfied with their jobs and pay. What can explain these results?
7. What's a *hiring hall*?
8. What phenomenon is exemplified by the emergence of specialized qualifications and certifications for professional associations?
9. In today's world, what influences industrial relations?
10. Teleworking is an example of _____.

Check your answers with those in the back of this study guide.
