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Political Parties and Trade Union Growth in Canada

Dennis R. Maki

This study retests the Ashenfelter-Pencavel hypothesis that political factors matter, using pooled cross section-time series data on union growth for Canadian provinces and a set of dummy variables representing political party in power in each province. Both theoretical and practical aspects are presented.

Recent empirical studies investigating the causes of trade union growth in both Canada¹ and the United Kingdom² have relied entirely on "economic" variables, such as employment growth, unemployment rates, the rate of change of prices and/or wages, the level or rate of profits, and strike activity in their specifications. Although all of these studies cite Ashenfelter and Pencavel³ among their antecedents, they choose not to include any political variables in their analysis, despite the statistical significance (one per cent level) which Ashenfelter and Pencavel obtained for a variable measuring "the percentage of the membership in the House of Representatives which is affiliated with the National Democratic Party".

This study retests the Ashenfelter-Pencavel hypothesis that political factors matter, using pooled cross section-time series data on union growth for Canadian provinces and a set of dummy variables representing political party in power in each province. The results support the hypothesis tested.

The following section of the paper discusses the theoretical underpinnings of both the political and economic variables included in the model.

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1 See, for example, R. SWIDINSKY, "Trade Union Growth in Canada: 1911-1970", *Relations industrielles*, Vol. 29, No. 3, 1974, pp. 435-51; and George BAIN and F. ELSHEIKH, "Trade Union Growth in Canada: A Comment", *Relations industrielles*, Vol. 31, No. 3, 1976, pp. 482-90.

2 See B. BURKITT and D. BOWERS, "The Determination of the Rate of Change of Unionization in the United Kingdom", *Applied Economics*, Vol. 10, 1978, pp. 161-72; and Farouk ELSHEIKH and Georges Sayers BAIN, "The Determination of the Rate of Change of Unionization in the U.K.: A Comment and Further Analysis", *Applied Economics*, Vol. 11, pp. 451-63.

3 See Orley ASHENFELTER and John H. PENCAVEL, "American Trade Union Growth: 1900-1960", *Quarterly Journal of Economics*, Vol. 83, No. 3, 1969, pp. 434-48.

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The section after that discusses the data employed and presents the empirical results.

THEORETICAL CONSIDERATIONS

Since labour relations in Canada falls under provincial jurisdiction, it is obvious that a retest of the Ashenfelter-Pencavel hypothesis using Canadian data should utilize provincial, as opposed to national data. There have been several political parties in power in the various provinces in recent years, and it is not possible to completely rank them on the basis of how "friendly" they are toward organized labour⁴. Clearly, the New Democratic Party has the closest ties with labour⁵, and one would expect that if union growth is affected by party in power, growth would be greatest at times and in places where the NDP is in power. Although it is tempting to go on to speculate that the Liberal Party would be more "friendly" to organized labour than more "right-wing" organizations such as the Conservative Party or the Social Credit Party, there is little evidence supporting such an a priori judgment. Hence a set of dummy variables is utilized herein to test whether there are differences among parties, with the only a priori sign expectation being that growth would be more rapid under the NDP than under other parties.

There are a number of ways in which party in power could affect union growth. Consider the artificial case of two political parties. Party A has strong support from organized labour, both financially and in terms of the voting patterns of union members. This party's platform contains statements recognizing the positive value of union organization, and promising to aid the growth of unionization in presently weakly organized sectors. Party B, on the other hand, has a platform which states that unions are presently excessively strong, and promises measures to reduce this power. Depending upon which of these parties gains power, one would expect different provisions in provincial labour codes to be enacted, different recourse to ad hoc legislation ending strikes, and different public pronouncements by provincial premiers and other government spokesmen regarding the desirability of unionization.

4 In the U.S., there have historically been only two major political parties at the Federal level, and one of these (the Democratic Party) has clearly been more pro-labour than the other. For an alternative treatment of political factors, see Arlene HOLEN and Stanley HOROWITZ, "The Effect of Unemployment Insurance and Eligibility Enforcement on Unemployment", *Journal of Law and Economics*, Vol. 17, 1974, pp. 403-31.

5 See Richard U. MILLER, "Organized Labour and Politics in Canada", in Richard U. Miller and Fraser Isbester (eds.), *Canadian Labour in Transition*, Scarborough, Ont., Prentice-Hall of Canada, 1971, pp. 204-39.

Each of these differences would in turn affect union growth. It should be obvious that the content of provincial labour relations legislation can have such an effect⁶. Even such minor clauses as whether a union requires a majority of the workers in the unit or a majority of the workers voting in a certification election, in order to attain certification, or the length of time which elapses between an application for a certification election and the time that election is held⁷ can have substantial effects on union growth. If Party B comes to power and shows its readiness to quickly end major strikes which inconvenience the public through ad hoc legislation, this may be interpreted as a decline in union power by workers in the affected sectors, making them less willing to become or remain union members. If workers in some sector complain of poor working conditions or low wages, and lobby for legislation to alleviate these problems, and a provincial premier responds that their solution is to unionize and no legislation will be forthcoming, the message is clear. Whatever these workers feelings are toward unions, they see that under this administration, if they wish to improve their lot the route is unionization.

In sum, when Party A is in power, workers are more willing than otherwise to join unions because they perceive unions to be more powerful when they have the weight of the provincial government behind them. At the same time, unions perceive they have the "green light" to organize, and step up organizing activity because a given expenditure on such activity is expected to be more effective when Party A is in power. Finally, some employers may not resist organization as strongly when Party A is in power as otherwise, because they perceive such resistance to be futile ("you can't fight city hall"). For all of these reasons, unions should grow more rapidly when Party A is in power than when Party B is in power.

There is, however, another level to the argument, since it is the attitudes of the electorate which determine which party is elected to power. Ashenfelter-Pencavel, citing Chamberlain, argue that legislation is not "the cause but only the symbol" of public attitudes toward trade unions⁸. This position posits that an exogenous change in attitudes causes a change in

6 As argued by George Sayers BAIN, *Union Growth and Public Policy in Canada*, Ottawa, Labour Canada, October 1978, where several examples of legislative changes which could affect union growth are given.

7 See Richard PROSTEN, "The Longest Season: Union Organizing in the Last Decade, a/k/a How Come One Team Has to Play With Its Shoelaces Tied Together?", in *Proceedings of the Thirty-First Annual Meeting*, Industrial Relations Research Association, 1978, pp. 240-9; and Myron ROOMKIN and Hervey A. JURIS, "Unions in the Traditional Sectors: The Mid-Life Passage of the Labor Movement", pp. 212-22 in the same publication.

8 See Orley ASHENFELTER and John H. PENCAVEL, *op. cit.*, pp. 438-9; and Neil M. CHAMBERLAIN, *The Labor Sector*, New York, McGraw-Hill, 1965, p. 129.

party in power, and this same change in attitudes is sufficient to explain changes in union growth. Thus, Ashenfelter-Pencavel argue that party in power is merely a proxy for unavailable public opinion poll data on the attitude of the public toward unions. This argument has greatest validity in a world where there are only two parties, and these parties differ only with respect to their platform position regarding unions.

The real world is, of course, more complex than this. Although union members are only a minority of the voting population, they are a substantial minority, and no political party can take the risk of completely alienating this group. Hence no party in Canadian provincial politics has a strong anti-union plank in their platform. More important, political parties differ on many issues, not merely positions regarding unions. It requires a naive right wing-left wing view of the political spectrum, and unique identification of unionism with the left-wing end of this spectrum, to claim party in power is merely a proxy for public opinion poll data regarding unions. It is perhaps reasonably appropriate for U.S. federal politics, where there are only two major parties, but it ignores the populist nature of parties in Canadian provincial politics.

Aside from the political factor, a number of economic variables were included in the analysis. Discussion of the theoretical rationale for their inclusion will be brief, since these variables have been used, and discussed, in the literature previously cited. The first factor included is a measure of employment growth, expected to affect the growth of union membership positively. This expectation is obvious if the employment growth occurred in previously unionized establishments with strong forms of union security such as closed or union shops. Further, even if all employment growth occurred in non-union establishments, union membership should not decline. Thus, the employment growth variable should be positive, with a magnitude such that the change in membership is less than the change in employment.

The second economic variable included is the unemployment rate. The usual arguments for its inclusion note that the demand for union services will fall as the unemployment rate rises for three reasons: (i) there may be a perception on the part of workers that unions can do less in providing wage increases during recession periods, (ii) the consumption foregone by paying union dues may represent higher utility in recessions because incomes or expected incomes are lower, and (iii) for those who are unemployed or uncertain about their employment stability, there may be no perceived advantage to being an unemployed union member compared to being an unemployed non-union worker. A negative sign is thus expected for the unemployment rate. In the current study, which uses pooled cross-section time-series data,

the provincial unemployment rate never approached significance. An alternative version, the unemployment rate in a province in a given year relative to the average unemployment rate in that province over the time period considered, proved to be a strong variable. Results are presented only for this alternative version, denoted RELUR.

Three other variables were introduced, but dropped from the final estimations. Union density (union membership divided by labour force) was introduced with the expectation of a negative sign under the argument that new organization may become more difficult as density increases if the more easily organized workers are in fact the first organized. The coefficients obtained for this variable were positive, with *t* values occasionally as high as 2.0. One *ex post* rationalization for the failure of this variable to perform as expected is that the density values in the sample were low, seldom exceeding 0.4. The argument on sign expectation becomes more plausible as density approaches unity.

The lagged year-over-year percentage change in the consumer price index was introduced with a positive sign expected. The argument here is that workers may be more willing to join unions in inflationary periods if they feel that they can thereby better protect their real incomes. Although the variable never approached significance (indeed generally produced coefficients with a negative sign) and its inclusion or deletion had little effect on the results for other variables included, these results should not be taken as evidence that inflation "doesn't matter", because collinearity with other variables was a problem. The last variable introduced and subsequently deleted was the growth in union membership in all provinces excluding the province in question, with a positive sign expected. This variable, suggested by Swidinsky's⁹ use of the rate of growth of U.S. union membership to explain the rate of growth of Canadian union membership, was highly collinear with the employment growth and unemployment rate variables. While the "other province" membership growth variable was positive with a *t* value in excess of two, the employment growth and unemployment variables became nonsignificant at the .05 level.

The important point to note is that the results for the party in power dummies are not affected by the inclusion or exclusion of the three variables which were dropped from the final estimation, whether these variables were included singly or in combination.

Finally, a number of variables used by previous researchers were not introduced in the current study. These include profit rates, changes in wage

⁹ R. SWIDINSKY, *op. cit.*

rates, measures of productivity growth and measures of strike activity. Without going into detail, the reasons for not including these factors were that the theoretical rationale for their inclusion was judged to be very weak, and in some cases the variables in question (e.g. wage changes) are probably jointly determined with membership growth or affected by some common causal factor.

EMPIRICAL WORK AND RESULTS

The year-over-year relative change in total union membership is used as the dependent variable in all regressions, and is hereafter called "the rate of growth of membership"¹⁰.

The membership data were available on a consistent basis for the period 1962 to 1978, inclusive, at the time of writing, providing sixteen observations on each province. Unemployment rate data for Prince Edward Island have been released for only five years in this period, and given the means of calculating RELUR, it is impossible to calculate this variable in a manner consistent with other provinces for any period. Thus all observations for Prince Edward Island were dropped, leaving a total of (nine provinces times sixteen years) 144 observations for all estimations.

The estimation results are reported in Table 1. For those who may not wish to consult the appendix, PCE is the year-over-year percentage change in employment, the political party variables are dummy variables representing the party in power, with the New Democratic Party (NDP) being the excluded category; and the province variables are also dummy variables, with Québec the excluded category. Equations 3 and 4 are simply equations 1 and 2 after correction for heteroscedasticity.

The coefficients of PCE and RELUR are statistically significant at the .05 level, one-tailed test, and the political party dummies are statistically significant in all estimations except equation (1), using a partial F test at the .05 level. Although the province dummies in equations (2) and (4) are not significant at the .05 level¹¹, these equations are reported for comparison. The \bar{R}^2 values are low for time series data, but not unreasonable given that the dependent variable is in the form of year-over-year proportional changes.

¹⁰ Some previous studies have used central first differences in constructing their dependent variable, but we find Bain and Elsheikh's argument convincing that there is no rationale for thus smoothing the data. See George BAIN and F. ELSHEIKH, *op. cit.*, pp. 485-6. We also utilized a dependent variable which excluded members of government employee unions. The results, which are available from the author upon request, are very similar to those reported herein.

¹¹ In equation (2) they are significant at the .10 level, and in equation (4) at the .25 level.

Since pooled cross section time-series data generally exhibit problems of both autocorrelation and heteroscedasticity, the dependent variable was regressed on PCE and RELUR province by province. No evidence of autocorrelation was observed¹², but applying Bartlett's test for heteroscedasticity to the standard errors of estimate from the individual province estimations indicated the presence of that problem¹³. Hence all observations for each province were divided by their respective standard error of estimate prior to estimating equations 3 and 4¹⁴. From a technical point of view, equations 3 and 4 are more reliable estimates than equations 1 and 2.

Turning to the coefficient magnitudes, the partial relationship between the dependent variable and PCE can be depicted as:

$$\frac{dU}{U} = b \frac{dE}{E}, \text{ or } \frac{dU}{dE} = b \frac{U}{E} \quad (1)$$

where U denotes union membership and E denotes employment while b is the coefficient of PCE in the regression estimates. As is evident from the second version of this equation, any time b is less than unity union density will be declining because of employment growth, and the estimates of b herein are around 0.3.

Since the "normal" value of RELUR is unity by construction, the impact of this variable is best understood by means of a hypothetical example. If the unemployment rate was ten per cent in a given year in some province where the average value of the unemployment rate over the 1963 to 1978 period was five per cent, equation (4) in Table 1 predicts membership growth will be 2.5 percentage points lower in that year than in the "average" year. The average value of the dependent variable in the sample was 4.6 per cent per year.

The coefficients of the political party dummies exhibit sign stability over the various estimations reported, but the magnitudes and statistical significance depend upon whether the province dummies are included. Without the province dummies, the Union Nationale shows up with a large posi-

¹² On the basis of Durbin-Watson ratios tested at the .05 level. The ratio for one province was in the indeterminate range for negative autocorrelation, and for another two provinces in the indeterminate range for positive autocorrelation. All others were in the acceptance region for the null hypothesis of no autocorrelation.

¹³ See R.L. ANDERSON and T.A. BANCROFT, *Statistical Theory in Research*, Toronto, McGraw-Hill, 1952, pp. 141-44. The calculated Chi-Square value was 173.1, with 8 degrees of freedom.

¹⁴ This procedure is suggested by J.L. MURPHY, *Introductory Econometrics*, Georgetown, Ontario, Richard D. Irwin, 1973, Chapter 13.

tive statistically significant coefficient. Since the Union Nationale would not normally be classed as a party "friendly" to organized labour, this suggests that the variable is picking up the later stages of the "Quiet Revolution"¹⁵, i.e. factors peculiar to Québec, but not necessarily to any particular political party or the underlying factors proxied by the variable for that party. After the province dummies are added, the Union Nationale dummy becomes non-significant, and both the Liberal and Conservative dummies attain statistical significance, all tests being conducted against the excluded party, the NDP. The magnitudes of the coefficients for these latter two dummies are two to three percentage points per year, which is a very substantial effect. Because some political parties have been in power in only one or two provinces in the period considered, and some provinces have had the same party in power throughout the period, we consider it important that the province dummies be included to prevent incorrect attribution of effects to the political party variables. Equation (4) in Table 1 is thus considered the most reliable estimate contained herein, but other estimations are reported for comparison.

CONCLUSIONS

Retesting the Ashenfelter-Pencavel hypothesis has again found that political factors are significant in a union growth equation. This suggests that it may be fruitful in future research to see if political factors have an effect on other aspects of union activity such as strikes and wage determination outcomes, since the theoretical arguments put forth for why political factors might affect union growth can be extended easily to these other aspects.

¹⁵ See Stuart JAMIESON, *Industrial Relations in Canada*, Second Edition, Toronto, Macmillan of Canada, 1973, pp. 40-41.

TABLE 1
Regression Results, Dependent Variable = Proportional Change in Union Membership

<i>Variables</i>	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>
Intercept	.073 (3.13)	.128 (3.60)	.062 (4.64)	.093 (3.23)
PCE	.365 (2.23)	.315 (1.92)	.314 (2.95)	.274 (2.54)
RELUR	-.032 (-1.90)	-.045 (-2.61)	-.020 (-2.17)	-.025 (-2.62)
<i>Political Party</i>				
Liberal	-.011 (-0.85)	-.048 (-2.44)	-.016 (-1.68)	-.033 (-2.52)
Conservative	-.003 (-.025)	-.025 (-1.33)	-.017 (-2.40)	-.027 (-2.17)
Social Credit	-.005 (-0.33)	-.022 (-0.72)	-.006 (-0.70)	-.019 (-1.33)
Union Nationale	.062 (2.19)	.016 (0.44)	.065 (1.75)	.036 (0.80)
Parti Québécois	-.003 (-0.10)	-.039 (-0.96)	-.011 (-0.24)	-.036 (-0.68)
<i>Province</i>				
Newfoundland		.015 (0.77)		.022 (0.68)
Nova Scotia		-.011 (-0.60)		-.007 (-0.28)
New Brunswick		-.001 (-0.05)		.008 (0.31)
Ontario		-.034 (-1.48)		-.017 (-0.65)
Manitoba		-.043 (-1.80)		-.027 (-1.05)
Saskatchewan		-.037 (-1.69)		-.028 (-1.18)
Alberta		-.019 (-0.47)		-.005 (-0.18)
British Columbia		-.029 (-0.81)		-.015 (-0.54)
\bar{R}^2	.12	.16	.33	.35
F test on:				
Political Party (d.f.)	1.48 (5,136)	2.54 (5,128)	2.49 (5,136)	2.37 (5,128)
Province (d.f.)		1.77 (8,128)		1.43 (8,128)

Notes: — t values in parentheses.

— Excluded party in the political party dummies is the NDP.

— Excluded province in the provincial dummies is Québec.

— Equations 3 and 4 are equations 1 and 2 after correction for heteroscedasticity.

APPENDIX

Variable Definitions and Data Sources

- Dependent — Year-over-year relative change in the membership of all reporting labour organizations. If U_t represents membership in a given year, the dependent variable for all regressions is given by $(U_t - U_{t-1})/U_{t-1}$. Data from Statistics Canada, *Corporations and Labour Unions Returns Act. Part II, Labour Unions (71-202)*, various annual issues.
- PCE — Year-over-year relative change in the industrial composite employment index by province. Data from Statistics Canada, *Employment, Earnings and Hours, Seasonally Adjusted Series (72-206)*, various annual issues, converted to an annual basis by averaging monthly observations.
- RELUR — The average annual unemployment rate in a given province divided by the average unemployment rate in that province over the period 1963 to 1978, inclusive. Data from Statistics Canada, *Historical Labour Force Statistics — Actual Data, Seasonal Factors, Seasonally Adjusted Data (71-201)*, 1980 for the period 1966-1978. For 1963 to 1965 for Québec, Ontario and British Columbia, the “old definition” data in Statistics Canada, *Canadian Statistical Review, Historical Summary 1970*, was ratio adjusted to the “new definition” using the 1966-1969 overlap. For 1963 to 1965 for the prairie provinces observations were calculated using the formula: $UR_{nit} = \frac{UR_{nia}}{UR_{opa}} \cdot UR_{opt}$, where UR denotes the unemployment rate, n refers to “new definition”, o refers to “old definition”, i indexes provinces within the region, p denotes the prairie region as a whole, and a refers to 1966-1969 averages. All data from sources previously cited. Atlantic provinces handled in a manner similar to the Prairies.
- Political Dummies — Dummy variables interpolated to the nearest tenth based on number of days when party in power changed during a year. Information from Pierre G. Normandin (ed.), *The Canadian Parliamentary Guide*, Ottawa, 1980.

Partis politiques et croissance des syndicats au Canada

Le présent article reconsidère l'hypothèse d'Ashenfelter et de Pencavel selon laquelle le parti au pouvoir influence le taux de croissance du syndicalisme. Cependant, alors qu'Ashenfelter et Pencavel soutenaient que le parti au pouvoir ne constitue qu'un simple substitut pour obtenir des renseignements indisponibles sur le comportement de l'opinion publique envers les syndicats, cette étude-ci tend à démontrer qu'il y a une relation de cause à effet entre le parti politique au pouvoir et le taux de croissance du syndicalisme. Cela peut se présenter de différentes façons dont la plus manifeste réside dans les modifications aux lois provinciales sans exclure toutefois les déclarations publiques sur les bienfaits du syndicalisme et la promptitude à recourir à une législation spéciale pour mettre fin aux grèves.

Si le parti politique au pouvoir est reconnu pour avoir un «préjugé favorable» à l'égard des syndicats, les travailleurs sont plus enclins qu'en d'autres circonstances à y adhérer, car ils se rendent compte qu'ils ont plus de force lorsque les syndicats ont l'appui du gouvernement derrière eux. De même, les syndicats eux-mêmes ont la perception qu'ils ont le «feu vert» et qu'ils peuvent intensifier le travail de recrutement, car ils estiment que les sommes consacrées à l'organisation seront plus productrices que si un autre parti détenait le pouvoir. Enfin, il arrive que des employeurs opposent moins de résistance au syndicalisme lorsqu'un gouvernement sympathique à cette cause est au gouvernail, car les employeurs considèrent que pareille résistance serait futile.

Étant donné que la législation du travail au Canada est du ressort des provinces, il fallait donc, pour vérifier l'hypothèse, des statistiques par province. Les statistiques relatives au développement des syndicats furent regroupées pour chacune des neuf provinces, l'Île du Prince-Édouard étant exclue faute de données. Ces statistiques portaient sur la période de 1962 à 1978 inclusivement. On eut recours à des variables fictives pour représenter les cinq partis politiques qui avaient formé le gouvernement dans ces provinces durant cette période. On retint aussi d'autres facteurs comme le taux de croissance de l'emploi et les changements cycliques mesurés au moyen du taux de chômage. Le changement proportionnel des effectifs syndicaux fut appliqué de façon régressive aux variables relatives aux partis politiques, au taux de croissance de l'emploi et au taux de chômage.

Les résultats indiquent que la croissance de l'emploi et le niveau de chômage sont des variables qui ont une signification statistique. Il en est de même pour les variables se rapportant aux partis politiques. On y a découvert que le développement des syndicats a été d'environ trois pour cent plus faible au moment et dans les provinces où les partis libéral et conservateur formaient le gouvernement que lorsque le Nouveau parti démocratique était au pouvoir. Pour ce qui est du passage au gouvernement du Crédit social, de l'Union nationale et du Parti québécois, on n'a remarqué aucune signification statistique valable.

Il serait utile, au cours de recherches futures, de se demander si les partis politiques ont un effet sur d'autres aspects de l'activité syndicale comme les grèves et la fixation des salaires.