

# "Implications of regional and international economic integration workers and employers, in Canada and comparable states?"

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Rethinking the Foundations of Work Law Spring  
Session – June 10-12, 2022

Sponsored: Queen's University Smith School of Business 200 Front St. W.  
#3020, Toronto, ON



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## Outline of our paper

- Importance/Motivation
- Three Dimensions of Integration
- Forces That are Changing the Nature of Work
- The Adjustment Consequences
- Pressure(s) for Downward Harmonization
- Conditions for Downward Harmonization
- Evidence of Downward Harmonization
- Recent Developments Altering the Picture
- Specific Initiatives
- Broad Framework Initiatives

## Importance/Motivation

- Market integration moves social and political trends
- A “Marxian” understanding of economics driving social, legal and political changes
- However in dynamic/complex systems these social changes “feedback” and provide the impetus for reinforcing/divergent changes to the economic system, e.g.,:
  - i. Amazon unionisation after a lengthy decline in union power and growing inequality
  - ii. Inequality undoing the neo-liberal globalization order

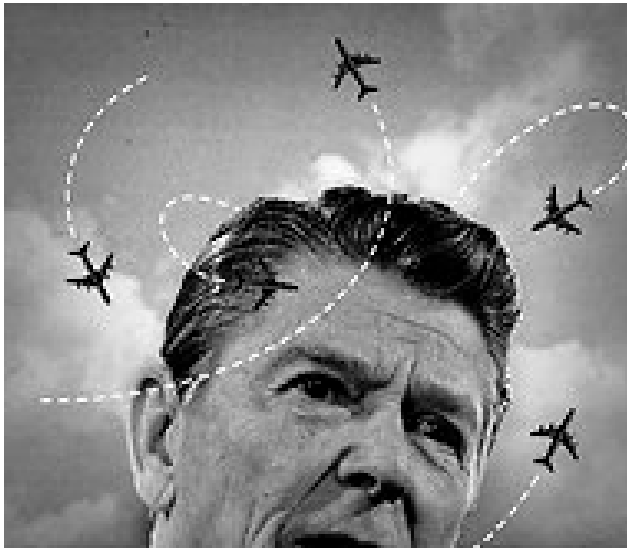
## Feedback Effects



IMAGE SOURCE, REUTERS

Reuters © 2022 Amazon Labor Union leader Christian Smalls Celebrates landmark win

## Famous Strikes: PATCO (1981)



- THIRTY three years ago, when he threatened to fire nearly 13,000 air traffic controllers unless they called off an illegal strike, Ronald Reagan not only transformed his presidency, but also shaped the world of the modern workplace.
- More than any other labor dispute of the past four decades, Reagan's confrontation with the Professional Air Traffic Controllers Organization, or Patco, undermined the bargaining power of American workers and their labor unions.
- It also polarized politics in ways that prevent Americans from addressing the root of its economic troubles: the continuing stagnation of incomes despite rising corporate profits and worker productivity.

# Famous Strikes: Public Opinion

## Fired Air Controllers Won Little Sympathy

<i>Reagan job in dealing w/ strike (Gallup)</i>	<b>Aug 1981</b>	%
Approve		59
Disapprove		30
No opinion		<u>11</u>
		100
<i>More in sympathy w/ controllers or Reagan administration (Harris)</i>		
Air traffic controllers		40
Reagan administration		51
Other/Not sure		<u>9</u>
		100
<i>Should air traffic controllers be permitted to strike? (Gallup)</i>		
Should		28
Should not		68
No opinion		<u>4</u>
		100
<i>Reagan's treatment of air traffic controllers... (ABC News/ Washington Post)</i>	<b>Jan 1982</b>	
Too harsh		42
Not harsh enough		5
About right		50
Don't know/no opinion		<u>4</u>
		100

## Sources

- <http://pewresearch.org/pubs/1900/air-traffic-controllers-strike-public-sided-with-reagan>
- <http://www.gallup.com/poll/142007/Americans-Approval-Labor-Unions-Remains-Near-Record-Low.aspx>
- <http://www.people-press.org/2011/02/17/labor-unions-seen-as-good-for-workers-not-u-s-competitiveness/>
- <http://www.gallup.com/poll/4357/Americans-Backed-UPS-Workers-Strike.aspx>
- <http://www.nytimes.com/2011/08/03/opinion/reagan-vs-patco-the-strike-that-busted-unions.html>

## Famous Strikes: PATCO 1981 (viewed differently 10 years on)

- But 10 years after the strike and Reagan's firing, the mood of the country had changed.
  - A **Gallup Poll conducted in July 18, 1991** on the tenth anniversary of the strike showed that more Americans (50%) believed President Reagan erred in firing the strikers than believe he acted correctly (39%).
  - *In 1981, President Reagan fired all the air traffic controllers when their union staged an illegal strike. Looking back, do you think President Regan made the right decision or not?*
  - Yes.....39%
  - No..... 50%
  - No opinion.....11%

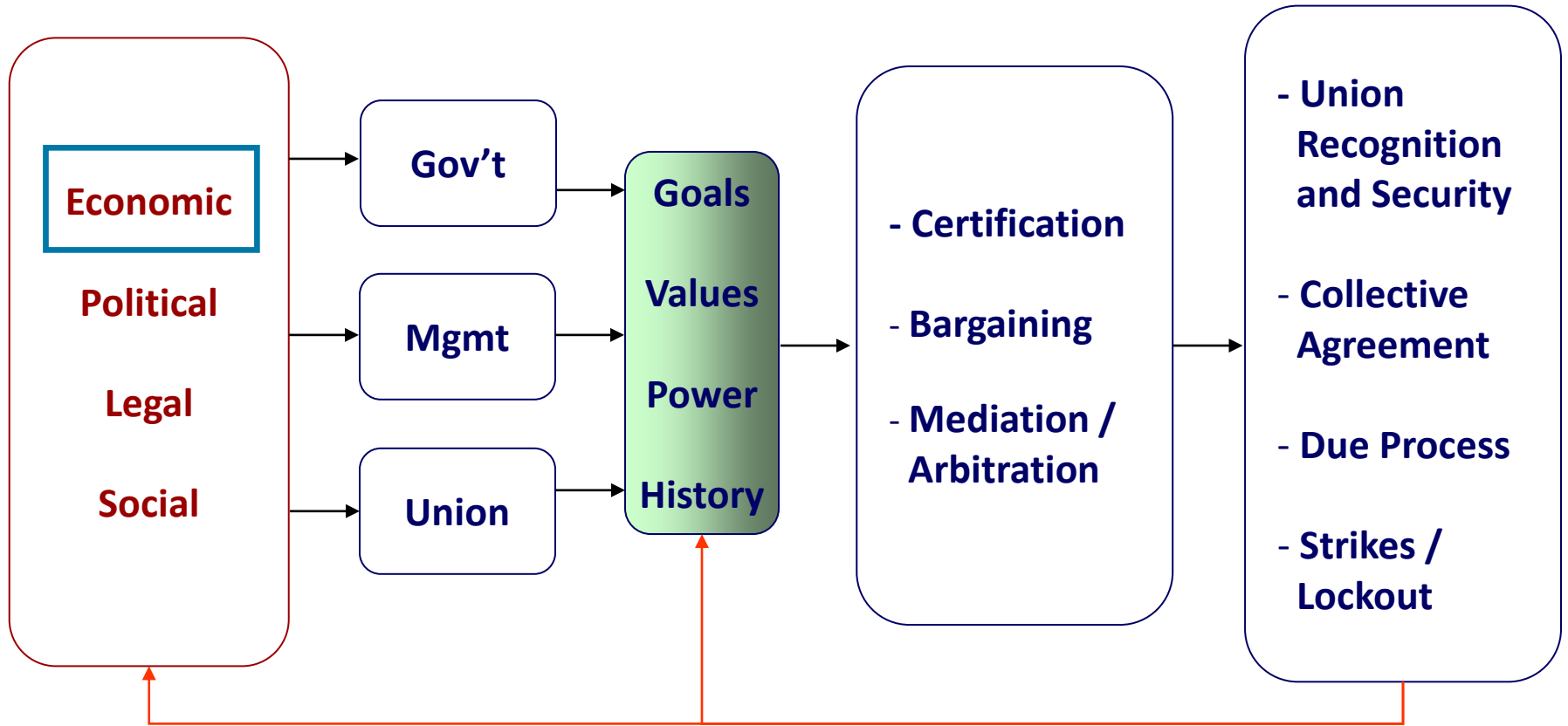
## Public Opinion Turning Positive in last 10 yrs

Would you, personally, like to see labor unions in the United States have more influence than they have today, the same amount as today or less influence than they have today?

	More influence	Same amount	Less influence	No opinion
	%	%	%	%
2018 Aug 1-12	39	26	29	6
2017 Aug 2-6	39	30	28	3
2016 Aug 3-7	36	26	34	4
2015 Aug 5-9	37	24	35	4
2014 Aug 7-10	35	23	37	5
2013 Aug 7-11	33	25	38	4
2012 Aug 9-12	29	25	41	4
2011 Aug 11-14	30	25	42	3
2010 Aug 5-8	29	27	40	4
2009 Aug 6-9	25	28	42	5
2008 Aug 7-10	35	28	32	5
2007 Aug 13-16	35	33	28	4
2005 Aug 8-11	38	29	30	3
2004 Aug 9-11	29	36	32	3
2002 Aug 5-8	27	36	31	6
2001 Aug 16-19	30	35	31	4
1999 Aug 24-26	30	36	32	2



# The IR Systems Framework - Economic



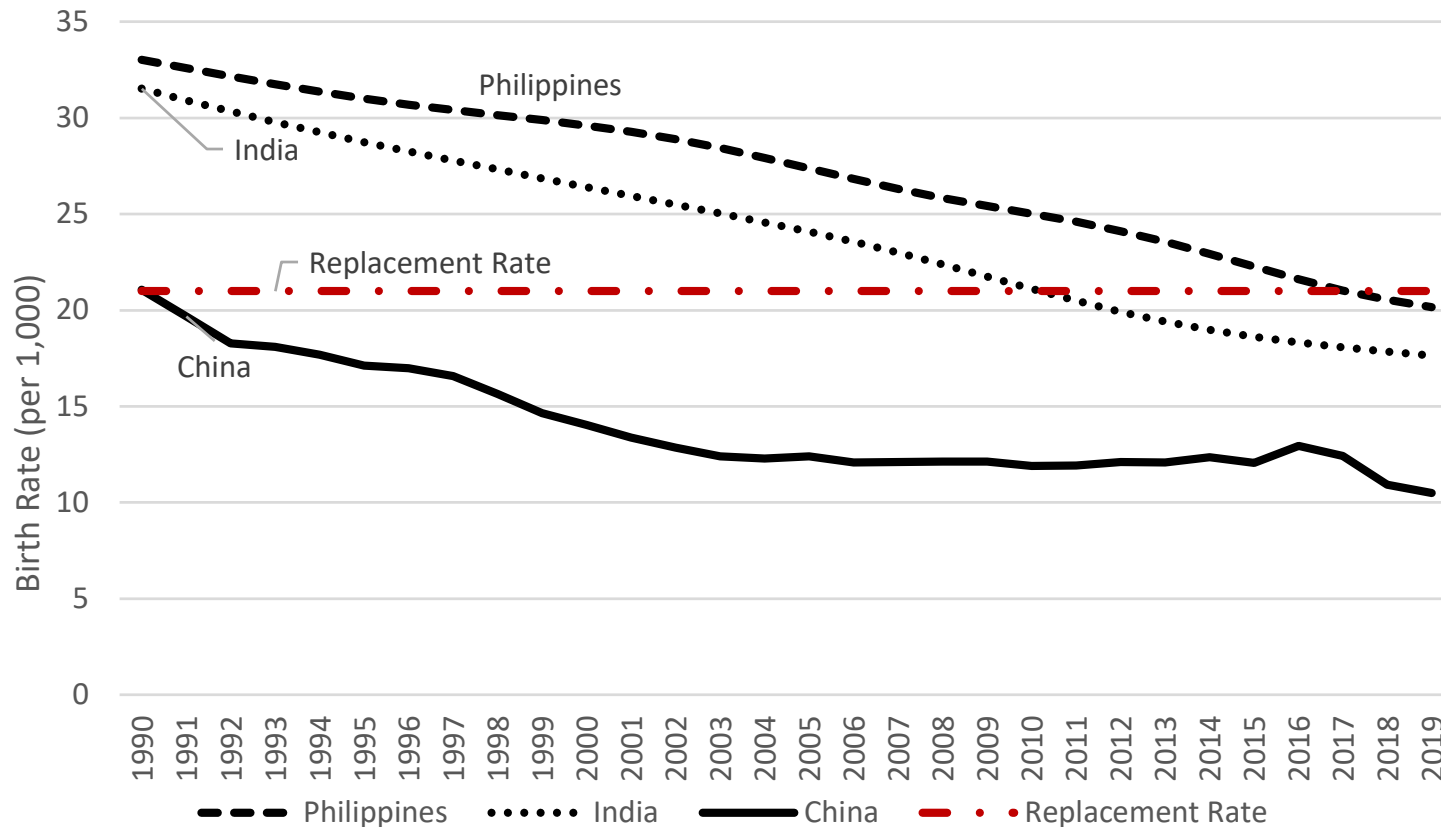
**Feedback loop to Internal / External Inputs**

## Importance/Motivation

- Market integration moves social and political trends
- A “Marxian” understanding of economics driving social, legal and political changes
- However in dynamic/complex systems these social changes “feedback” and provide the impetus for reinforcing/divergent changes to the economic system, e.g.,:
  - i. Amazon unionisation after a lengthy decline in union power and growing inequality
  - ii. Inequality undoing the neo-liberal globalization order
  - iii. **Global convergence forces in age and income will change our “easy” reliance on immigrant labour and “convergence” forces maybe ebbing**

# Figure 1: Top Three Immigration Source Countries for Canada are Getting 'Older' and 'Richer'

- Panel a) Birth Rate per 1,000 in India, China and Philippines, 1990-2019



# Figure 1: Top Three Immigration Source Countries for Canada are Getting 'Older' and 'Richer'

- Panel b) GDP per capita, PPP (current international \$), 1990 – 2019

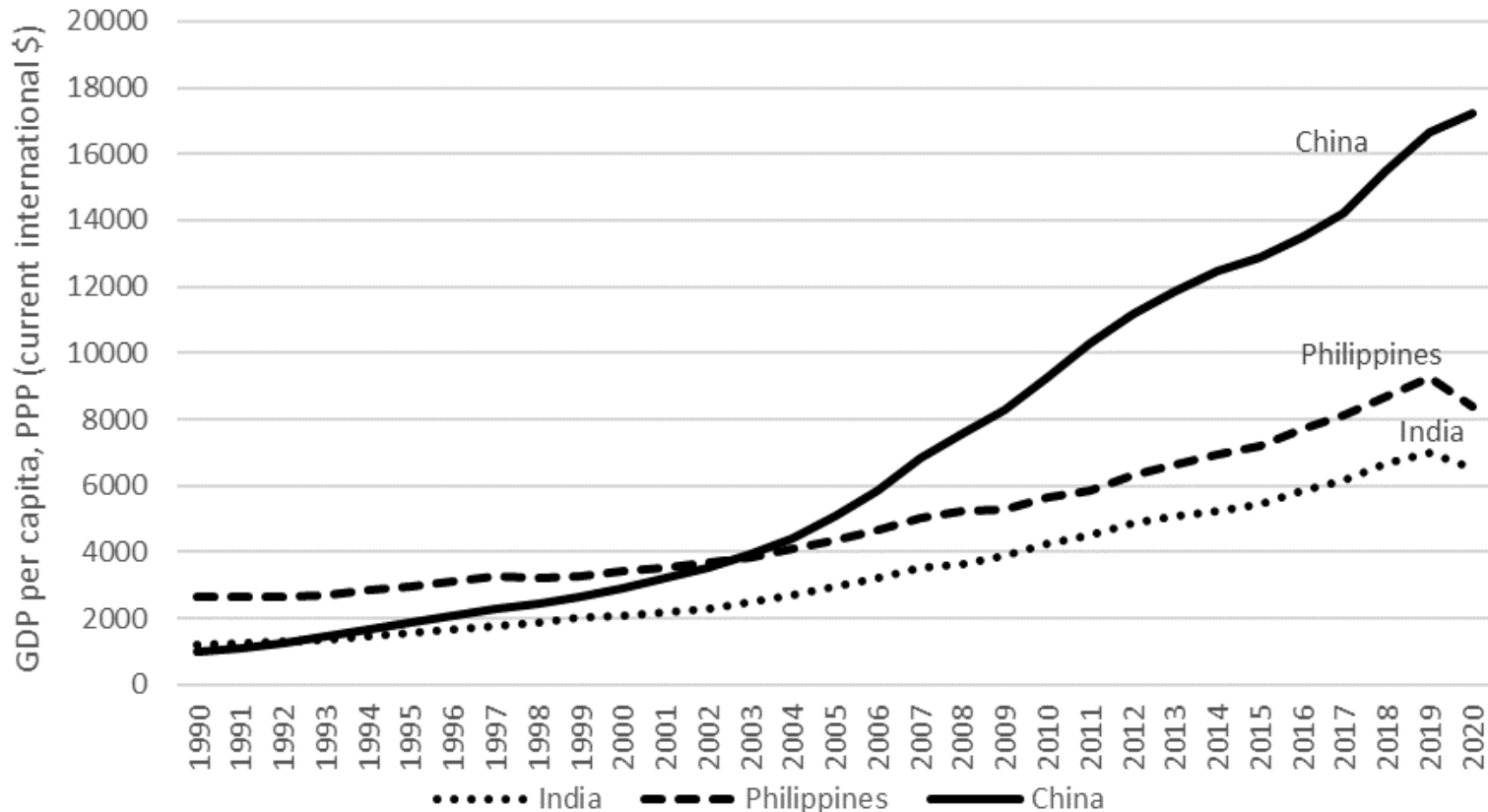
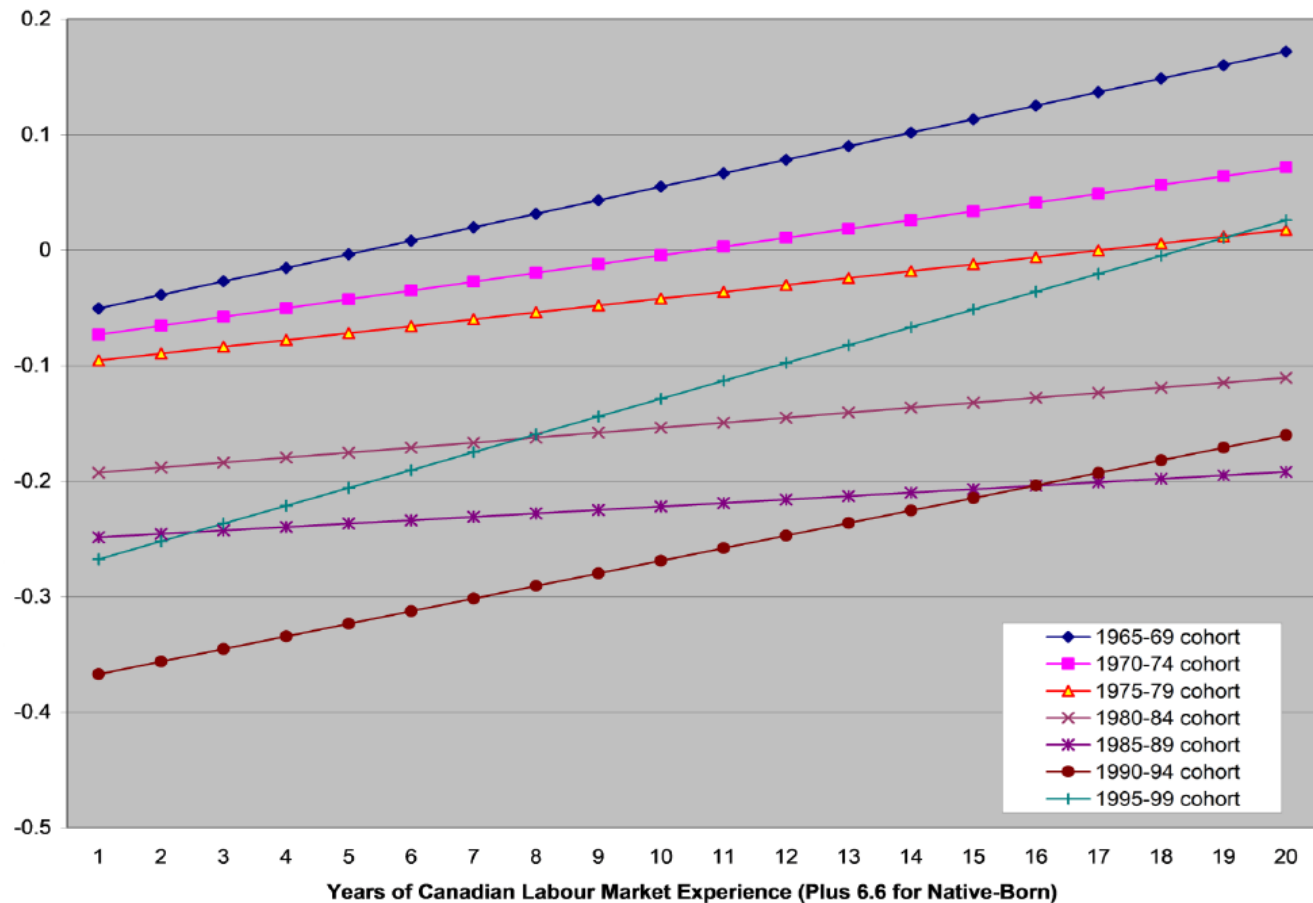


Figure 2. The immigration train was stalling before the pandemic largely for demographic and economic reasons.

## Log Earnings of Immigrant Relative to Canadian-Born



## Three Dimensions of Integration

- Broadening, deepening and feedback (Gomez and Gunderson 2002)
  - The *broadening dimension* refers to expanding integration across spatial regions and countries as transportation, communication and co-ordination costs fall, and trade agreements proliferate.
  - The *deepening dimension* refers to expansion across various dimensions of integration such as trade in goods and services, capital mobility (both financial and in plant and equipment), labour and human capital mobility and migration, transfers in technology and ideas, and multinational activities integrated through supply chains.
  - The *feedback dimension* involves how institutions and governments respond to the adjustment consequences of the broadening and deepening of economic integration. The feedback dimension is the focus of our analysis.

## Forces That are Changing the Nature of Work

- Internal Labour Market Changes (ILMs)
  - New work models are “economically” driven”
  - Gig work is not a ‘fad’ or ‘trend’
- External Labour Market Changes (ELMs)
  - Demographic changes
  - Labour shortages (short term & long term)

## Forces That are Changing the Nature of Work - Internal Labour Market Changes (ILMs)

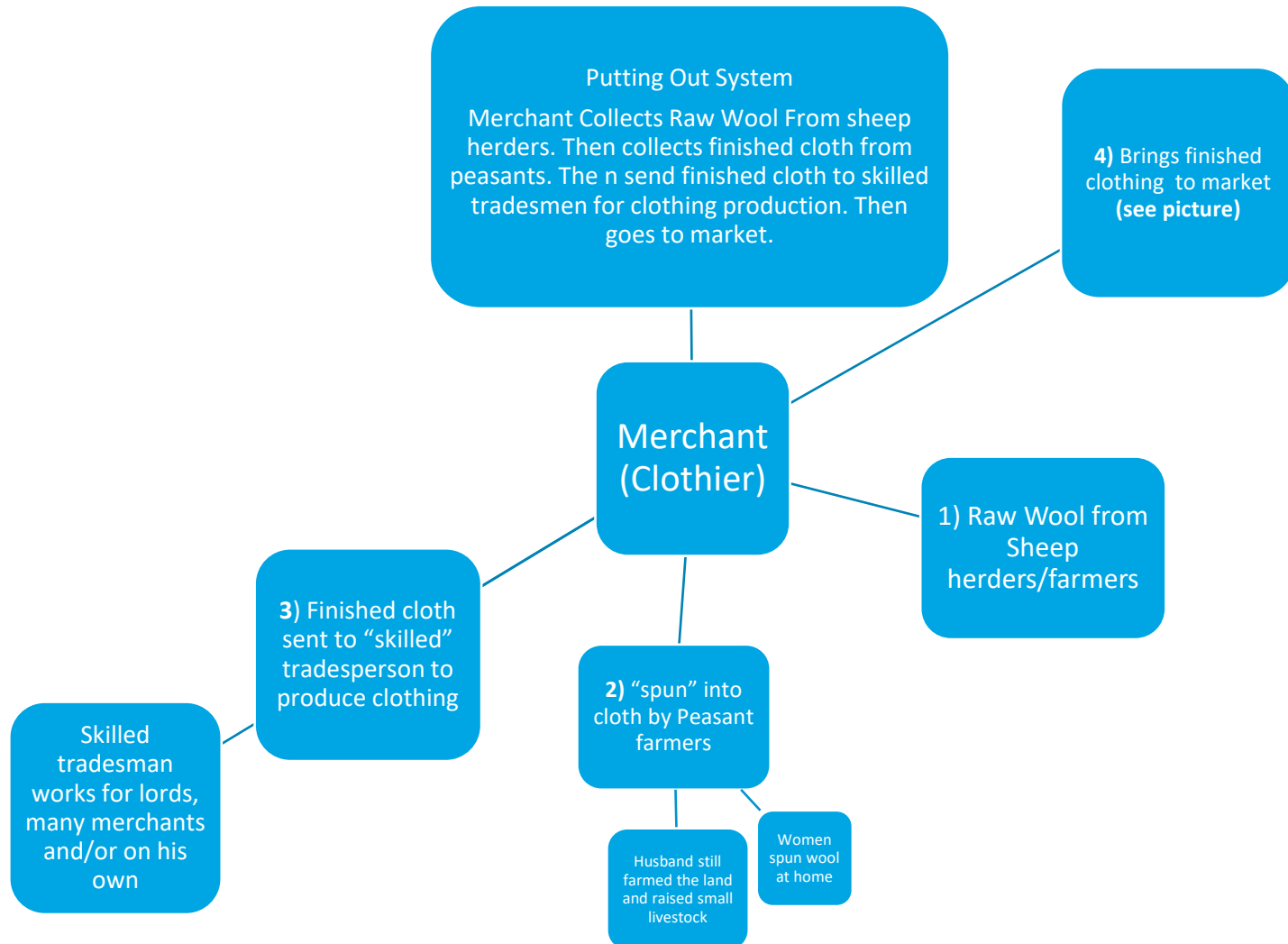
- Economies of “scope” are changing and making it easier to “fissure”
- **Integrated Hotel**
- $Cq(a,b) < Cq1(a) + Cq2(b)$
- a= Hyatt cleaning services; b) Hyatt greeting desk
- The reason for the existence of the firm in a sea or market arrangements was a puzzle unless you have economies of scale but crucially scope.



## Forces That are Changing the Nature of Work - Internal Labour Market Changes (ILMs)

- Economies of “scope” are changing and making it easier to “fissure”
- **Fissured Hotel**
- $Cq(a,b) > Cq1(a) + Cq2(b)$
- a= **Temp agency** cleaning services; b) **Acme** greeting desk
- In short: The cost of an ILM is now greater than using the ELM.
- A return to “old economic forms”.
- This is also at the heart of the Gig economy.

# Putting-Out System (aka Cottage Industry)



## 5. Pre-industrial Europe: In 1600s and 1700s merchants become an important “bridge” to modern world of work.

Prior to the Industrial Revolution, and even during its early years, entrepreneurs provided poor families with raw materials for spinning, weaving, and garment making in their own homes. Early 19th-century print of English family sewing uniforms for the British army under the domestic, or putting-out, system that preceded the factory system.





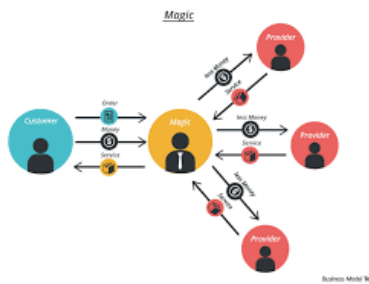
Pedlars and Alchemists in Friuli (Italy, circa 13<sup>th</sup> century): History of itinerant sellers in an alpine reality

Modern “platform” economy is a reconstruction of the “sharing economy” but also is almost identical to what “merchants” did in pre-industrial Europe.



Someone referred to modern platforms as performing a service “akin” to magic!...Well its more like the cottage industry/putting out system of 17<sup>th</sup> and 16<sup>th</sup> century Europe.

Sharing Economy



## Forces That are Changing the Nature of Work

- Internal Labour Market Changes (ILMs)
  - New work models are “economically” driven”
  - Gig work is not a ‘fad’
- External Labour Market Changes (ELMs)
  - Demographic changes
  - Labour shortages (short term & long term)
    - Where “markets” work wages rise
    - Where “markets” don’t work wages stay flat too long

# ELMs - Labour shortages were here before the pandemic but are more acute now in 2022.

- This article from the CBC **December 24, 2019** complaining that the hospitality sector had huge worker shortages.
- So the problem was there before Covid pandemic.

## Business

### Restaurant industry faces critical worker shortage as holiday demand peaks

There are more than 67,000 vacant positions in bars and food service

Brandie Weikle · CBC News · Posted: Dec 24, 2019 4:00 AM ET | Last Updated: December 24, 2019



Students in George Brown College's culinary arts program are in high demand in the hospitality industry. For every person in the program there are six paid field placements available. (Laura MacNaughton/CBC News)

[comments](#) 

Restaurants are facing a critical shortage of workers that's impeding new business and limiting capacity during the holiday season, a critical time of year for profitability, industry

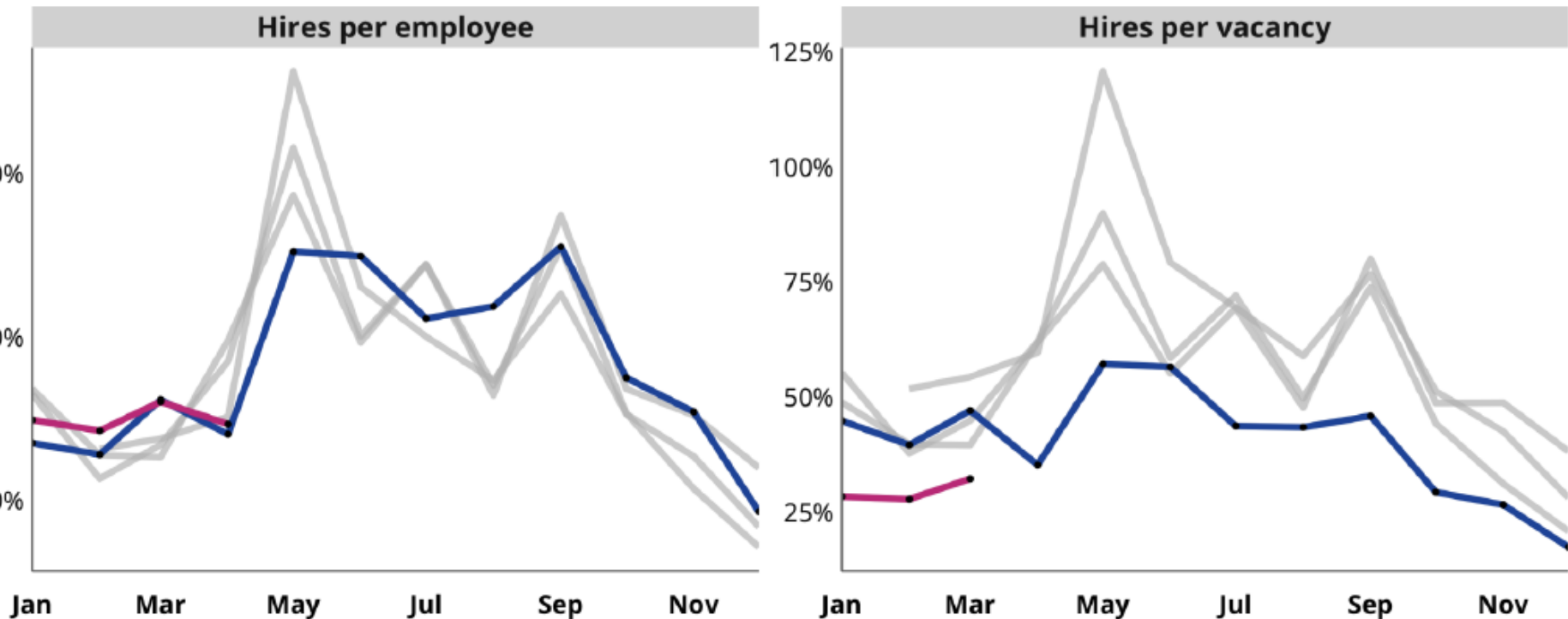


# ELMs - Labour shortages were here before the pandemic but are more acute now in 2022.

## Pace of hiring solid, but job vacancies getting less bang for buck

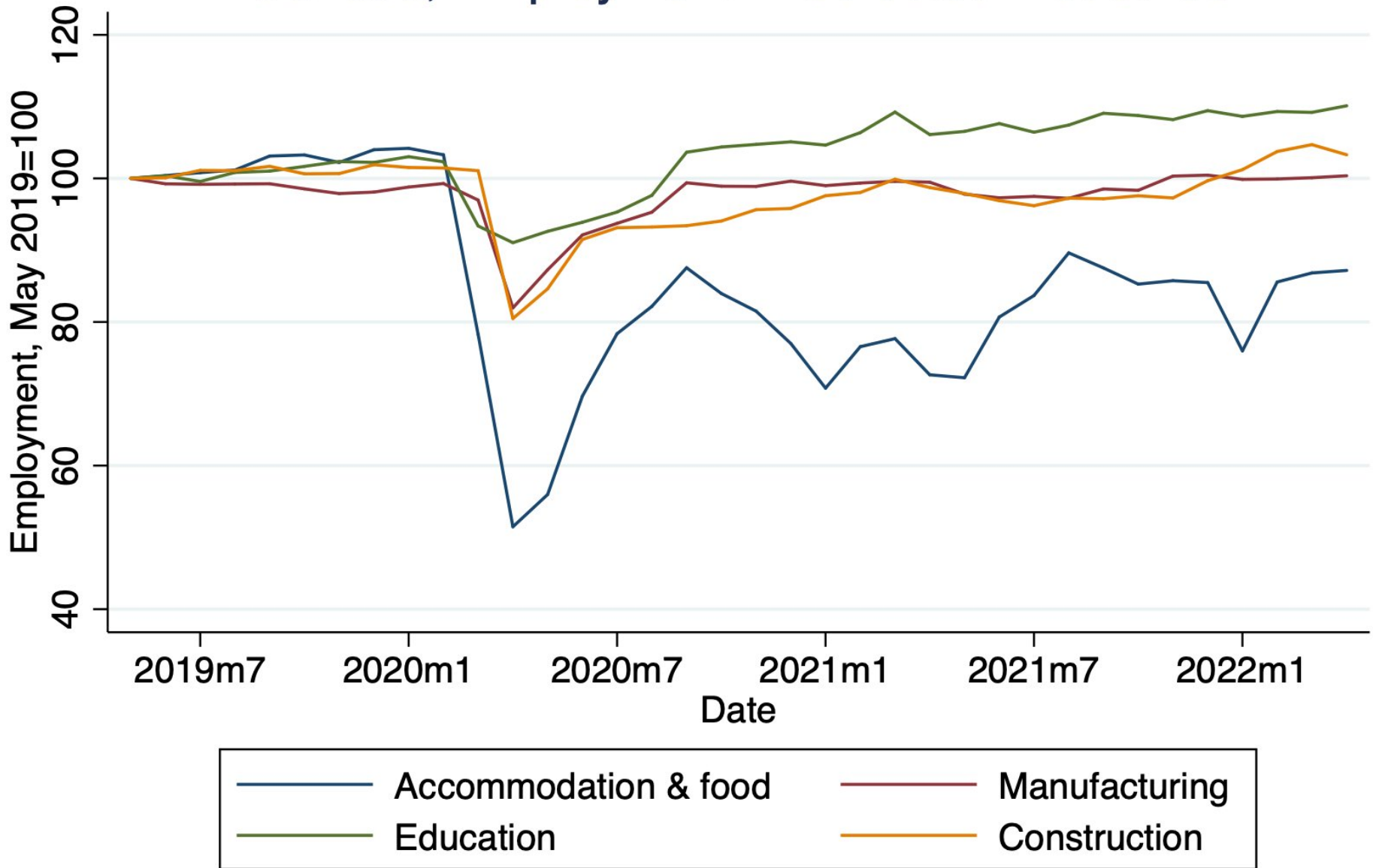
New hire rate and job vacancy yield (% nsa) 2017-2022 (ex 2020)

— 2021 — 2022



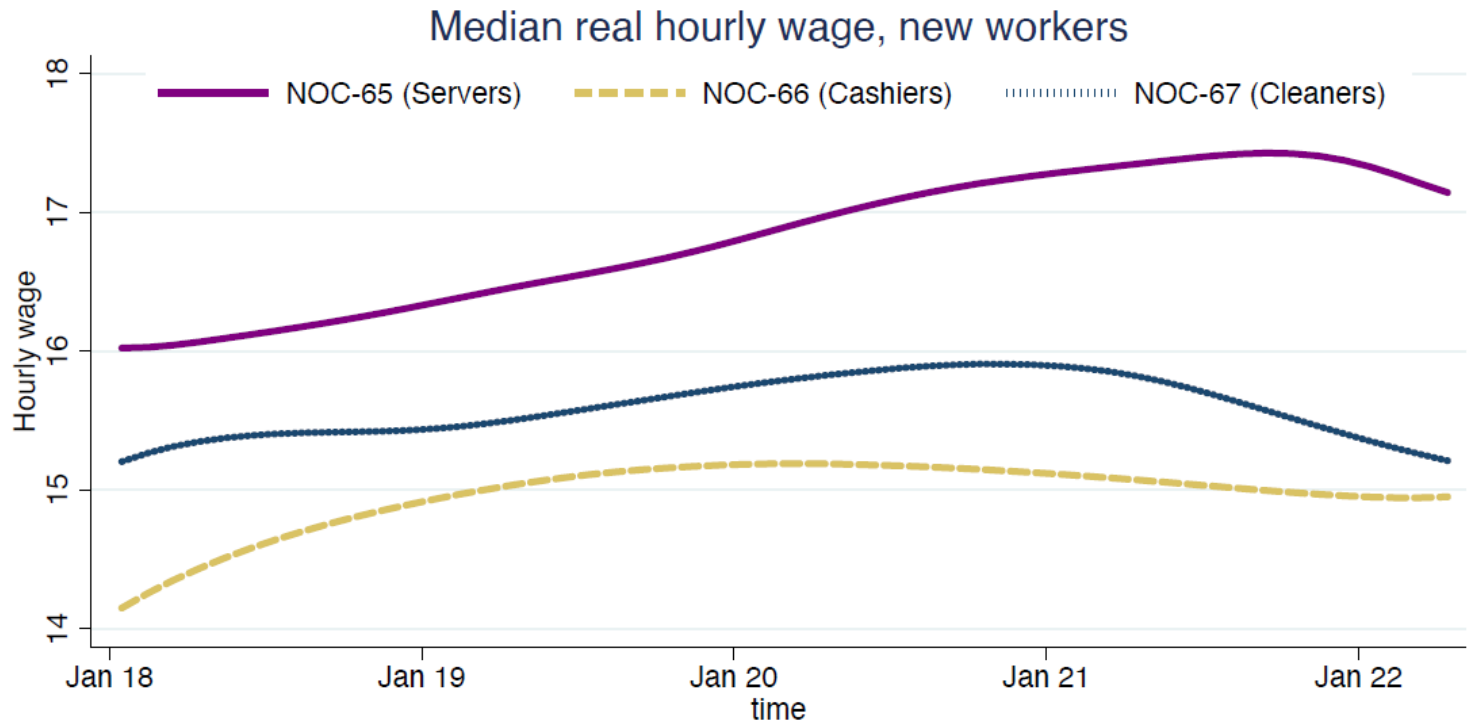
New employees (tenure=1) as share of prior months employment (ex-self employed) & job vacancies  
Source: Statistics Canada, Brendon Bernard calculations, last data point April 2022, March 2022

# Canada, Employment in Selected Industries



Source: Statistics Canada, Table 14-10-0355-02. Graph by @AChandra\_TO

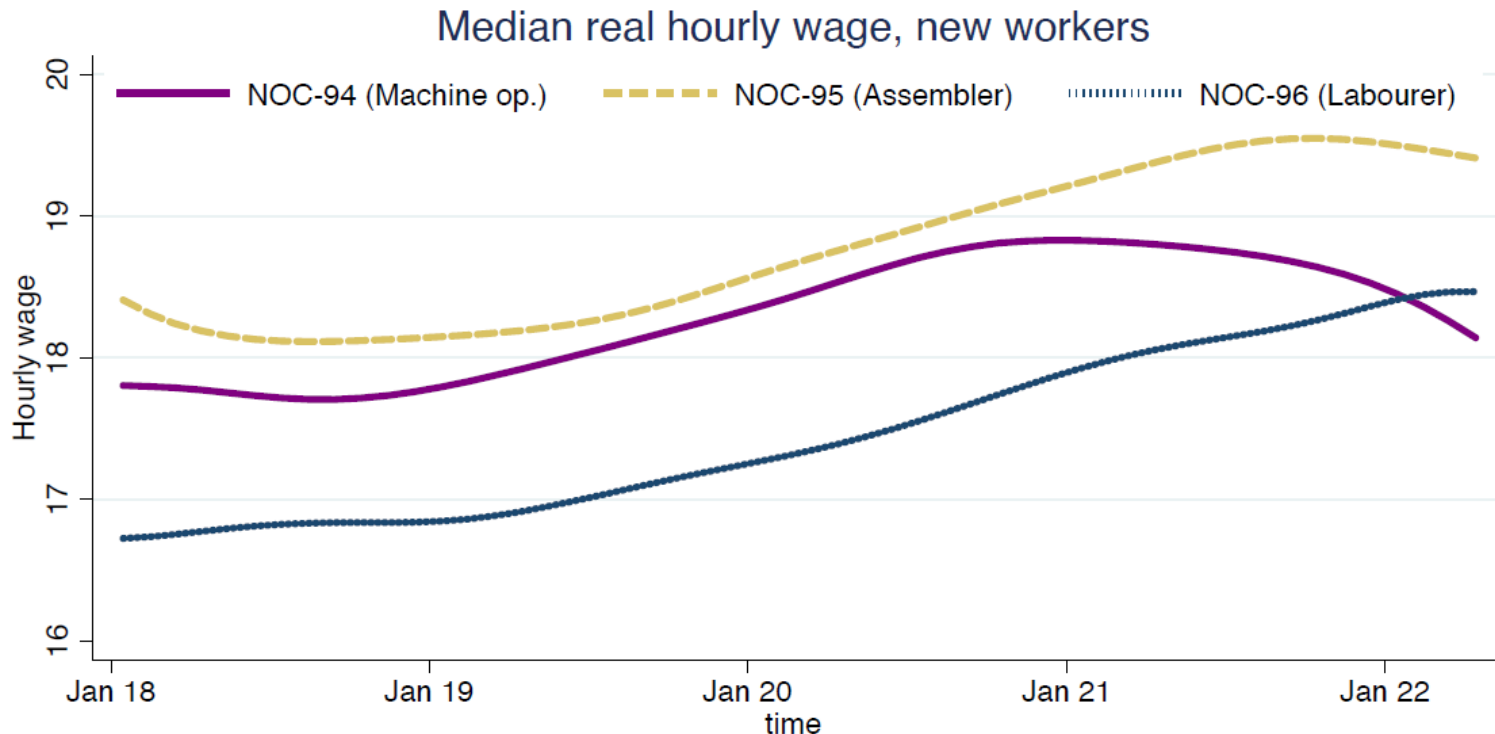
# ELMs - Labour Shortages Should Show Up in Wage Gains – Private Sector Service Jobs



Tabulations using LFS PUMFs, sample workers with tenure ≤ 6 months within 2-digit NOC classification. Line represents a loess regression. CPI all-items used to adjust wages to March 2022 dollars.

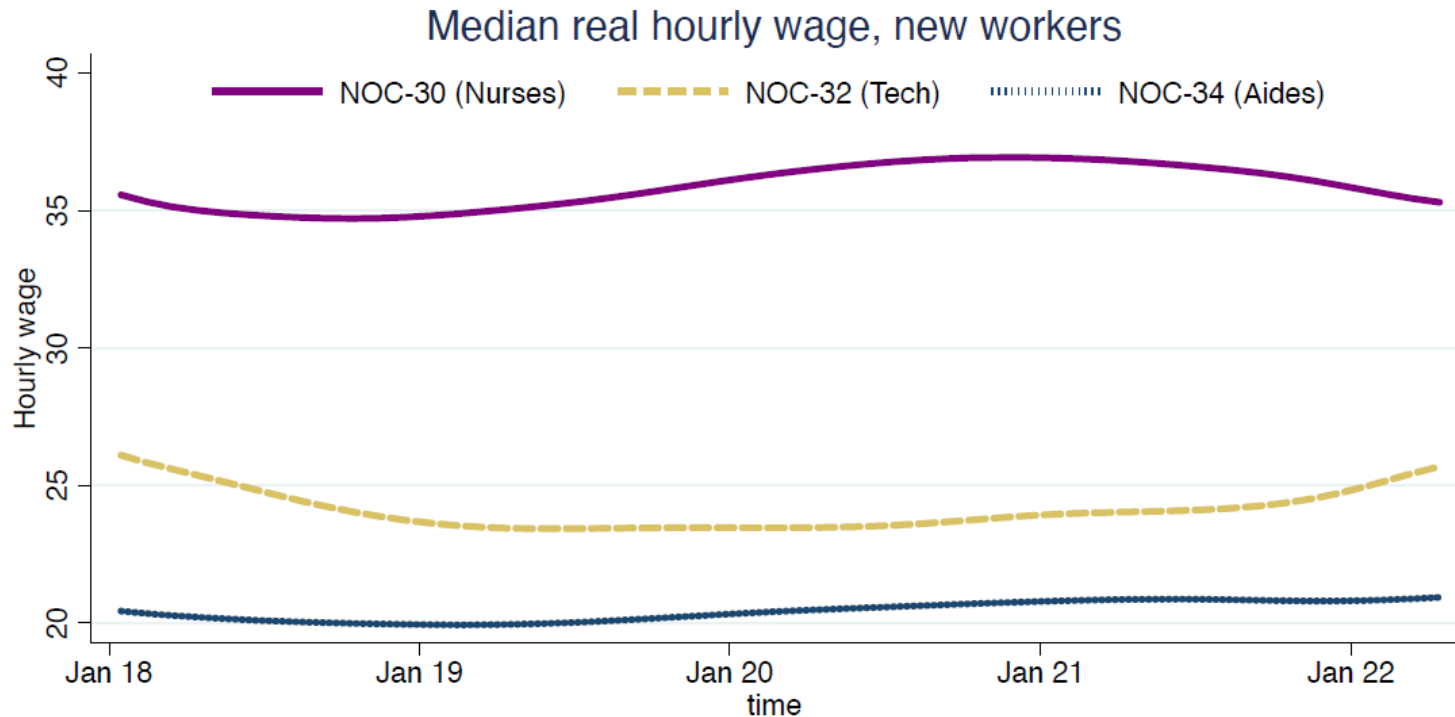
Source: Tammy Schirle (2022)

# ELMs - Labour Shortages Should Show Up in Wage Gains – Manufacturing Jobs



Tabulations using LFS PUMFs, sample workers with tenure ≤ 6 months within 2-digit NOC classification. Line represents a loess regression. CPI all-items used to adjust wages to March 2022 dollars.

# ELMs - Labour Shortages Should Show Up in Wage Gains – Public Sector Healthcare Jobs



Tabulations using LFS PUMFs, sample workers with tenure ≤ 6 months within 2-digit NOC classification. Line represents a lowess regression. CPI all-items used to adjust wages to March 2022 dollars.

**Health care, education and the cost disease:  
A looming crisis for public choice\***

WILLIAM J. BAUMOL

C.V. Starr Center for Applied Economics, New York University, 269 Mercer Street,  
New York, NY 10003

An economic specter haunts the democratic governments of the world's most prosperous economies. The rising cost of health care and education casts a shadow over virtually every election, while increasing costs of other services play a part in the growth of the homeless population and the deteriorating sanitation of city streets. It will be shown here that both an explanation and a solution *in principle* are available. However, while the solution is, in one sense, simple and straightforward, in another it poses a problem of frightening magnitude for public choice. If the citizens of these countries are willing to do what is necessary for the supply of educational, health care and other related services to keep up with the expansion in overall economic output made possible by rising productivity, then, if my analysis is correct, a difficult choice will be required: either ever more of gross national product will have to be channeled through the public sector, with all the problems we know that to entail; or, alternatively, these services will have to be transferred to private enterprise, in fields where private business firms can hope to succeed only if granted an (improbably) immunity from the temptation of unwise governmental interference. This, is indeed, Scylla and Charybdis in spades.

**1. The problem of the personal services: Some empirical evidence**

A quarter-century has passed since William G. Bowen and I (1966) drew attention to the phenomenon of continuing and compounded rises in the real costs of a special class of economic activities that includes the live performing arts, automotive repair, health care, education, postal services, automotive and accident insurance and care of the indigent. The statistical data for the postwar period, including the decades since we wrote, have confirmed the presence and persistence of these trends. Figure 1, showing real cost of education per student (based on data from UNESCO and the U.S. Department of Education for the

\* I am extremely grateful to the Alfred P. Sloan Foundation, the Price Institute for Entrepreneurial Studies and the C.V. Starr Center for their generous support of this work, and to Ms. S.A.B. Blackman for her invaluable help in the research.

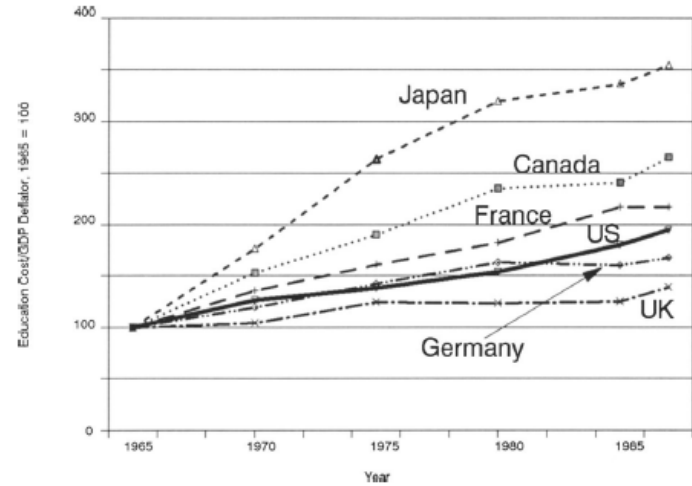


Figure 1. Education: Real cost per student (Education cost/GDP deflator), 1965 to 1987. Source: UNESCO, various years.

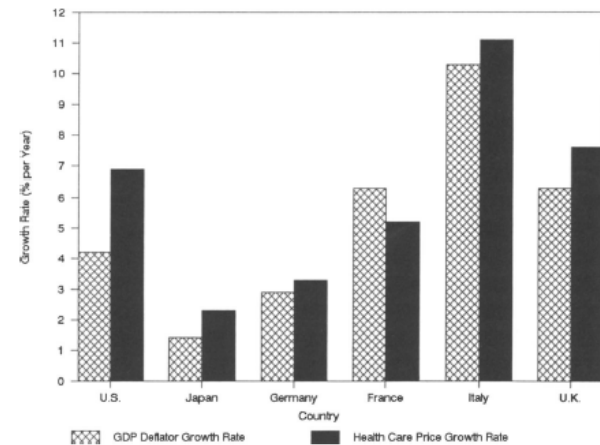
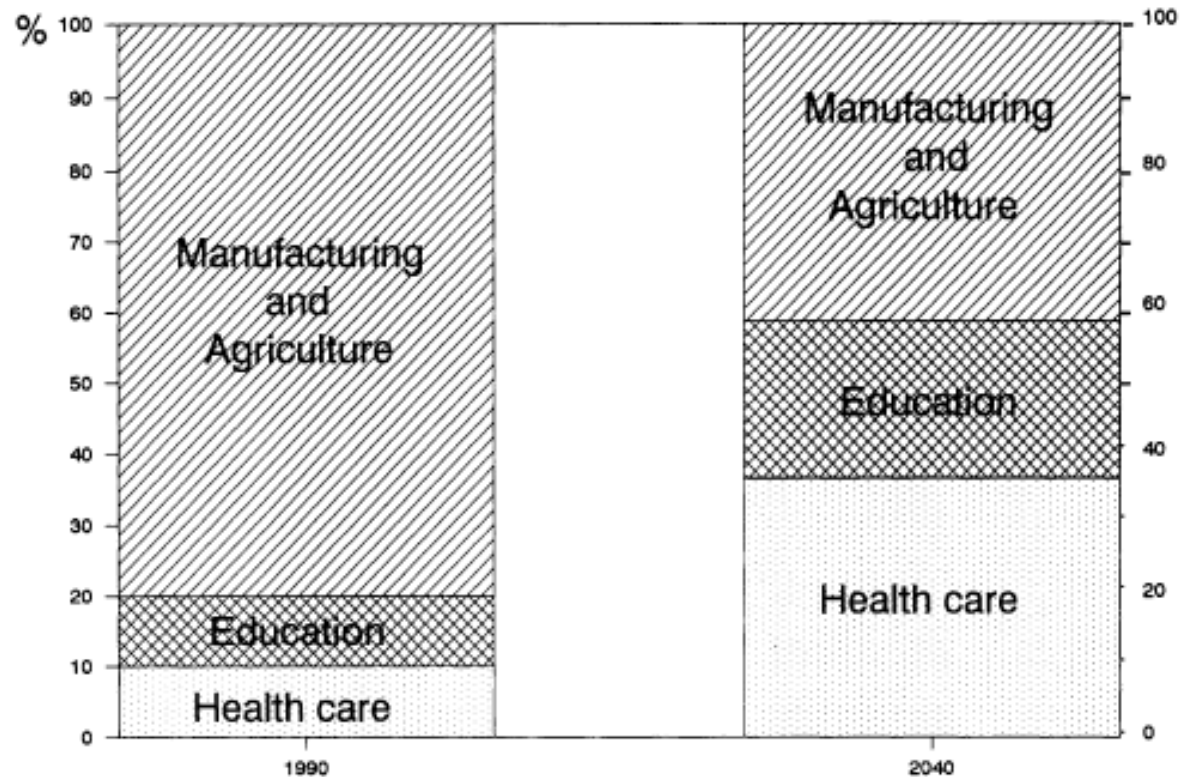


Figure 2. Growth rates: Health care price index and GDP deflator, 1980 to 1990. Source: OECD (1990).

**The Cost Disease of Essential and Public Services:** The true villain, if there is one, resides not in 'arbitration', which is merely an employment relations 'conversion mechanism' but in the nature of public services. As noted by economist William J Baumol more than 40 years ago, most public services are still largely supplied by people (as opposed to machines), they cannot be readily displaced by technology, and they cannot be outsourced to India.



*Figure 6. Hypothetical changes in total spending, over 50 years, assuming historic sectoral productivity growth rates.*

Sources: Calculated by author with data from OECD (1990), U.S. Department of Education (1990), and U.S. Department of Commerce, Bureau of the Census, various years.

**The Cost Disease of Essential and Public Services:** So that means we need to devote greater shares of national income to pay for these services given that the productivity in these sectors is not high enough. This is true whether wages are set by free collective bargaining, compulsory arbitration or the free market. The real solution is acceptance that as a share of consumption, we shall have to shift from buying “stuff” to “public services” over the next 20 years.

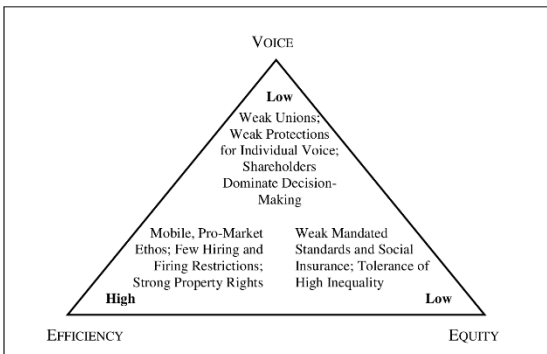
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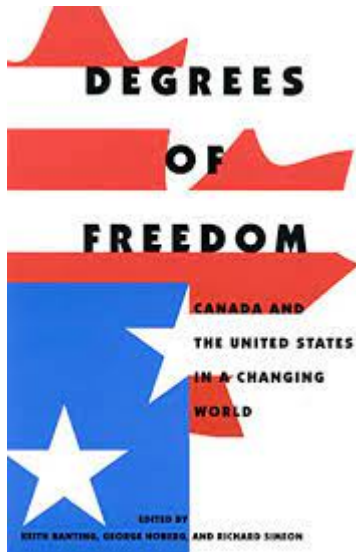
## Conditions for Downward Harmonization

- Despite our well founded fears for “downward harmonization” there is actually an **8-step process** for this to occur.
  1. Policy initiatives that impose “costs” they must be *enforced*
  2. The cost of the regulation must *exceed the benefits* to employers
  3. Companies that rely on their *brand image* may be particularly willing to pay for costly regulations
  4. A social safety net and a degree of worker protection rules can *reduce resistance to efficient changes* on the part of employers that can otherwise enlarge the size of the pie (real efficiency that factors “fairness” and desire for equity – e.g., Barbash, Meltz, Budd)



Source: Adapted from Befort and Budd (2009)

## Conditions for Downward Harmonization

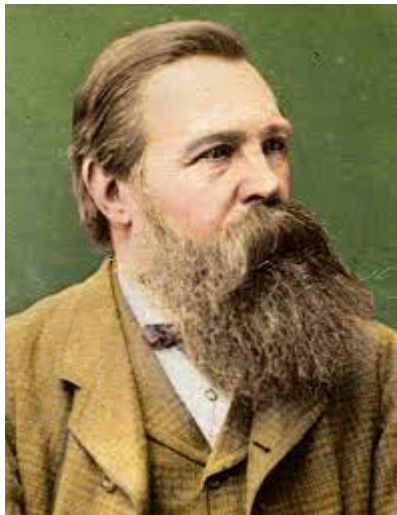


- Despite our well founded fears for “downward harmonization” there is actually an **8-step process** for this to occur.
  5. A social safety net and degree of worker protection can also *help alleviate the dramatic social costs* associated with rapid adjustments to market-oriented changes
  6. Many of the *costs of labour regulation* initially imposed on business *are shifted forward to consumers* or backward to workers
  7. Labour regulations may simply not be a major factor in plant location and investment decisions.
  8. **Downward harmonization of labour regulations may not occur if jurisdictions do not want to compete on the bases of reducing their legislative and regulatory initiatives (Degrees of Freedom)**

## 8. Downward harmonization of labour regulations may not occur *if jurisdictions do not want to compete on the bases of reducing their legislative and regulatory initiatives*



- As Arthurs (2001a, p.472) subsequently stated:
- *“States retain residual powers, both in theory and in reality; they can amend treaties, enact regulations, retract concessionary arrangements, and raise taxes if they are prepared to risk the consequences.”*
- When travelling through the United States and Canada in 1888, **Frederick Engels** predicted a strong convergence of Canada to the U.S. because of the market imperatives of economic determinism. Engels (1888) stated:
- *“It is a strange transition from the States to Canada. First one imagines that one is in Europe again, and then one thinks one is in a positively retrogressing and decaying country. Here one sees how necessary the feverish speculative spirit of the Americans is for the rapid development of a new country (if capitalist production is taken as a basis); and in ten years this sleepy Canada will be ripe for annexation — the farmers in Manitoba, etc., will demand it themselves. Besides, the country is half-annexed already socially — hotels, newspapers, advertising, etc., all on the American pattern. And they may tug and resist as much as they like; the economic necessity of an infusion of Yankee blood will have its way and abolish this ridiculous boundary line — and when the time comes, John Bull will say “Amen” to the matter.”*



## Outline of our paper

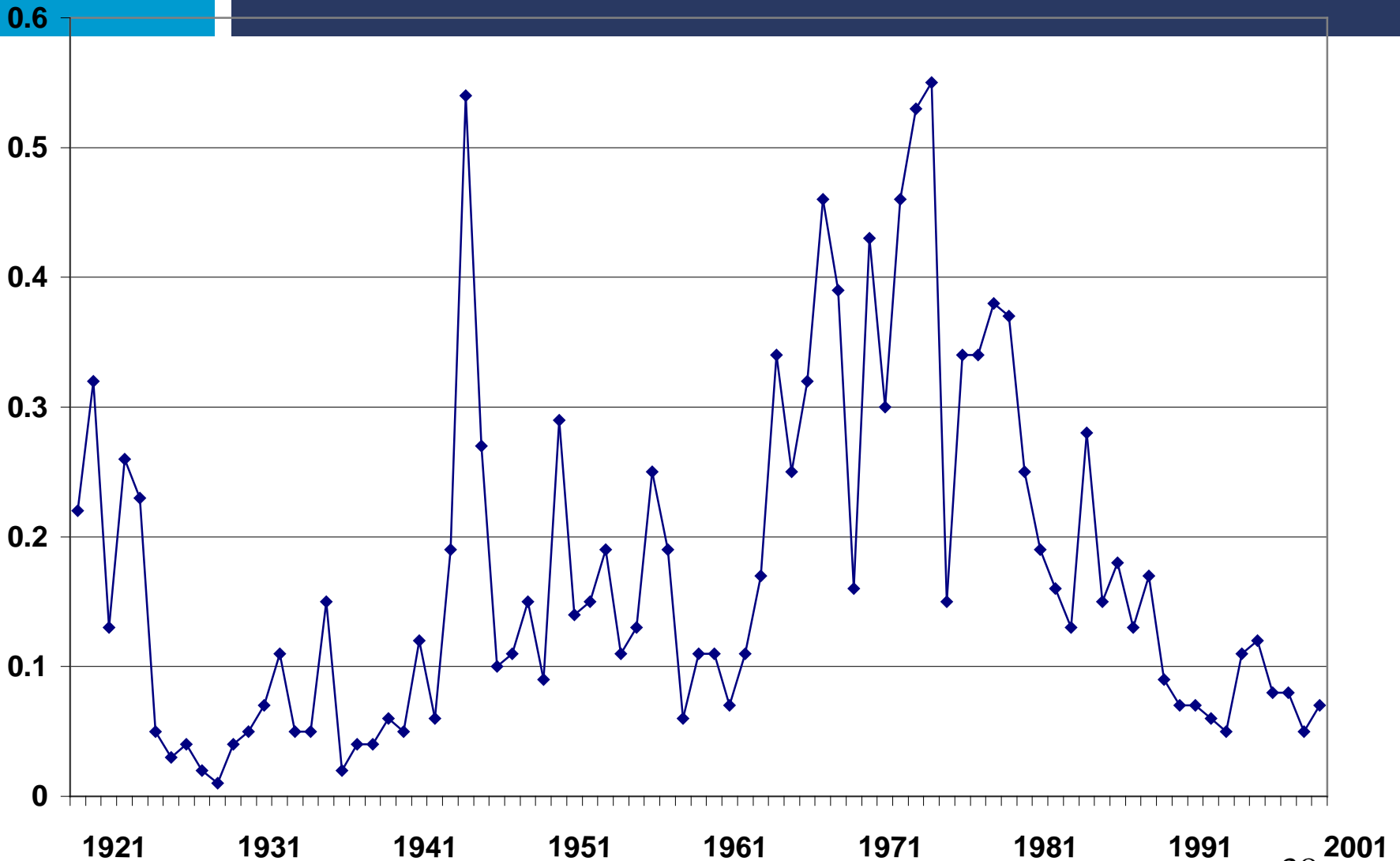
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## Evidence of Downward Harmonization

We qualitatively reviewed labour regulations in 2002 and made a judgement call as to whether we perceived them to be downwards, or upwards or no change. Our judgement was that in developed countries there was downward convergence in the following areas [in red we have seen changes] :

1. Unionization and labour law
2. Strikes
3. Minimum wages
4. Unemployment insurance
5. Pay equity
6. Pensions e.g., from defined benefit towards defined contribution
7. Welfare and family benefits
8. Overall social expenditures
9. Labour standards in general

# Historical Overview of Work Stoppages in Canada (Days Lost as Percent of Total Work Time, 1921 to 2001)



# Historical Overview of Work Stoppages in US (Days Lost as Percent of Total Work Time, 1947 to 2019)

Annual work stoppages involving 1,000 or more workers, 1947–2019

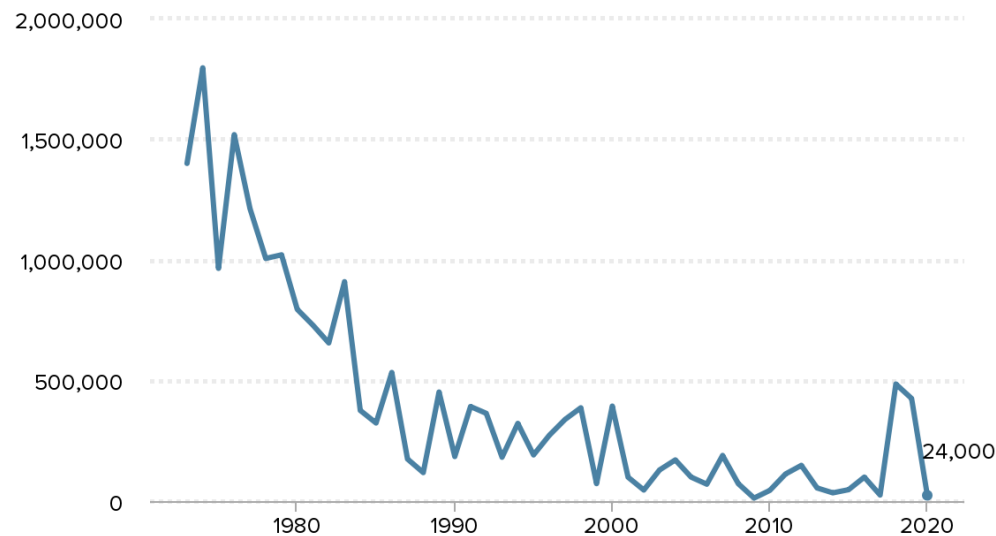


Click legend items to change data display. Hover over chart to view data.  
Source: U.S. Bureau of Labor Statistics.

# But...changes were coming before the pandemic. 2019 was know as the “year of the protest”

## After increasing dramatically in 2018 and 2019, major strike activity dropped in 2020

Number of workers involved in major work stoppages, 1973–2020



**Note:** The Bureau of Labor Statistics does not distinguish between strikes and lockouts in its work stoppage data. However, lockouts (which are initiated by management) are rare relative to strikes, so it is reasonable to think of the major work stoppage data as a proxy for data on major strikes. Data are for work stoppages that began in the data year. Data are for public- and private-sector workers.

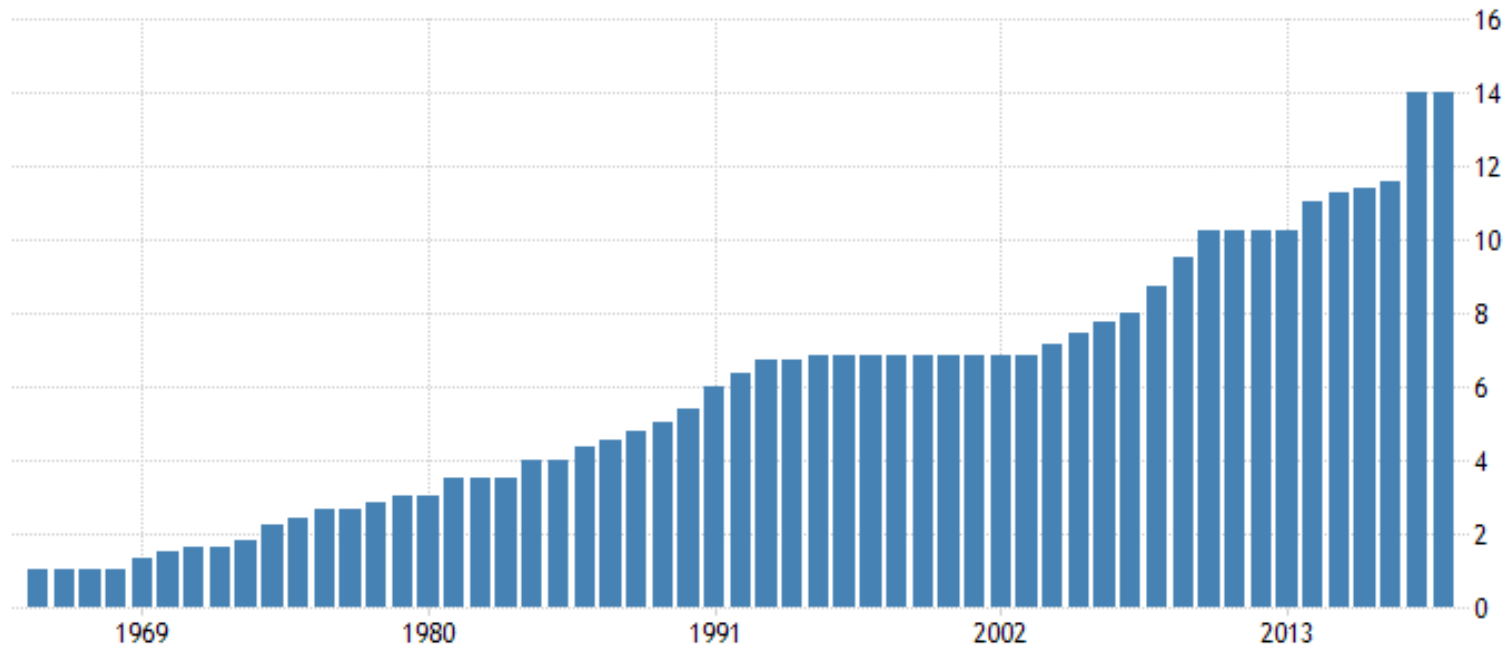
**Source:** Bureau of Labor Statistics, “[Major Work Stoppages in 2020](#)” (news release), February 19, 2021, and [related table](#), “Annual Work Stoppages Involving 1,000 or More Workers, 1947–2020.”



## Minimum wages are 'converging upward' over past 10 years (begins after 2008)



# Evidence of 'Downward' Harmonization - Chronology of Minimum Wage (reversal upward convergence)

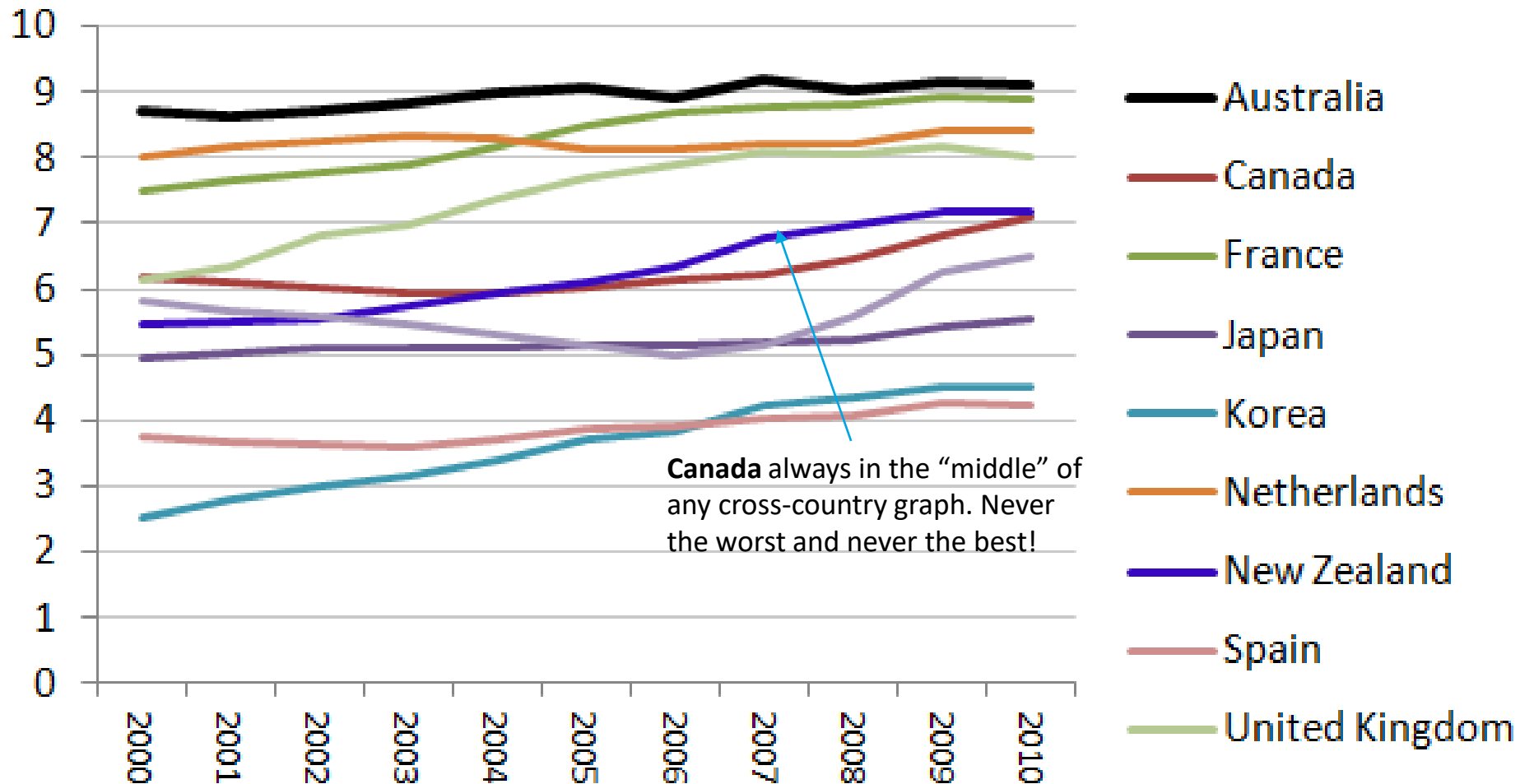


SOURCE: [TRADINGECONOMICS.COM](https://tradingeconomics.com) | STATISTICS CANADA

The minimum wage in Canada (Ontario) is a basic labor standard that sets the lowest wage rate that an employer can pay per hour to employees who are covered by the legislation. Every province and territory in Canada provides a minimum wage in its employment standards legislation. This figure provides Average Minimum Wages in Canada. Minimum Wages in Canada averaged 5.88 CAD/Hour from 1965 until 2019, reaching an all time high of 14 CAD/Hour in 2018 and a record low of 1 CAD/Hour in 1966.

# Minimum wages compared – convergence switched 'upward'

## Real hourly minimum wage (USD PPP)



## Outline of our paper

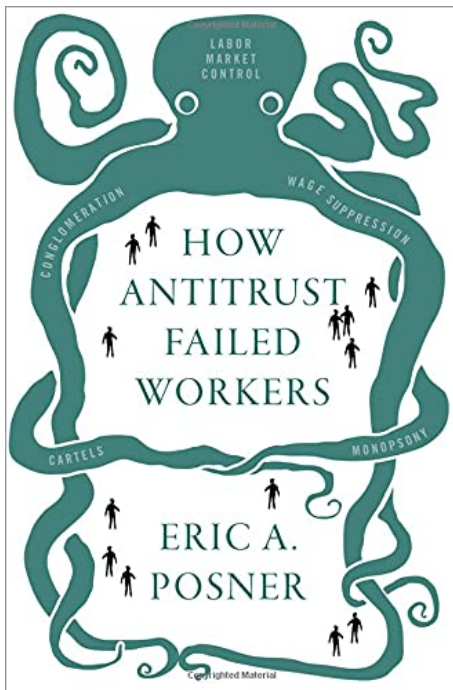
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## 4 Major Developments Altering the Picture

- There are a number of recent developments that can alter our perception of the picture whereby increased integration will continue and if so, if it will lead to downward harmonization of labour regulations.
  1. The first is a greater recognition on the part of economists of the importance of differences in bargaining power between labour and management, as long emphasized in Industrial Relations as evidenced by statements by Arthurs (2010, p. 17).

*“Wealth and power are asymmetrically distributed in our society; since workers possess less of both than employers, they are inherently disadvantaged; disadvantage generates injustice; injustice resistance; and resistance unrest.”*

These reasons are outlined by Eric Posner, a professor of law and economics at the University of Chicago, in his 2021 book *How Antitrust Failed Workers*. When such a message comes out of the University of Chicago – the bastion of laissez-faire economics – one should sit up and listen!

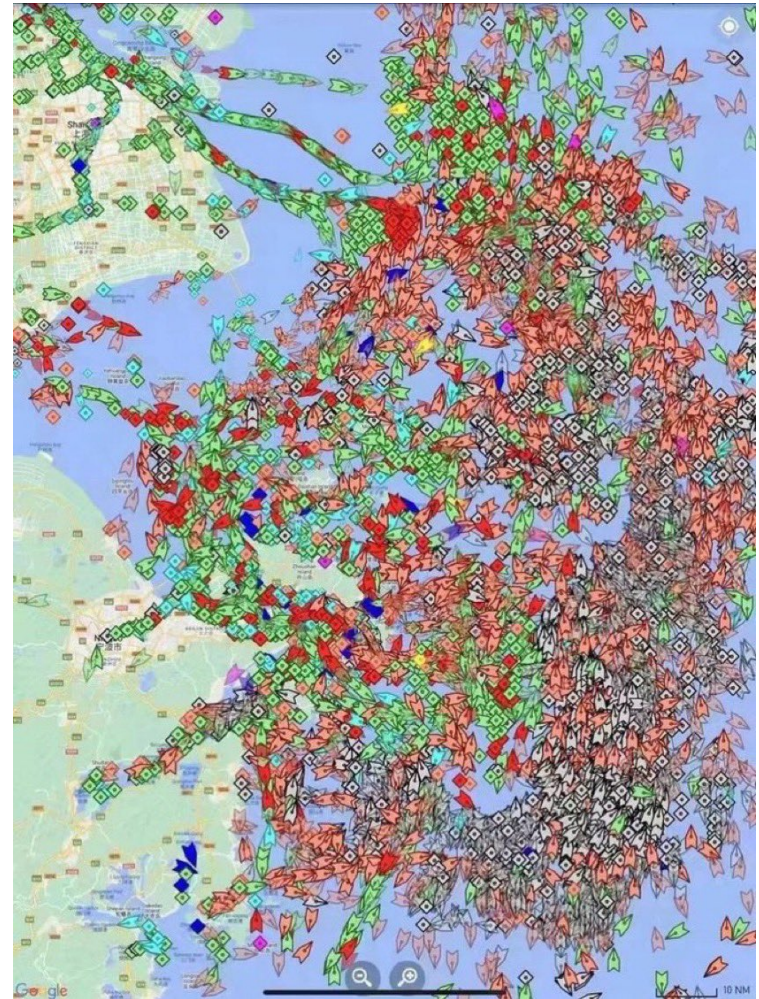


## 4 Major Developments Altering the Picture

- Fraying of supply chains, inflation, and return to “autarky”
- Real supply chain woes – these are not being made up by ‘conspiracy theorists’

War, Covid-19 Lockdowns, and high Inflation is now a “real” phenomenon but it is a “supply side” problem that has been exacerbated by loose monetary policy.

- This enhanced satellite image of container ships backed up outside of Shanghai during the latest COVID lockdowns is illustrative of what has caused price movements to rise beyond the range **1 to 3 percent** with tolerances for output gaps.
- That and an enormous amount of stimulus pushed out during the past two years.



## Broad Frameworks Initiatives

- *Focus on the most vulnerable*
- *Focus on individuals and not jobs*
- *Strategic attention to the components of compliance and deterrence*
- *Foster growth and competitive market forces*
- *Attention to design and implementation details*
- *Provide causal evidence for evidence-based policy making*