INTEREST AND RIGHTS DISPUTES RESOLUTION IN CANADA, NEW ZEALAND AND AUSTRALIA*

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Working Paper # 371

October, 1991

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INTRODUCTION

Government intervention for the prevention and settlement of labor disputes is a dominant characteristic of the three countries under review and a feature which distinguishes each from the generally "voluntaristic" approach found in the United States. Even though Canada, New Zealand and Australia share a British heritage and accept state intervention in the economy and social services, there are important differences among them with respect to dispute resolution. The purpose of this paper is to compare and contrast the respective approaches to handling interest and rights disputes.

Unfortunately, space limitations preclude a detailed comparison of the three industrial relations systems. Suffice it to say, the Canadian system is characterized by decentralized and highly autonomous bargaining, comprehensive collective agreements and an elaborate shop-floor representation system to administer agreements and resolve disputes. In contrast, the New Zealand and Australia systems historically reflected centralization and state dependency, awards that establish minimum terms and conditions, and an underdeveloped system of industrial relations at the workplace level. As well, until recently the distinction between interest and rights disputes was not recognized. In both countries, the state has traditionally assumed responsibility for economic stability.

The need to shape a stable economic system in the face of the typical difficulties encountered by agricultural or commodities exporters, disillusionment with the social consequences of strike action and a faith in the value of state initiatives in creating fairer societies led to a willingness to substitute free collective bargaining with a system of state registration of unions and final resolution of disputes through compulsory arbitration (Boxall, 1990, p. 523).
As outlined below, New Zealand has departed from this approach and pressures to do likewise are evident in Australia.

INTEREST DISPUTES

Canada

Collective bargaining law in Canada relies on non-binding procedures for the resolution of interest disputes. For the better part of the twentieth century, compulsory conciliation has been a distinctive feature of Canadian industrial relations. In 1907, the Industrial Disputes Investigation Act required the establishment of tripartite conciliation boards to investigate disputes and issue non-binding recommendations for settlement (i.e., fact finding with recommendations). Subsequently, the system was modified to provide a compulsory two-stage conciliation procedure - the conciliation officer stage and the conciliation board stage. As with single-stage conciliation, the submission of bargaining impasses to conciliation was a quid pro quo for a legal work stoppage.

Over the years, the effectiveness of two-stage conciliation was questioned. In particular, it was submitted that the imposition of another step in the bargaining process had a delaying and a chilling effect on negotiations (Craig, 1986). Today, very few boards are appointed in the private sector and, as a result, bargaining impasses are referred to government conciliation officers. Where both parties consent, mediation may be used as a supplement to conciliation. The mediator, often a government official, will be appointed in an attempt to avoid a work stoppage or to achieve a settlement and bring an end to a work stoppage. It is difficult to say whether the current system of compulsory conciliation is effective.
On the one hand, it is possible to point to the fact that many settlements are achieved at the conciliation stage or in post-conciliation bargaining. On the other hand, it is difficult to ignore the fact that less than half of all settlements are achieved at the direct bargaining stage (i.e., without third-party assistance) and that Canada had one of the worst strike records among industrialized countries in the 1970s and early 1980s.

In contrast to New Zealand and Australia, compulsory interest arbitration has never been a major feature of private sector collective bargaining. Ad hoc interest arbitration has been used occasionally to settle strikes in essential or important industries, e.g., railroads, shipping and grain handling. In such cases, back-to-work legislation normally refers outstanding issues to arbitration.

A recent development in Canadian labor law has been the introduction of first contract arbitration. This approach has been enacted in six jurisdictions with coverage for about 80 percent of the Canadian workforce. Some might argue first contract arbitration is contrary to the norms of free collective bargaining. The Canadian view is that arbitration is not a substitute for bargaining, but a remedy to "prevent illegal behavior and to ensure that the content of the law is respected" (Sexton, 1991, p. 233). Specifically, such laws are intended to deter illegal employer conduct and provide newly certified bargaining units with a reasonable opportunity to achieve a collective agreement. In doing so, arbitration seeks to establish a trial marriage, i.e., the opportunity to establish a permanent and mature relationship (Weiler, 1980). While first contract arbitration has been hailed by U.S. unions as an example of the innovative and liberal approach to labor laws in Canada, it is worth noting that this innovation is consistent with more traditional and conservative Canadian values, namely the preoccupation with preventing and
settling labor disputes. It is significant that in the post-World War II period, first contract disputes accounted for approximately 15 percent of all work stoppages in Canada (Walker, 1987).

It should be noted that first contract arbitration is not compulsory, but is at the discretion of the particular minister of labor or labor relations board. Such disputes may be arbitrated by labor relations boards or referred to private arbitrators. The Quebec experience indicates that, in most cases, arbitrators have been able to achieve mediated settlements. As for the effectiveness of first contract arbitration, the evidence is generally favorable, but by no means unanimous. The deterrent effect is most evident in jurisdictions that have made sufficient use of the procedure and permit the imposition of two-year agreements (Sexton, 1991).

The prohibition of strikes and use of compulsory interest arbitration is limited to the public sector. Even so, practice varies across Canada; strikes are legal for a broad range of public sector workers in some jurisdictions, (e.g., British Columbia), federal workers have a choice-of-procedures (arbitration or the right to strike) and Ontario prohibits work stoppages for a broad range of employees (e.g., crown employees, health care workers and police). With few exceptions, interest arbitration is handled by private arbitrators. Most disputes are referred to tripartite boards.

Unfortunately only a few studies have tried to assess the effectiveness of compulsory interest arbitration in Canada, with most of these focussing on whether arbitration has a chilling effect on negotiations. I am currently engaged in a study that examines several aspects of interest arbitration in Ontario between 1982 and 1990. Preliminary results indicate compulsory interest arbitration
prevents work stoppages, but it also fosters dependency and delay. One measure of dependency involves comparisons of settlement rates, i.e., the percentage of settlements reached without resort to the final impasse procedure - strike or arbitration. Our results indicate that the settlement rate was 88 percent in the private sector with the right to strike and 60 percent in the public sector covered by compulsory arbitration. As for delay, our results indicate it takes nearly three times longer to reach a settlement in the public sector with compulsory interest arbitration than in the private sector. The average number of days from expiry of a collective agreement to ratification of a renewal agreement was 75 days in the private sector and 221 days under compulsory arbitration.

**Australia and New Zealand**

In contrast to other countries which experienced major work stoppages in the late nineteenth century (e.g., Canada, Britain and the United States), New Zealand and Australia adopted systems of compulsory arbitration. State intervention in New Zealand can be traced to the Industrial Conciliation and Arbitration Act of 1894. It established a system of compulsory conciliation and arbitration to prevent and settle labor disputes. A similar approach was adopted in Australia with the passage of the Commonwealth Conciliation and Arbitration Act of 1904. While both statutes have been amended frequently, compulsory conciliation and arbitration has been the cornerstone of labor policy in both countries for most of the twentieth century. (New Zealand moved to voluntary arbitration in 1984).

It is apparent that New Zealand and Australia were concerned with more than the development of a system of dispute resolution. Each erected an industrial
relations system with an arbitration court or tribunal as its centerpiece and provided for the registration of employee and employer organizations, the establishment of compulsory agreements (known as awards), and the curtailment of strikes and lockouts. Effectively, these systems resulted in the adoption of state machinery to regulate bargaining and conditions of employment (Mitchell, 1988; Holt, 1976). This is perhaps most evident in regard to wage determination and incomes policy. Both countries recognized wages as a prominent source of labor disputes and developed special mechanisms for handling them, e.g., the National Wage Case in Australia and the General Wage Order in New Zealand. In each case, the purpose was to establish a minimum national wage adjustment based on a broad range of industrial, economic and political criteria.

The conciliation and arbitration system essentially meant that employers and unions bargained in the shadow of arbitration. Although there often is a tendency to assume direct bargaining by the parties is inconsequential in such systems, this is an oversimplification. For example, it has been noted that the purpose of the Australian system “has been to encourage conciliation and not simply impose arbitration” (Deery and Plowman, 1985, p. 269), with the result that “a substantial amount of direct bargaining is practiced...” (Rose, 1987, p. 12). Nevertheless, unions and employers in both countries have been subject to and become dependent on third-party intervention. This is because an interest dispute can be created as soon as an employer rejects a union’s demands. Accordingly, conciliation may be initiated before the parties have had an opportunity to fully explore the issues and bargain to an impasse. When direct bargaining and conciliation are unsuccessful, disputes are referred to formal arbitration proceedings.
Throughout most of the twentieth century, neither country formally made a distinction between interest and rights disputes (New Zealand recognized the distinction in 1973). One reason for this is that awards establish minimum working conditions at the industry or regional level and permit supplemental or “over-award” bargaining at the firm level. In addition, bargaining is continuous in the sense that in specified circumstances an award may be varied during its term. As a result, there is some ambiguity in determining whether there is a dispute of interest or rights.

The available evidence reveals compulsory conciliation and arbitration is by no means a substitute for work stoppages. In the Australian context it has been noted:

The establishment of arbitration tribunals for the prevention and settlement of industrial disputes conjures up the notion of a system in which strikes are prevented or settled before a tribunal is able to compel and enforce decisions. Such a notion does not accord with reality. No system, in any country or economic environment, can survive and provide an adequate service unless there is an acceptance by the parties in the system of the reasonableness of that system. Where compulsion has become a dominant method of operation, arbitration has been made unworkable (Plowman, 1984, p. 27).

Indeed, less than 15 percent of labor disputes are settled by arbitration. Similarly, in New Zealand, one study reports “arbitration had not in fact been widely used in the past two decades” (Harbridge and Walsh, 1989, p. 62). It has been suggested that the influence of tribunals is qualitative rather than quantitative. In Australia, the federal arbitration tribunal’s responsibility in the central wage-fixing system and its reliance on conciliation and consensus have played an important role in encouraging settlements and avoiding disputes (Plowman, 1984). At other times
(especially periods of prosperity), unions in both countries have expressed dissatisfaction with the centralized wage-fixing system and vigorously pursued their economic objectives through direct bargaining without regard to the constraints imposed by arbitration.

The industrial relations systems in Australia and New Zealand began to diverge in the 1970s. During the 1980s, economic ills (e.g., poor productivity, high inflation and interest rates, and rising foreign indebtedness) and intensified global competition necessitated changes in industrial relations. However, New Zealand and Australia responded differently to the economic crisis. The embrace of market deregulation policies and the absence of constitutional impediments to labor law reform allowed New Zealand to transform its industrial relations system and move closer to the U.S. Wagner model. This shift gained impetus in 1984 when compulsory arbitration and the “no strike doctrine” were virtually abandoned in favor of compulsory conciliation and voluntary arbitration. The change in labor policy recognized “the growth of direct bargaining, the importance of trend-setting conciliated awards and the resulting nominal nature of arbitration in the New Zealand system” (Boxall, p. 529). With the passage of the Employment Contracts Act 1991, the newly-elected National Party introduced radical reforms to deregulate labor relations by encouraging flexible and decentralized bargaining structures and voluntaristic collective bargaining (Hince and Vranken, 1991).

Whereas Australia has experienced similar economic pressures for reform of its industrial relations system, it has opted for “managed decentralism” without deregulating bargaining processes and industrial disputation (McDonald and Rimmer, 1989; Boxall, 1990).
RIGHTS DISPUTES

Canada

Both Canadian and U.S. collective agreements feature grievance and arbitration procedures for the resolution of rights disputes. However, as was the case with interest disputes, there is greater government regulation of the grievance arbitration process in Canada (Carter, 1989, p. 35).

Canadian collective bargaining legislation requires that collective agreements include a procedure for final and binding resolution of any unresolved disputes arising under that agreement. Unlike the United States, where such procedures are completely a matter of negotiation between the parties, Canada assigns a public element to grievance resolution; the parties may fashion their own grievance procedures, but they are not free to dispense with such machinery. This public aspect to grievance arbitration means that there is generally greater public regulation of the grievance arbitration process in Canada than in the United States.

Once again, this reflects the preoccupation of Canadian labor policy with the prevention and settlement of labor disputes.

As in the United States, grievance arbitration in Canada pertains to disputes involving the interpretation, application or alleged violation of a collective agreement. Through negotiations, the parties enjoy wide latitude to design grievance and arbitration procedures suited to their particular needs. The structural characteristics normally include detailed multi-step procedures with hierarchical appeals and explicit time limits. Grievances that are not resolved by the parties may be referred to arbitration. Arbitrators usually are selected on an ad hoc basis and cases are heard by a single arbitrator or a tripartite board. Collective bargaining law prohibits mid-contract strikes and relies on arbitration
as the final and binding method of dispute resolution (Rose, 1990). The costs of arbitration are shared equally by the parties.

Although grievance arbitration is largely undertaken by private arbitrators, public regulation is reflected in many ways. In most jurisdictions of Canada, the ministry of labor or the labor relations board retains a list of qualified arbitrators and may appoint arbitrators in specified circumstances. As well, some provinces (e.g., Ontario) have assumed responsibility for the training and education of arbitrators (Gandz and Whitehead, 1989).

Canadian labor policy also has developed a number of innovative grievance arbitration systems. In several jurisdictions, statutory mediation-arbitration procedures have been established to encourage informal settlements and time and cost savings. In effect, these new systems give the parties a choice of procedures. In other words, either party may opt out of the collectively-bargained procedure in favor of the statutory procedure. For example, in Ontario the labor relations board has jurisdiction to arbitrate rights disputes in the construction industry. Statutory expedited procedures in Manitoba and Ontario (applicable to the private and quasi-public sectors) provide for mediation by government grievance settlement officers and arbitration by private arbitrators. The minister of labor or labor relations board is solely responsible for the appointment of arbitrators in such cases. The available evidence is that statutory expedited med-arb schemes are widely accepted by the parties, promote the informal settlement of grievances and produce substantial time and cost savings (Rose, 1989).

Australia and New Zealand

Most of the twentieth century has been characterized by a failure to distinguish interest and rights disputes and develop workplace grievance
procedures. It should be emphasized that industrial relations system characteristics, notably centralized bargaining, awards that establish minimum conditions, the relative absence of codified employment conditions at the workplace level and the proliferation of unions and awards at the enterprise level, have impeded the development of uniform grievance procedures. The absence of special procedures effectively meant compulsory conciliation and arbitration was applicable to all forms of labor disputes. Because workplace grievances were a persistent and major source of industrial conflict in both countries, the need to develop more effective forms of dispute resolution was recognized. As outlined below, the reform process has advanced much further in New Zealand.

In 1973, New Zealand recognized the distinction between interest and rights disputes and established two statutory procedures. In effect, all awards and agreements had to include a procedure for handling personal grievances (e.g., unjust dismissal) and a procedure for "disputes of rights" (e.g., the interpretation or application of an award or agreement). By and large, unions and employers chose to adopt the statutory procedures (as amended from time to time) rather than negotiating alternative procedures tailored to their particular needs.

New Zealand's statutory procedures have been distinguished from the North American model of grievance resolution in two important ways. First, less emphasis is placed on multi-step procedures with hierarchical appeals. Instead union-management consultation regarding grievances tended to be informal and unstructured. Second, the procedures utilized labor-management committees and emphasized mediation-arbitration. Thus, where the parties were unable to resolve a dispute, they referred it to a committee (either a disputes committee or a
personal grievance committee) chaired by a government mediator. At the committee stage the emphasis was on achieving a mediated settlement. Failing a settlement at this stage, the mediator/chairperson could either decide the matter (subject to appeal to the Labour Court) or refer the matter directly to the Court for a final and binding decision (Rose, 1990). Another contrast is reflected in the changes created by the Employment Contracts Act 1991. It provides for the extension of statutory personal grievance procedures to all employees, including managers. As for other recent legal changes, it is still too early to determine what impact the dissolution of institutions like the Mediation Service and the Labour Court will have on dispute resolution. Although the newly created Employment Tribunal possesses mediation and adjudicative powers, there is some uncertainty about what role it will play in future dispute settlement (Hince and Vranken, 1991).

Legislative support for distinguishing interest and rights disputes and promoting workplace grievance procedures is less developed in Australia. Even though debate over this issue intensified in the mid-1980s, there has not been a radical departure from the status quo (O'Brien, 1990). In theory, it has been recognized that grievance procedures are an effective means of resolving workplace disputes. Given union opposition to mandatory procedures, arbitration tribunals were reluctant to insert disputes procedures into awards because their effectiveness would be compromised "without the agreement of all of the parties bound by that award..." (Plowman, 1982, p. 17).

Survey evidence indicates that the proportion of federal awards and agreements with disputes settlement procedures increased from 18 percent in 1974 to 32 percent in 1984 and to 41 percent in 1988 (Department of Employment and Industrial Relations, 1984; Department of Industrial Relations,
1988). Unfortunately, the commitment to utilizing such procedures is often less than the overall figures suggest (Hilmer, et al, 1991). Additionally, such procedures vary greatly in scope (i.e., some exclude issues from the disputes procedure altogether or limit the procedure to a specific issue or issues) and in decision-making authority (ranging from consultation to final and binding determination) (Rimmer and Zappala, 1988). Perhaps the most common approach has been the board of reference, a union-management committee with a chairperson selected by the parties or appointed by an arbitration tribunal. Such boards rely on conciliation to settle disputes, but do not have the authority to interpret awards and agreements (Isaac and McCallum, 1987). Despite the call of reformers for the adoption of mandatory grievance procedures in awards and agreements (e.g., Niland, 1989), support for comprehensive and standardized grievance procedures remains elusive.

CONCLUSIONS

This paper has described and compared the dispute settlement mechanisms used to resolve interest and rights disputes in Canada, New Zealand and Australia. State regulation in Canada is relatively modest; the parties retain considerable autonomy in terms of the negotiating process, bargaining outcomes, the use of economic sanctions and the development of grievance and arbitration procedures. In contrast, New Zealand and Australia have had highly regulated systems of industrial relations. The centrality of avoiding strikes has produced government institutions to regulate employer and employee organizations, wage bargaining and compliance with compulsory conciliation and arbitration. This has fostered dependency on state institutions and stifled private initiative. Advocates of reform
maintain decentralization and self-reliance are required to boost productive efficiency and to meet the challenge of increased global competitiveness.

Although the pace of reform varies between New Zealand and Australia, the direction is broadly similar. The growing emphasis on labor market deregulation and self reliance will likely mean a shift in the locus of bargaining activity to the enterprise level. Decentralization could stimulate convergence with the North American model in terms of less dependency on third-party intervention in interest disputes, a stronger commitment to and development of privately-negotiated grievance procedures and the emergence of private mediation and arbitration.

There is a lesson here, as well, for the North American system of dispute resolution. With some notable exceptions, mediation has been deemed appropriate for interest disputes, but not rights disputes. Yet, the New Zealand experience reveals that grievance mediation is effective in promoting settlements (Rose, 1990). Given the high cost and protracted delays that often accompany private arbitration, this approach to grievance resolution merits further consideration.

NOTES

1. Although the Employment Contracts Act 1991 abolishes the distinction between interest and rights disputes, the functional purpose underlying the distinction continues to be important. For example, all employment contracts must contain a procedure for resolving disputes involving the interpretation, application or operation of the contract and the legal rules governing work stoppages continue to differentiate interest and rights disputes (Hince and Vranken, 1991).
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