



# EMPLOYER SOLIDARITY



By

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FACULTY OF BUSINESS

**McMASTER UNIVERSITY**

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One of the problematic features of Canadian Industrial Relations is the low degree of what may be called employer solidarity. In most western countries one finds a confederation of employers' organizations which acts as the national spokesman for private industry. In general these organizations encompass a greater percent of their potential members than do their trade union counterparts. Not so in Canada. Our most visible employer organization is probably the Canadian Manufacturers Association but it speaks only for manufacturers. Important national organizations also exist in construction and a few other industries. Small businessmen have their own organization and a very dynamic leader in Mr. Bullock. In Quebec and British Columbia there are notable provincial-wide general federations. But there is no national confederation.

In recent years we have all heard a substantial amount of speculation about the establishment of tri-partism as a permanent feature of our industrial relations system. Both the Canadian Labour Congress and the federal government have come out in favour

of some form of regular national consultation on social and economic policy. But, we might ask, who is to speak for private industry? Because of the lack of any central organization, in recent meetings the government has drafted top officials from several prominent firms. Do these individuals really speak for all, or a majority of the business community? The government apparently assumes that they do. But why? They were not elected by their peers. They made no systematic attempt to assess the mood and attitudes of the business community as a whole. In fact, they are responsible to no one other than their own organizations.

There appear to be several reasons why a unified national employer organization has not emerged in Canada. First, the philosophy of free-enterprise and its concomitant individualistic ethic is stronger in North America than it is in Europe. Countries abroad have not felt so compelled to break up attempts by employer to act in concert. Cartels and monopolies of all types have generally been more accepted. Instead of breaking them up, governments have opted to carefully control the potential abuses of joint action.

Second, the nature and character of the labour movement have been important factors. European unions earlier on decided to expand their organizing efforts to include both skilled and unskilled workers. The mainstream of the labour movements in Europe also adopted radical ideology in their early years. They

branded employers as hardened capitalists who were determined to sweat as much profit as possible from the excessive toil of the workers. Thus, the unions called for either revolution or evolution in which the end product would be a socialist or communist society where seekers after profit would be prohibited. Faced with highly political movements which questioned their very existence, European employers were driven to united action to protect their interests.

In North America, while radical movements have appeared from time to time, pure and simple business unionism has been the dominant philosophy of the union movement. Moreover, until the 1930's and 1940's, the labour movement was elitist. By and large, it did not seek to organize the mass of labouring people but instead limited itself to highly skilled craftsmen who found themselves profiting from economic growth and the bargaining power of their limited entry organizations. In short, most North American unions did not question the right of employers to seek profits. They only wanted a large and growing share of the pie.

This situation might have changed with the great expansion of the union movement in the 1930's and 1940's. Because they normally have less economic clout and more political power, organizations of unskilled workers tend to make more use of the political weapon than do skilled worker unions. Presented with a serious political challenge, employers might have felt it necessary to respond with a united political response. However, the passage of the Wagner Act in the United States and its subsequent

adoption with some modifications in Canada made this step unnecessary.

The legislation created procedures whereby unions could win government certification as the legal bargaining agents for specified groups. It required that employers negotiate with certified unions with a view towards signing written agreements. It also required that differences over the interpretation of collective agreements be submitted to binding arbitration. In total, these provisions provided unions catering to mass production employees with a degree of economic power far superior to similar unions in Europe.

Contrarily, the law also restricted the growth of the union movement by rendering trade unions impotent in situations where they were unable to convince a majority of those in an appropriate bargaining unit to join. This aspect of the law solidified the resolve of unorganized employers to continue to fight unionization individually and gave them reason not to act in concert with those who were required by law to deal with unions.

Finally, the labour relations boards which were created by the legislation interpreted the law in such a way that bargaining units were created for employees with a very narrowly defined community of interest. This interpretation reinforced the tendency to bargaining on a plant by plant basis and augered against the associaton of unionized employers.

In Europe, governments have not, by and large, attempted to regulate the process of bargaining. Instead, in some cases bargaining structures emerged from the early struggles of management and labour and became embedded as a result of custom and

practice. Determined to keep the unions out of the workplace, employers instead recognized the legitimacy of the labour organizations to represent the interests of workers at the industry and national level but not in the plant. In other cases, the government passed laws requiring employers to negotiate with unions whenever they were requested to do so, ~~ir~~regardless of the number of relevant employees the union had organized. Such laws made it all but necessary for employers to maintain a united front. The alternative was to bargain individually with an endless stream of worker organizations. Once industry-wide and national negotiations come into existence they helped to cement the need for continuing employer organization.

In addition to these "industrial relations" factors, Roy McLaren in his recently published report entitled "How to Improve Business-Government Relations in Canada" notes additional characteristics which distinguish Canada from other western countries and make employer solidarity more difficult to achieve.

1. Foreign ownership of companies operating in Canada is extensive and foreign owned firms may have many interests which diverge from those of domestically-owned organizations.

2. Regionalism, multiculturalism and strong provincial governments are decentralizing factors acting against national unity of employers. The effects of these factors are enhanced by the separation of the national capital from the centres of trade and commerce.

For all of the reasons noted above, it may be understandable

that no national employers' confederation has emerged in Canada. However, conditions in the 1970's require that serious consideration be given to exploring ways of overcoming these problems. We are plagued with inflation, industrial conflict, unemployment, regional disparities, low productivity, etc., etc. In solving these problems the policies and actions of business and labour are critical. Too many people place the entire burden of solving all socio-economic problems on the government. There seems to be a widespread myth that government is all powerful. From this proposition it follows that all inadequacies of the social economy are due to the stupidity of government leadership and the bungling of bureaucrats. But this is myopic view. We may have some poor leaders and many inefficient bureaucrats, but it is critical to realize that the power of government to solve national problems is limited by the countervailing power of the other primary actors in our industrial relations system. Either business or labour, if they were to exert themselves to the fullest, could probably undermine most unilateral actions taken by government. On the other hand, many of our problems might be overcome more quickly and effectively if a national consensus could be achieved.

Employer solidarity in Europe has proven itself to be beneficial in several respects to both the employers and to the nation as a whole. To improve the productivity of industry, employer associations provide advice and guidance to members on such issues as industrial engineering, work layout, time and motion studies, occupational health and safety, labour law, wage



and salary administration, job enrichment and job enlargement and many other aspects of efficient management. In Canada employers who can afford it generally depend upon consultants or internal specialists to provide such advice. But these experts usually do no more than deliver acquired knowledge and many companies cannot afford them. The associations in Europe on the other hand, have often been in the forefront of developing new techniques and procedures and they have been able to distribute this new knowledge to their members quickly and efficiently. At the industry level, as noted above, Canada is not entirely without an associational structure but McLaren found that the quality of association staffs varied greatly. Few would seem to meet European standards.

Against stagflation and skill shortages, European associations engage in highly sophisticated economic research and forecasting in order to estimate what the economy may bear in terms of wage and price movements. With these data in hand they have developed guidelines to be used in collective bargaining and proposals for government action. According to Ernst-Gerhard Erdmann of the German BDA his Confederation

"has developed wage policy principles which are aimed at the consideration of economic inter-relationships and at promoting price-neutral wage developments. In addition to other economic data the Confederation considers the real growth of the gross national product as an important guidepost for the development of wages."

In Sweden a team of trade union and employer association economists developed a model of the economy based on the assump-

tion that wage policy should be consistent with full employment, rapid economic growth, reasonable price stability, more even income distribution and a balance of foreign payments. Their analysis (known as the EFO model) has already become a classic which is required reading in economics courses in many countries including Canada.

The shortage of skilled personnel in Canada is endemic and a catch 22 syndrome characterizes the market for managerial manpower. Many small companies want to hire certain types of managers with five to ten years of experience but inexperienced candidates cannot find positions in which to acquire the specified background. Instead of complaining to government or whoever will listen, European management, via their associations, have placed high priority on vocational training and executive development and effective programs for meeting these problems have been put in place.

Many of our socio-economic problems result from the high level of labour-management animosity which all but precludes meaningful cooperation between these two primary parties of interest on the labour market. As Minister of Labour John Munro has emphasized in recent speeches, the legitimacy accorded to labour by management and the public in Canada is too low. This tends to make labour defensive and suspicious of any government or management initiatives. The most recent example of this attitude was the recommendation by the group of businessmen who met with the government in September that non-union employees should be

represented by a spokesman other than the CLC in national discussions.

European employers have realized the dysfunctional nature of this kind of attitude. They have recognized the national labour movement as the spokesman for working people in general, not because of their magnanimity but rather because it is in their own best interests to do so. A strong and secure labour movement is likely to be a responsible labour movement more willing to reach agreement on ways of overcoming industrial relations and socio-economic problems. A primary advantage of national consultation is that it increases the probability that the government will not pass unacceptable legislation. According to Albert Verschuren of the Federation of Belgian Industries:

"As often as possible the employers' spokesmen try to reach common conclusions with the union representatives, for the simple reason that such conclusions involve a much stronger pressure on government and public authorities."

Concerning France Yves Delamotte says:

"The State recognizes that employers' and workers organizations, being directly affected by certain legislation are well fitted to decide how it should operate and that when changes are desirable they can be introduced more readily if they are actively sought by the parties than if they are imposed from above."

Individual employers in Canada as well as the leaders of existing associations fear the formation of a national confederation because, as McLaren notes, "particular interests of

certain industries might be lost in a merger (although not necessarily in a federation) or that a single new association would inevitably be dominated by its larger members." While these fears cannot be summarily dismissed we agree with McLaren that "this type of objection must be outweighed by the contribution that a well-financed federation, utilizing the professional research capacities of the various institutes, can make through the compilation of data, surveys, channeling of opinion to and from governments and co-ordinating the currently dispersed, inchoate and sometimes unsophisticated consultative and educational efforts of individual associations."

Recognizing the forces operating against employer solidarity in Canada; McLaren recommends that an immediate step should be the establishment of a Canadian Business Relations Council composed of businessmen, ministers and senior civil servants together with a permanent staff. One of the responsibilities of this council would be to encourage greater co-operation among business associations by arranging for joint research and the provision of research done by governments, where appropriate. In time, this could encourage the formation of a federation of business associations, if co-operation results in a significant improvement in the expression of business advice to governments."

McLaren realizes that the creation of this council would not satisfy the need for labour-management co-operation. He, therefore, proposes the parallel establishment of a council for Labour and goes on to say

"We imagine that if two such parallel councils were

soon put in place (with some degree of common membership or at least an exchange of observers), it will be found that before long they are working and meeting together on, for example, such a subject of prime common interest as productivity. Joint research, sub-committees or projects and joint meetings with government might soon become the usual practice."

Perhaps this intermediate step is necessary in the Canadian context. Past efforts by certain business leaders towards the creation of a national organization have not yet been successful. Whatever the scenario, it is to be hoped that the real advantages of employer unity both to employers and to the nation as whole will become more widely appreciated in the not too distant future.

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