

Unions and Vulnerable Workers: Evidence from Union Wage Premiums in Canada 2000 – 2012*

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Context of Paper

- Declining union influence in Canada (both in terms of coverage and wage premium), especially in the private sector since the 1980s.
- Rise of low wage growth, earnings inequality and growth of non-standard precarious work since 1980s.
- Perception (academic and public) that unions are interested in “high end” members only and wedded to the “Wagner” model of bargaining (i.e., largely well paid public sector workers and private sector workers working in large enterprises in regulated sectors such as transport, media and communications and auto sector).
- Recent Supreme Court of Canada decisions have enshrined the right of association to mean freedom of association for pretty much all workers and enshrining the right to strike.

Figure 1. Union density, Canada, the US and the UK, 1900-2004

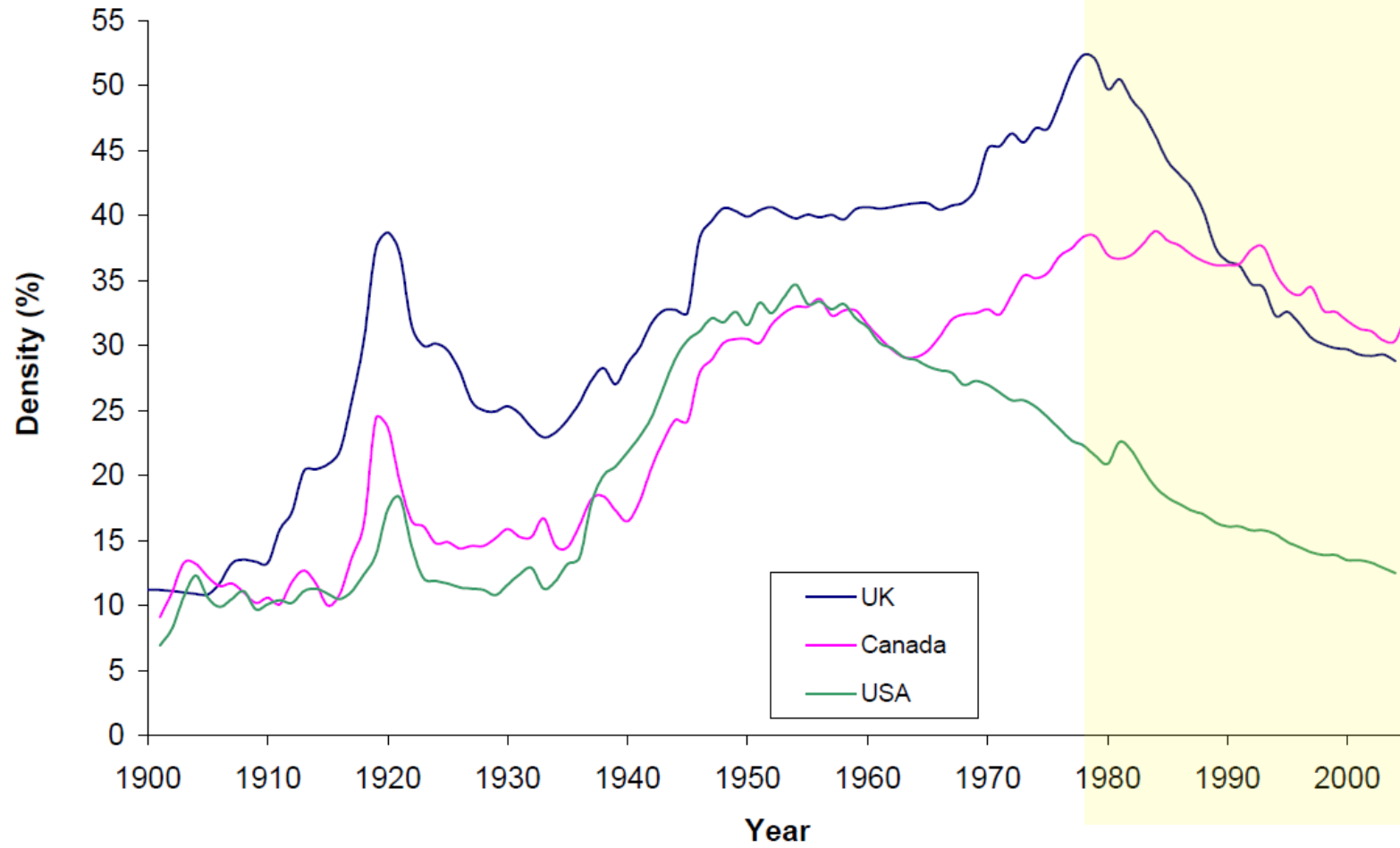
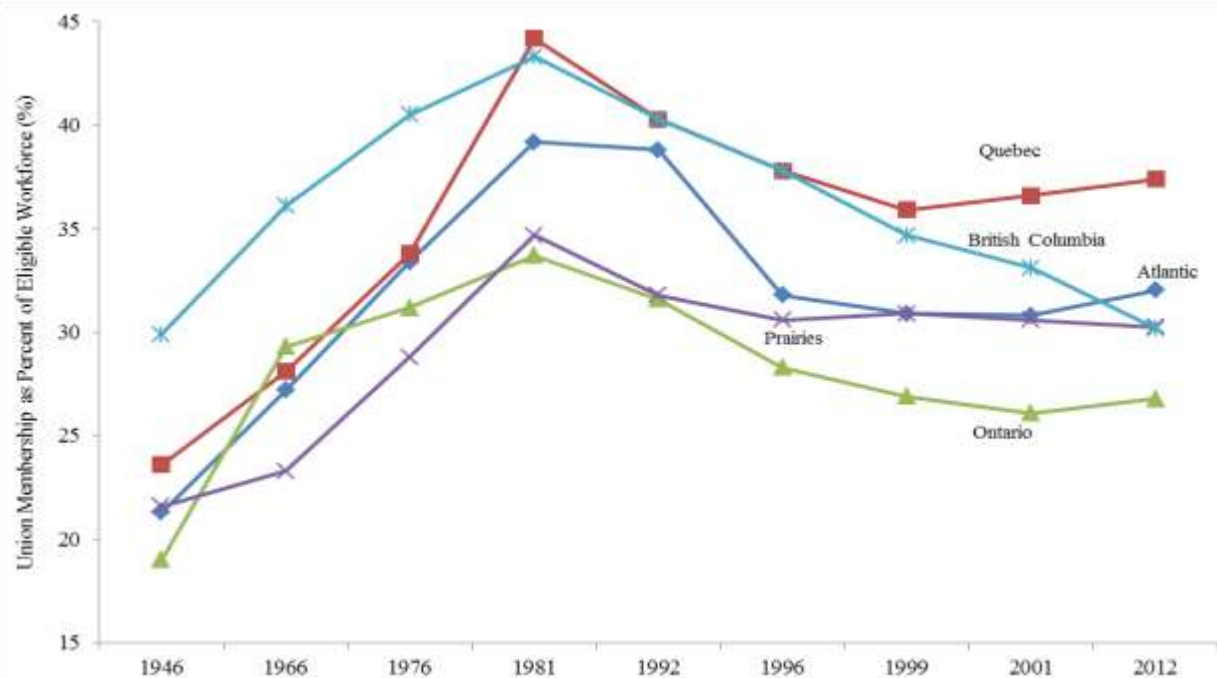
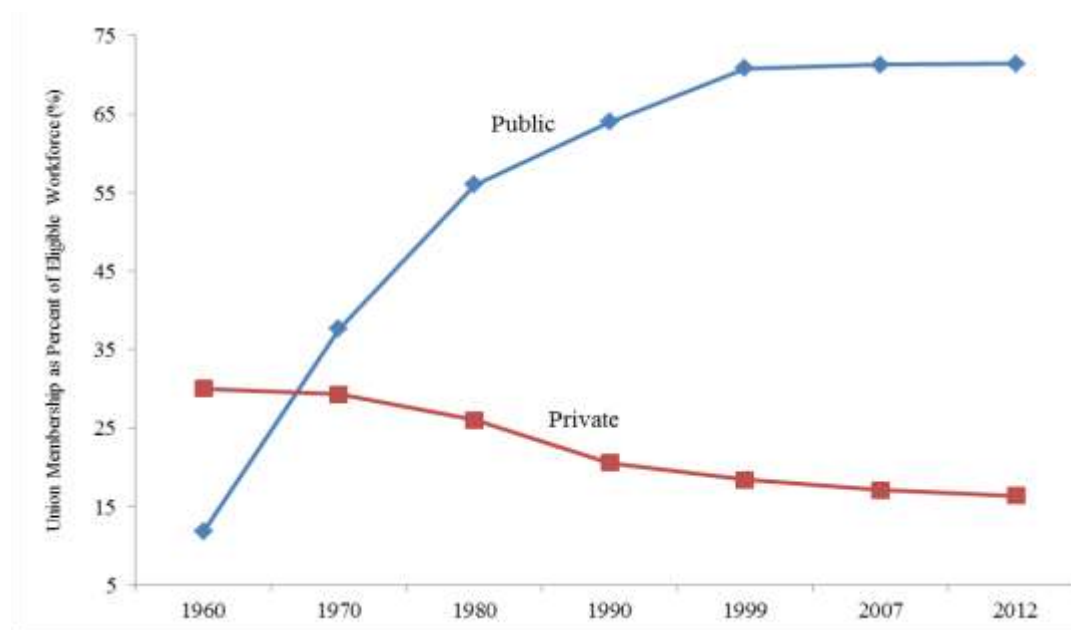


Figure 1: Trade Union Density by Region in Canada, 1946-2012



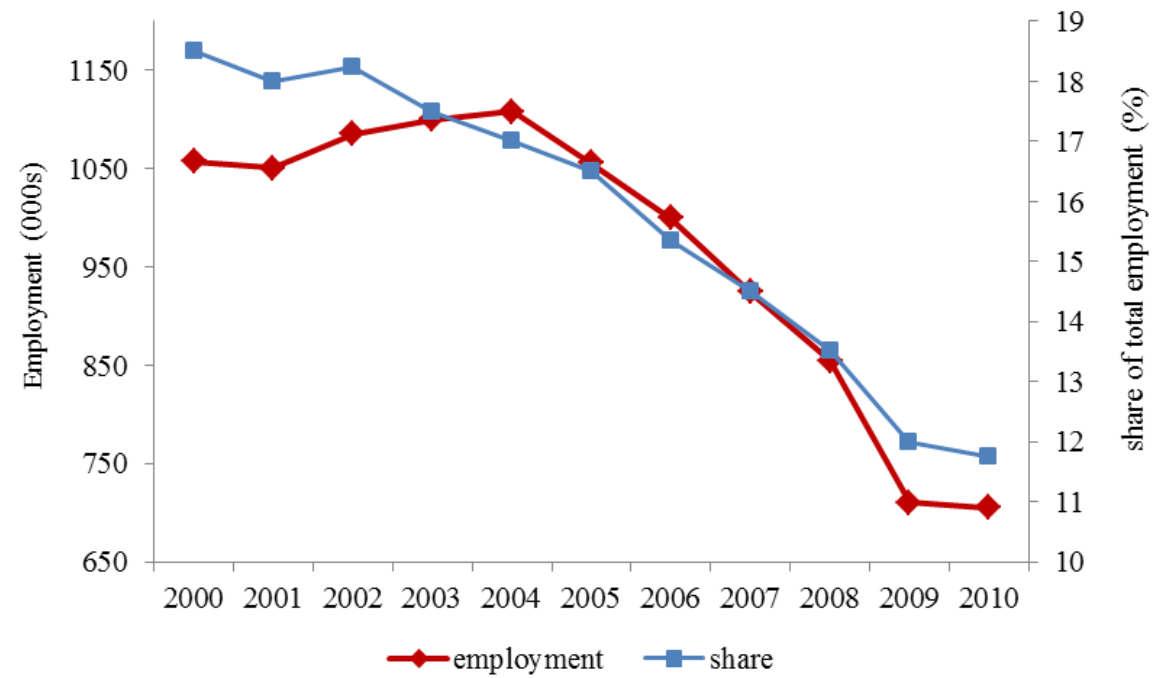
Notes: Atlantic groups Newfoundland, P.E.I., New Brunswick and Nova Scotia. Prairies includes Manitoba, Saskatchewan and Alberta. Source: 1946-1996 data from Lipset and Meltz (2004: Table 7.2). 1999-2012 data from Statistics Canada, Labour Force Survey, 1999 and 2012; Survey of Work History, 1981. See Diane Galarneau and Thao Sohn, 2013. "Long-term Trends in Unionization Catalogue" Statistics Canada, no. 75006X.

Figure 2: Trade Union Density by Sector in Canada, 1960-2012



Source: 1960-1990 data from Lipset and Meltz (2004: Figure 3.6). 1999-2012 data from Statistics Canada, Labour Force Survey, 1999 and 2012; Survey of Work History, 1981. See Diane Galarneau and Thao Sohn, 2013. "Long-term Trends in Unionization Catalogue" Statistics Canada, no. 75-006-X.

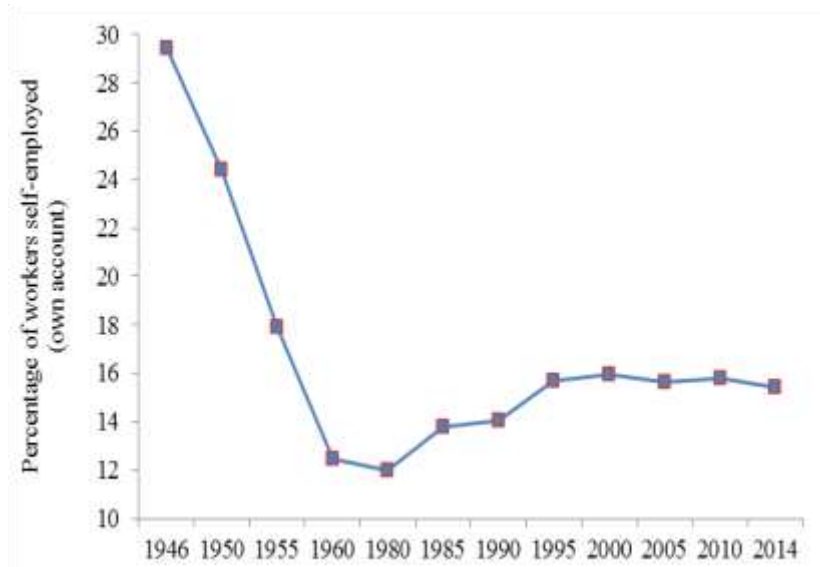
Figure 11: Decline of Manufacturing Employment in Ontario, 2000-2010



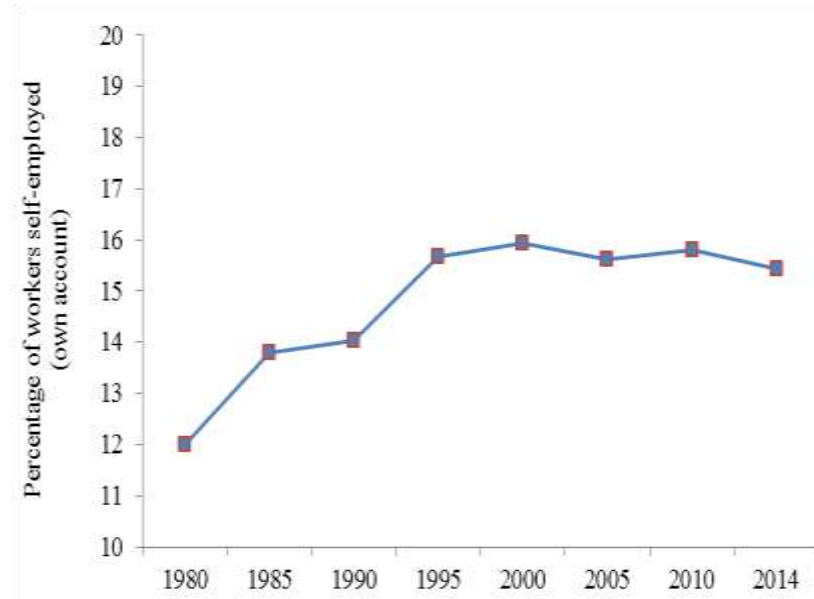
Source: Statistics Canada, Labour Force Survey 2010, January-to-June averages.

Figure 7: The Fall and Rise of Self-employment (own account) in Canada, 1946-2014

Panel a) 1946-2014



Panel b) 1980-2014



Sources: Data from 1946-1960 Urquhart, M. C. 1., Buckley, K. A. H. (1965). *Historical statistics of Canada*. Toronto: University Press.
Data from 1981 to 2014 Statistics Canada table:

Implications and Assumptions

- Over time, especially since the 1980s, the effect of unions on such things as the wage premium (along with overall union density) has been found to be falling for workers, perhaps due to the effects of technological change, globalization and other factors that have lessened the bargaining power of labour with respect to employers.
- What is less well known and has been less studied is to what extent unions have “buffeted” the pressures of this “new labour market” reality for historically disadvantaged groups in the labour market (i.e., youth, women, low wage workers and workers in non-standard jobs).
- All of this is predicated on an important assumption that unions can forestall (or perhaps in some cases even hasten) economic, industrial and labour market restructuring.

Two Contrasting Research Hypotheses

Based on the above one could imagine two scenarios at play here:

- i) Union decline has been disproportionately felt by disadvantaged workers; this is so because as union power has waned, union “power” has consolidated around the most protected of workers (i.e., those most shielded from market pressures);

or

- ii) Unions have stepped up and are still playing their traditional role as ‘swords of justice’, acting to maintain equity and fairness in the employment relationship, especially for the most vulnerable as it pertains to wages.

This study estimates the union advantage as a test of these two scenarios.

Research Methods and Data

- Data for the study is obtained from the master files of the Canadian Labour Force Survey (LFS) for the years 2000, 2004, 2008 and 2012.
- Standard OLS models regress the natural log of weekly earnings on a vector of wage determining characteristics. The focal independent variable is union status, more precisely, whether or not the respondent was covered by a collective agreement in the reference year.
- Models are estimated separately by gender for all employees; employees in full-time permanent positions; employees in non-standard work arrangements; and young workers aged 15-29 years. We define non-standard work to include respondents whose main job is part-time, seasonal, contract or casual.
- To observe the union wage premium (UWP) at different points on the earnings distribution, we estimate unconditional quantile regressions (Firpo et al, 2009; Fortin et al, 2011) for all employees at the 10th, 20th, 50th, 70th and 90th percentiles.

Findings: Unions more likely to cover the “non-vulnerable” ...but picture changing over time.

Table 1 Proportion (%) Covered by a Collective Agreement by Group in Canada, 2000-2012

	Year		Change
	2000	2012	
All Workers	32.3	31.5	-0.7
Above Median Wage	43.6	40.9	-2.7
At or Below Median Wage	21.1	22.3	+1.2
Males	33.2	30.3	-2.9
Females	31.4	32.8	+1.4
Standard (Full-time Permanent)	34.7	32.9	-1.8
Non-Standard*	25.4	27.6	+2.2
Mature Workers (30>)	37.9	35.3	-2.6
Young Workers (<30)	19.1	21.5	+2.4

* Non-standard employment to include anything other than the full-time permanent ‘standard.’ Specifically, this includes respondents whose main job is part-time, seasonal, casual or contract.

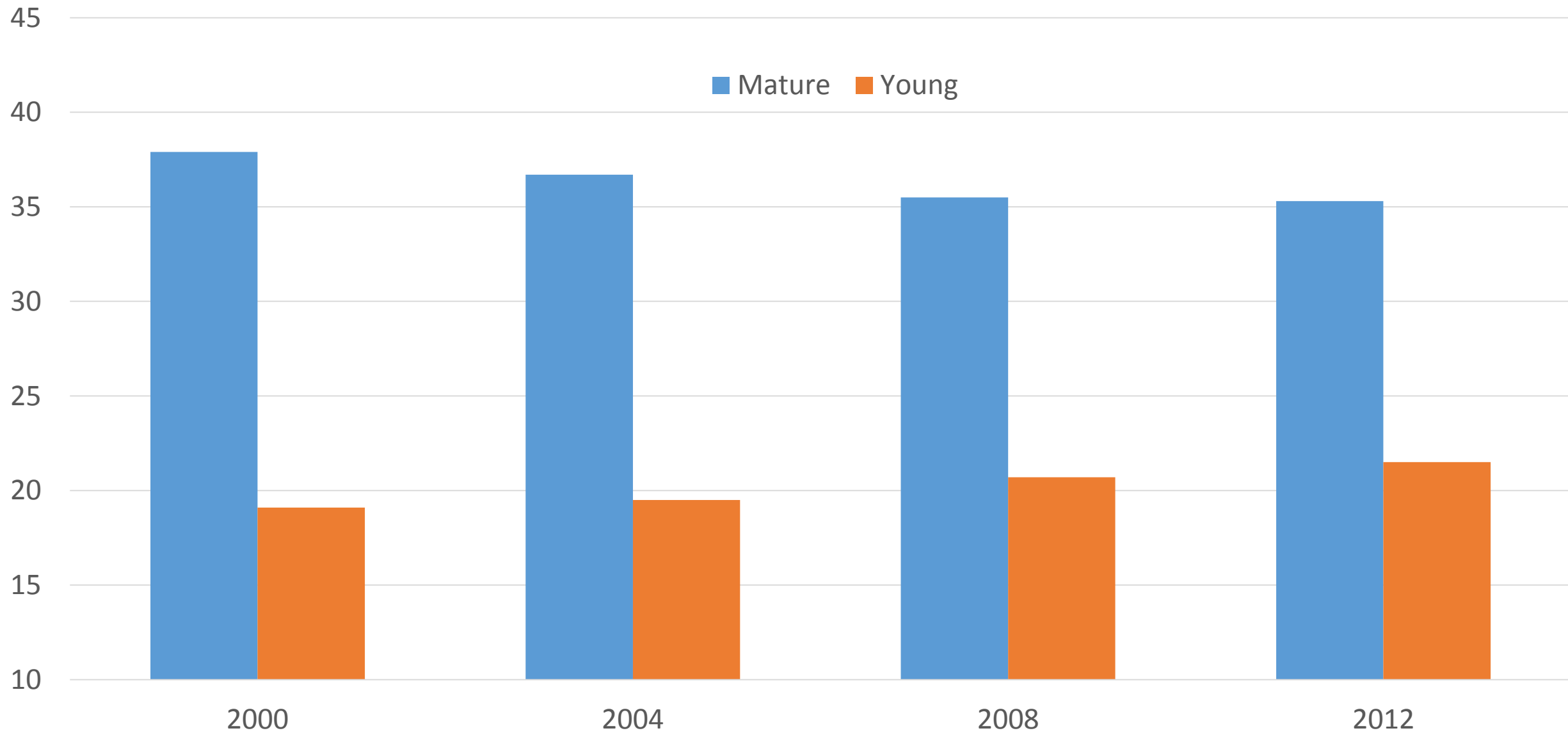
Union Coverage for Standard vs Non-Standard Workers, 2000-2012 (%)



Union Coverage for Standard vs Non-Standard Workers, 2000-2012 (%)



Union Coverage for Standard vs Non-Standard Workers, 2000-2012 (%)



Findings: Raw Union wage premium relatively greater for the “vulnerable” and increasing over time.

Table 2 Raw Differences in Real Mean Weekly Earnings (\$) in Canada by Group, 2012-2000

	2000			2012			2012-2000
	<u>Diff</u>	<u>Union</u>	<u>Non-Union</u>	<u>Diff</u>	<u>Union</u>	<u>Non-Union</u>	<u>Diff¹²-Diff⁰⁰</u>
Males	+141	1016	875	+120	1071	951	-21
Females	+221	791	570	+239	898	669	+18
Standard (FT Perm)	+116	993	877	+112	1085	977	-4
Non-Standard	+242	578	336	+248	635	387	+6
Mature Workers >30	+120	1015	895	+100	1191	991	-20
Young Workers <30	+170	660	490	+211	745	534	+41

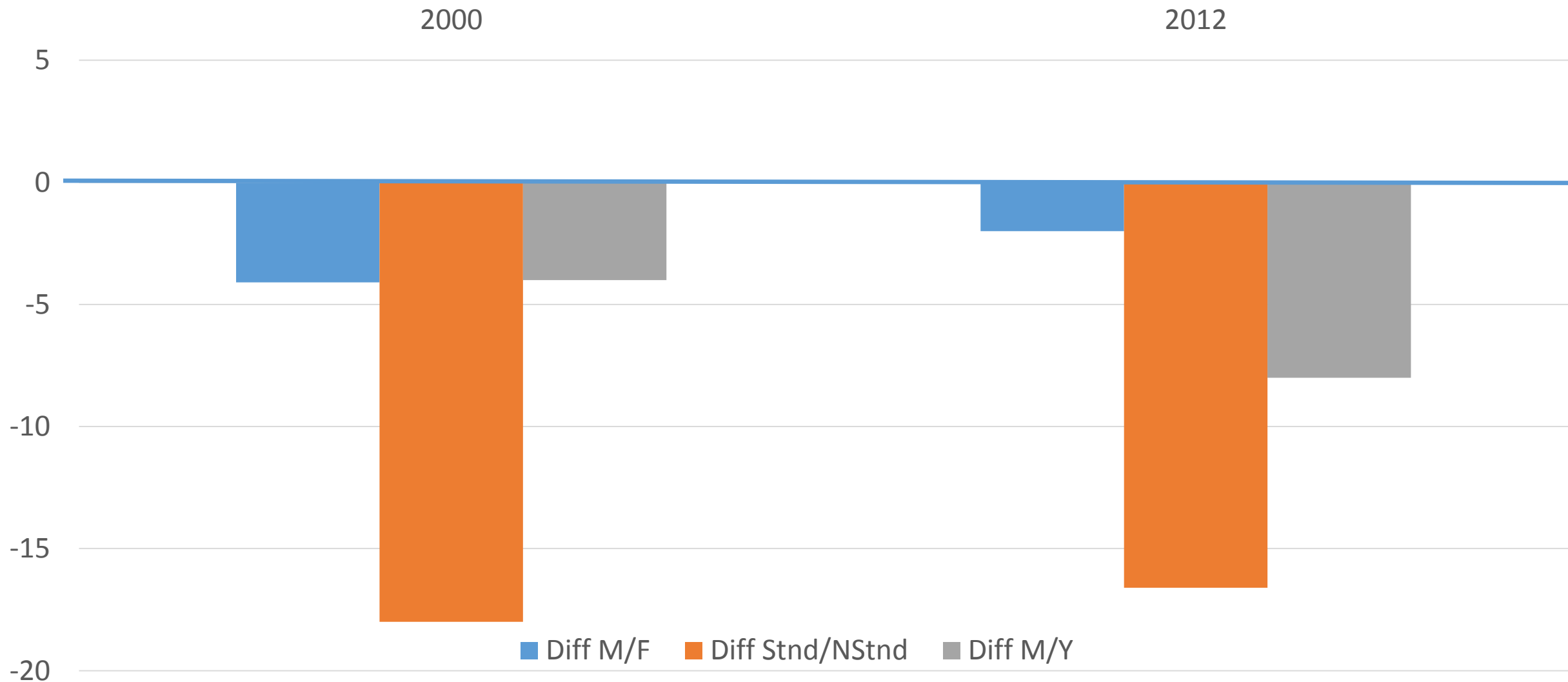
Findings: Adjusted* Union wage premium relatively greater for the “vulnerable” and increasing over time.

Table 3 Estimated Union Wage Premia (%) by group, All Years

	2000	2004	2008	2012
All Employees	9.6	7.7	6.8	6.7
Males	6.8	5.7	4.8	5.3
Females	10.9	8.4	8.2	7.3
Standard (FT Perm)	3.9	2.7	1.5	1.7
Non-Standard	22	18.5	18.5	17.1
Mature Workers > 30	8.8	6.4	5.9	6.1
Young Workers <30	13.8	12.4	12.5	14.1

Table 3 displays the union wage premia estimated from OLS models regressing union status on the natural log of weekly earnings. Point estimates were multiplied by 100 to be expressed as a percent. Controls for a number of observable wage determining characteristics that capture differences in human capital, job-type, firm size, industry and geography.

Union Wage Premium Differentials between Non-Vulnerable and Vulnerable Groups, 2000 vs. 2012



Findings: The union premium across the distribution of earnings (almost) universally favours lower to middle income earners.

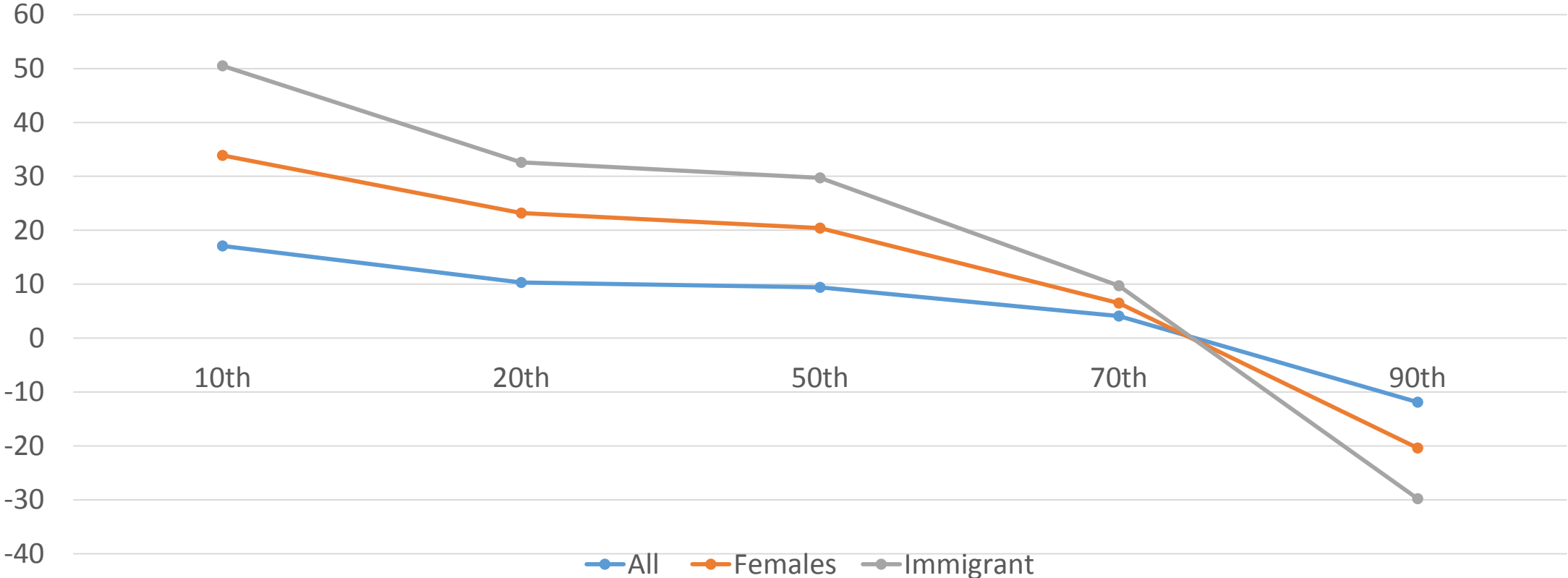
Table 4 Estimated Union Wage Premia (%) across the Earnings Distribution, 2012

Group	Percentile	10 th	20 th	50 th	70 th	90 th
All Employees		17.1	10.3	9.4	4.1	-11.9
Females		16.8	12.9	11	2.3	-8.5
Non-Standard		13.6	9.3	19.3	22.8	21.7
Young Workers		16.9	11.5	13.3	17.3	12.6
Immigrant*		16.6	9.4	9.3	3.2	-9.4
Aboriginal *		1.1	4.9	16.2	12.4	-3.2

Table 4 displays the union wage premia estimated from RIF models regressing union status on the natural log of weekly earnings. Point estimates were multiplied by 100 to be expressed as a percent for ease of interpretation.

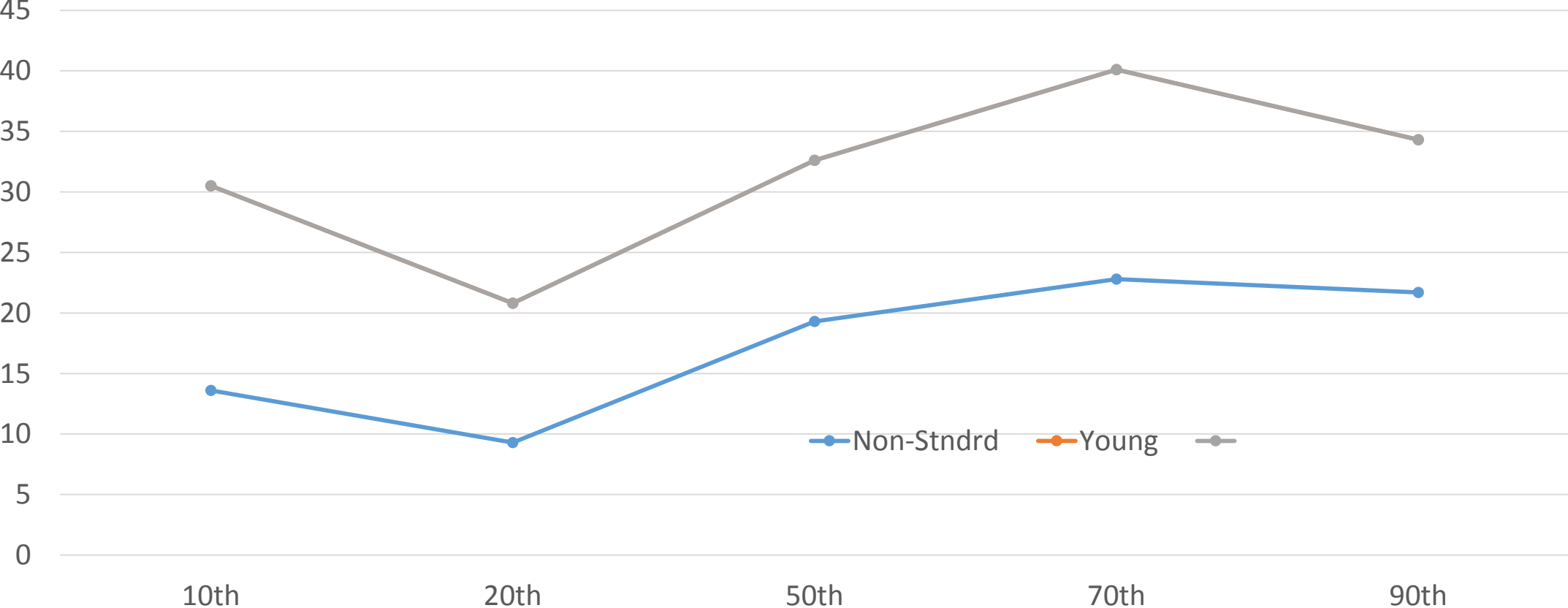
Findings: Typical earnings profile for females and immigrants

Union Wage Premia across the Earnings Distribution, 2012



Findings: Typical earnings profile for females and immigrants

Union Wage Premia (%) across the Earnings Distribution, 2012



Findings: Aboriginal and Immigrant status added to the LFS in 2008...similar patterns.

Table 1 Proportion (%) Covered by a Collective Agreement by Group in Canada, 2000-2102

	Year		<u>Change</u>
	<u>2008</u>	<u>2012</u>	
All Workers	31.2	31.5	+0.3
Non-Immigrant	33.1	32.8	-0.3
Immigrant	25.6	26.7	+1.1
Non-Aboriginal	32.8	33	+0.2
Aboriginal	30.1	33.6	+3.6

Findings: A Summary

- As described above we see that in every “dimension” of vulnerability or disadvantage used in the paper, unions appear to have a larger than average positive impact on workers. For example unions help those at the bottom of the pay scale much more than those at the top.
- They also help: i) females relatively more than males; ii) young workers relatively more than older workers; iii) workers in non-standard jobs as compared to those working in standard ones; iv) immigrants relatively more than non-immigrants; and v) aboriginals relatively more than non-aboriginals.

Conclusions: Implications for Theory

- ~~• i) Union decline has been disproportionately felt by disadvantaged workers; this is so because as union power has waned, union “power” has consolidated around the most protected of workers (i.e., those most shielded from market pressures);~~

or

- ii) Unions have stepped up and are still playing their traditional role as ‘swords of justice’, acting to maintain equity and fairness in the employment relationship, especially for the most vulnerable as it pertains to wages.

Conclusions: Implications for Policy

- Given the rise of inequality in most developed economies that have experienced union decline, these findings point to the powerful redistributive role that is still being played by organized labour, albeit over a smaller share of the workforce.
- For anyone concerned with the corrosive effects of increasing inequality on society and on the declining purchasing power of consumers required to stimulate private investment and jobs, these findings point to a very well known cure:
 - *By improving access to union membership for workers desiring voice and representation (something in keeping with recent Canadian Supreme Court rulings on access to Freedom of Association rights at work), governments may well be inadvertently solving several other economic and social problems at once.*

Caveats

- Throughout the study we make the point that we are not testing (nor arguing) whether unions are the sole or “true cause” of higher wages, nor are we trying to ascribe how much of the union premium (based on controls for observable differences) is being captured by true “union effects” as opposed to unobserved differences amongst workers that we simply cannot observe and which may be simply correlated with unionization (i.e., individual productivity).
- Rather, we assume that any of these unobserved differences are not systematically related within groups of workers in our analysis but rather between individuals across groups (i.e., between young and old workers but not within each age grouping, after controlling for all observables etc.,).
- In this way then, the differences in any wage premia observed between these groups can be linked largely to differential union influence.
- And we also assume that unions ultimately are not the underlying force shaping industrial structure and changes over time. Hence, unions are able to “help” non-standard workers achieve better outcomes but are not able to fully stem the conversion of jobs to non-standard status both for legitimate and perhaps less legitimate purposes.