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INTRODUCTION

The issue of the trade union response to change in a competitive world brings to the foreground many of the divergences between Canada and the United States over the last decade in trade union organization and industrial relations. First, union density as measured by the degree of unionization of the non-agricultural work force was diverted tremendously in the 1980s. The Canadian rate of unionization is more than double that of the United States and is alone among the OECD countries in having witnessed a major growth in union density in the past twenty-five years. Second, the Canadian trade union movement rejected concession bargaining in the early 1980s, to which many attribute its subsequent organizational successes.

Divergence however is not the whole story. In both countries there have been important innovations in the representational role of trade unions, though this has been taking place at different levels of the industrial relations system. In the United States, innovation has been focused at the micro-level of the firm. In their widely acclaimed book, *The Transformation of American Industrial Relations*, Kochan, Katz and McKersie discuss the watershed changes in American industrial relations produced by the impacts of concession bargaining, deregulation and Reagan Administration domestic policies. At the same time, the authors suggest the positive opportunities for regenerating the labor movement, broadly defined, through new forms of representation at the firm level, workplace environment and the strategic level of corporate decision making.

In Canada, the MIT School has been regarded as, at best, a "least worst" strategy for making due with the precipitous decline in union density in America. By contrast, the 1980s has seen the emergence of an unprecedented level of labor/management cooperation emerge at the macro-level of industrial sectors and public labor market policy as a whole. Unions are assuming a position in respect to trade and labor adjustment decision-making affecting the industry as a whole.

The argument made in this paper is that the key factor in the trade union response to new competitive conditions will be in its representational (legal) function, not in the wage (economic) function. To accom-

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modate new competitive conditions, the flexibility required in the internal labor market of the firm, as constituted by the terms of collective agreements, will not be realizable except in the context of external labor market policy. In other words, the parties will not be able to achieve the new collective bargaining deals required by the changes in general economic conditions without labor market policies beyond the level of the firm.

My conclusion will be that in the near term there will be further divergence in industrial relations and labor market outcomes in Canada and the United States. However, in the longer term, the broader labor market initiatives currently underway in Canada will not succeed without incorporation of innovations taking place in the United States at the micro-level of the firm. Internal labor market innovations, such as the Saturn Project in the United States and external labor market initiatives, such as Canadian Steel Trade and Employment Congress ("CSTEC") in Canada are both necessary for the future viability of North American industrial relations in the changing international economy.

The Steel Industry Case

The Canadian steel industry entered the 1980s in qualitatively better shape than the U.S. industry. Throughout the 1970s, Canadian steel capacity and employment continued to grow. In productivity, the Canadian industry was much closer to that of Japan than to the United States.

TABLE 1
STEEL INDUSTRY PRODUCTIVITY, 1980

USA	13.0
EC	11.0
Japan	7.0
Canada	8.0

Source: USWA

Nonetheless, Canada was not spared the negative fallout of the global crisis in world steel in the early 1980s. The loss of steel industry jobs was major, but did not reach the trauma stage experienced by the American industry.

TABLE 2
STEEL INDUSTRY JOB LOSS
1980-88

USA	47%
EC	40
Japan	20
Canada	25

Source: CSPA

As the global steel industry enters the 1990s, however, the outstanding characteristic is the relative convergence of productivity and cost data for major international producers.

TABLE 3
INTERNATIONAL STEEL PRODUCTIVITY AND COSTS
1990

	MHPT	*Cost/Tonne*
USA	6.3	$500
EC	6.4	450
Japan	6.6	505
Canada	6.7	485

Source: World Steel Dynamics

This convergence of costs suggests increased competitive pressures on all steel producers in all major steel-producing countries in the coming years.

U.S. and Canadian Steel Industry Industrial Relations

Steel industry collective bargaining has in many ways been as divergent in its outcomes in the United States and Canada as the underlying industry patterns themselves. This has been the outcome, notwithstanding the fact that the United Steelworkers of America ("USWA") represent steel workers on both sides of the border.

Two aspects of steel collective bargaining in the two countries stand out. First, the Canadian industry is almost totally unionized, with the single exception of one facility of one producer, Dofasco in Hamilton. The remainder of the Canadian industry workforce, including the crucial minimill sector, is unionized. The USWA is the preponderant, though not the exclusive, bargaining agent in the industry. Second, the union in Canada successfully rejected concessions in the 1981, 1984 and 1987 rounds of negotiations. As a result, the union has maintained a relatively stronger, though more traditional, bargaining posture in Canada. A consequence, for instance, is that the USWA basic steel bargaining demands for 1990 are framed around significant wage increases to offset inflation and the GST, stronger contracting-out language and indexed pensions.

CSTEC

CSTEC is a labor/management co-venture between Canada's major steel companies and USWA. It is governed by a Board of Directors made up of the CEOs of the five largest steel producers and the five senior officers of the USWA. The mandate of the organization includes: (1) joint lobbying on steel trade issues; (2) labor adjustment programs; and (3) a joint labor/management initiative on the environment. CSTEC is the largest and most developed of a series of labor/management joint sectoral initiatives that have arisen in the post-recession industrial relations environment in Canada since 1985. Others include electrical manufacturing, forestry, aerospace, textiles, shipbuilding and construction.

The largest undertaking by CSTEC is its labor adjustment program for permanently laid-off steelworkers. Through CSTEC, ninety percent of the laid-off steelworkers in the past two years have been placed in new jobs and/or training programs. There are currently seventeen local adjustment projects operating across the country covering approximately 3,500 workers.

Internal and External Labor Markets

Permanently laid-off steelworkers represent a stereotype of the dislocated industrial worker that have been the focus of government labor market policy discussions in the 1980s and highlighted in Paul Osterman's recent work at MIT. That is, if a steelworker loses his job and has to look outside the steel industry for re-employment, then he can expect to lose thirty-seven percent of his income permanently and be four times as likely to be unemployed for a year or more.

This is relevant in that the adverse consequences of job loss are the primary factor in trade unions' resistance to the introduction of flexibility within the collective agreements, and its traditional forms of job classification, work rules, etc. The CSTEC labor adjustment program is specifically aimed at seeking to reduce and avoid these unacceptable results for laid-off steelworkers.

In theory, a successful joint labor adjustment process, such as the Employment and Adjustment program at CSTEC should facilitate the collective bargaining parties to reach new contractual accommodations for flexibility within the internal labor market of the firm. That is, if the effects of dislocation were not so severe, then there would be more elbow room and less risk to negotiate more flexible job classification and work rules within the firm.

Without relief from the pressure of traditional external labor market outcomes, the parties are severely restricted in the kinds of deals they can achieve. The attempt to convert from the Industrial Wage Model of employment to the Salary Model is probably beyond the ability of an individual firm to pay. Alternatively, accelerated training programs at the individual firm level are compounded by the "free rider" problem, or "poaching" by non-training firms.

EI and Trade Unions

In his book, *And the Wolf Finally Came,* John Hoerr describes in elegantly horrible detail, the tragic decline of the American steel industry under the weight of steel industry bargaining dominated by the interface of U.S. Steel and the USWA. The clear implication was that the parties, captive of their traditions, stumbled into the debacle, with missed opportunities for accommodation of their mutual interests within their contracts and a new form of relationship overall. However, the aftermath of that mutual failure has seen important new directions in USWA and American steel company collective agreements including employee ownership, participation teams, work redesign and new training initiatives.

It is no secret that Canadian trade unions have regarded Employment Involvement ("EI") programs, like Quality of Working Life ("QWL") programs before them with a great deal of suspicion and sometimes overt hostility. Trade union participation in EI programs is currently the subject of a great deal of debate within the Canadian trade union movement. The following is a rough chart of the position of the players:

TABLE 4
TRADE UNIONS AND EI

	Position	*Canada*	*US*
1.	Active opposition	CAW, UE, PSAC	
2.	Central agnostic, local permissive	USWA, CWC, UFCW	
3.	Central support, local active	ECWU	
4.	Strategic involvement		USWA, UAW

As the chart indicates, major trade unions in Canada are split on the issue of participation in EI programs. There is major opposition led by the CAW against any involvement on the basis that it plays workers against one another, undermines union support and produces nothing for the workers. At the same time, others such as the USWA, CWC and UFCW have been cautiously willing to let local unions participate where there is a local decision in favor. However, the central union leadership and resources have not been allocated to it in a major, supportive way through the assignment of union staff, union research and education etc. The only exception is the ECWU which is seen as an exceptional case based on conditions in the chemical and petroleum industries. None of the Canadian unions have taken the position of the American USWA or UAW in actively seeking strategic involvement.

The question of employee involvement may in fact be the trigger of a major steel industry strike in Canada this summer. The Performance Through Employee Participation program ("PEP") is a combined work reorganization and bonusing system introduced by Stelco at the McMaster Works in Contrecoeur, Quebec in June 1989. It includes new work group measures of traditional productivity measures, along with new quality, yield, rework, safety and other indices, and ties these to group and individual pay systems. The program was introduced outside the collective bargaining system and without discussion with the steelworkers' union.

The process, if not the content, of PEP has been interpreted by the USWA as part of an attempt by Stelco to bust the union and the labor contract. At face value, the factors embodied in PEP are not inappropriate indicators and outcome measures for shopfloor management of a steel mill in the 1990s. These or similar measures could probably be found in the classrooms of the Sloan School. There are however, two fundamental ironies about the PEP initiative and controversy.

First, the sort of indicators and outcome measures incorporated into the new work group and productivity program, are almost an exact duplication of the measures being used in the LTV electro-galvanizing plant at L-SE in Cleveland, Ohio. The latter is generally regarded as an innovative and constructive initiative that is becoming a model for other work redesign experiments being undertaken increasingly across the U.S. steel industry. In recent U.S. steel industry negotiations, the L-SE experiment was cited by both the steel companies and the USWA as a positive example of success of U.S. steel industry participation teams. The LTV model has now been extended to other USWA contracts.

TABLE 5
PRODUCTIVITY MEASURES: PEP & LTV

Stelco/PEP	*L-SE/NWS*
Safety	Safety
Quality	Quality
Customer Satisfaction	Customer Satisfaction
Yield	Yield
MHPT	MHPT
Material Utilization	Material Utilization
Inspection Rate	Energy Utilization
Diversion Rate	Delivery performance
Purchased Repairs	Attendance

Source: Company Documents

Second, while the USWA leadership in Canada is interpreting, not without grounds, that PEP is a union-busting strategy, the foundation of PEP has nothing to do with industrial relations. The intellectual roots of PEP have to do with a shift in management culture and the choice of different productivity measures. In fact, PEP is a root theory of accounting, not an industrial relations theory.[1] This does not mean that new accounting theories cannot have fundamental industrial relations impacts. We need only recall the intimate connections between the rise of double entry bookkeeping and the rise of Taylorism in the late nineteenth century.

CONCLUSION

The following observations can be made about the conditions to facilitate the parties in dealing constructively with new competitive conditions and labor market flexibility.

First, new deals in collective agreements will not be feasible, particularly in high union density situations, unless internal labor market flexibility is complemented by active external labor market policies. The labor adjustment program in the Canadian steel industry is an example. We can see such developments in Canada, but in the United States they may be unachievable.

Second, the success of sectoral or other broader labor market initiatives, such as those emerging in Canada, will not be sustainable in the long run unless the parties can develop new relationships, including contractual relationships at the firm level as we can see in aspects of the U.S. steel and auto industries. To date, this has not been achievable in Canada for the very reasons that the level of union density and rejection of concessions have reinforced both parties in positions of enhanced traditionalism. As a result, we currently see in the Canadian steel industry case the highest level of co-operation at the macro-level while heading towards a major strike at the micro-level.

Third, on its face, this set of paradoxes implies an increased divergence in Canadian and American industrial relations. The United States, as the UAW-NUMMI venture in California is viewed by many Canadian trade unionists, is evolving towards a subservient form of trade unionism along the lines of the Japanese model. Canada, by contrast, is currently engaged in public policy developments that point towards a more European model, specifically the Swedish Labor Market Board (EMS).

These appearances, however, can be deceiving. North Americans are neither Japanese nor Swedish. We share common traditions in common law precedent and statutory provisions, at least since the time of the Wagner Act. Successful industrial relations innovation to deal with the challenges of new global economic conditions will necessitate change in

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[1] H.W. ARMITAGE & A.A. ATKINSON, THE CHOICE OF PRODUCTIVITY MEASURES IN ORGANIZATIONS: A FIELD STUDY OF PRACTICE IN SEVEN CANADIAN FIRMS (1989).

both internal and external labor market policies. Neither Saturn-type projects in the United States, nor CSTEC-type projects in Canada can succeed without each other. Getting there, however, will require changes in our approaches to labor law. We need not rest forever with the dictum from the 1943 Ford Motor Company case that the workplace is not a debating society. Maybe in the 1990s it should be!