

## Relations industrielles Industrial Relations



*Income Inequality: The Canadian Story*, Edited by David A. Green, W. Craig Riddell and France St.-Hillaire (2016) Montreal: Institute for Research on Public Policy/Institut de recherche en politiques publiques (IRPP), 558 pages. ISBN: 978-0886-4532-99

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I found the book to be much more provocative once the authors toggled from analyzing the work opinions of Canadian to proposing policy remedies that individual employers in Canada should be taking. It is certainly accurate that Canadian citizens have more education than ever before, on average, and yet a vast number are under-employed either in terms of the number of hours that they desire, being in a lower paid job than they desire, or being unable to use all of their skills and abilities on the job. Needless to say it is probable that many face all three of these problems. Certainly, at a collective level, that presumably translates into a gap in terms of Canadian competitiveness, lost economic output, and potentially most importantly, reduced well-being, job satisfaction, and economic security among Canadian workers. Those are serious shortcomings. But, it is a leap when Lowe and Graves advocate that individual employers are, or should be, *obligated* to provide opportunities for their employees to be able to use all of their skills, to develop new ones, and to have a chance at advancement. This is perfectly plausible for large, resource-rich, white-collar organizations with job ladders (to facilitate career advancement), especially those without a profit motive or facing global competition (such as public sector employers). Nevertheless, what about the millions of Canadian workers employed in small and medium sized enterprises with limited resources (and profit margins), and who have basic tasks that need to be undertaken cheaply? This is not a criticism of the book or authors, per se. Rather, my point is that the first half of the book makes the convincing case that employment conditions are deteriorating for that (Canadian) workers, and the second half of the book is more controversial because the authors, to their credit, provide several specific policy recommendations for readers to contemplate.

If a person cannot find the type of work that they find fulfilling, should that obligate an employer to alter job design to suit the

worker? Suppose a retailer or hospitality provider needs a couple of seasonal workers to top up staff levels at peak times on evenings and weekends during busy periods. Is that employer, or should the employer be obligated to change the assigned duties, job direction, work schedule, or number of scheduled weekly hours to enrich the job? I would argue that the employer has every right to design the job to suit operational and strategic objectives, and, then, to advertise it to see if (sufficiently) attractive applicants are interested in the opportunity. The theme throughout the book is that Lowe and Graves encourage (Canadian) employers to aim higher by addressing the financial needs (in terms of security, pay, and benefits) and psychological needs of workers (in terms of involvement, new challenges, job enrichment, participation in decision-making, and job security, and general well-being), rather than designing jobs to satisfy operational purposes. Whether employers are obligated to do so is a debate worth having, because there are plausible policy alternatives. However, one thing is beyond dispute. If more employers committed to that ideal, the world of work would be a better place. I think that this readable, yet weighty, book should be of interest to academics, human resource professionals, and public policy decision-makers. Personally, I will be introducing some of these concepts from the book into future industrial relations courses for students to ponder.

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**Income Inequality:  
The Canadian Story**

Edited by David A. Green, W. Craig Riddell  
and France St.-Hillaire (2016) Montreal:  
Institute for Research on Public Policy/  
Institut de recherche en politiques publiques  
(IRPP), 558 pages. ISBN: 978-0886-4532-99.

Inequality has been a major theme in debates over economic performance and

policy in this decade. The Occupy Wall Street movement focussed attention on the “top one percent” of wealthy persons, beginning in 2011. Three years later, *Capitalism in the Twenty-First Century*, by the French economist Thomas Piketty, appeared in English. This serious book generated discussion of the transnational trend to greater income inequality in academic circles. The Organization for Economic Cooperation and Development (OECD) identified inequality as a serious economic and political problem in 2015. Political events, including the success of the “Brexit” referendum in the United Kingdom, the election of Donald Trump in the United States and the “Arab Spring,” all involved popular protests against disparities of income and wealth.

Canada has not experienced the dramatic events resulting from inequality elsewhere. Preliminary research indicated that income disparities in this country were less pronounced than in the United States. Nevertheless, Canada has been affected by powerful economic trends occurring in other capitalist states. The 2015 federal election focussed on the declining condition of the “middle class.” Documents in the *Paradise Papers*, leaked from a major law firm in a tax haven, revealed that some wealthy Canadian families had large sums in trusts apparently out of the reach of domestic taxation authorities. As this review is written, debates are underway in three provinces about the efficacy of minimum wage legislation as a tool to reduce income inequality.

The editors of this volume, all faculty members at the University of British Columbia, set out to answer three questions about income inequality in Canada: has income inequality increased in Canada; if inequality is an issue, what policy tools are available to offset this trend; and what other measures are available to redress some of the effects of inequality.

The result of this inquiry is an impressive volume comprising a comprehensive overview of the contents and conclusions

it offers, supported by 15 chapters covering the major elements of the inequality phenomenon in Canada. Over 25 authors and editors examine trends in inequality from many perspectives and analyze an array of policies that might affect changes in income distribution.

The chapters on the extent of inequality in Canada provide a clear answer to the first question the volume addresses. Income inequality, measured in several ways, increased substantially between 1976 and 2011. The trend was relatively steady, allowing for variations due to labour market conditions. In particular, the bottom half of the income earners in the labour force have made little progress over this period. If this trend continues, prospects for the children of low-income earners are equally bleak. The consequences of growing inequality are numerous and negative: lower income growth, reduced work effort from the bottom of society and reduced effectiveness of government transfer programs.

The second question—what policy measures are available to offset this trend—should interest the readers of this Journal especially. The editors depart from the precepts of neoclassical economics to embrace the concept of worker bargaining power as a factor in wage determination. Research summarized in this volume demonstrated the impact of wages in the oil and gas sector in the Western provinces on labour markets in other industries and regions. Students of wage determination in unionized sectors may find these conclusions unremarkable, but their robustness supports the “industrial relations” view of labour markets.

An examination of labour’s share of national income with and without the greater gains of the top one percent led to the conclusion that workers’ bargaining power can extract rents from employers when conditions permit. Surprisingly, the authors find that minimum wage increases after 2005 have reduced inequality. This conclusion is surprising because it departs

from customary economic theory. It is more significant in light of the fierce opposition to increases in the minimum wage by employers in many (low wage) segments of the economy.

The question then arises, how much does the decline in private sector unionization contribute to the stagnation of wages for large segments of the labour force? One chapter in the volume addresses the effects of labour legislation on income inequality. The authors carefully analyze the effects of features of labour law, e.g. mandatory certification votes or compulsory dues check off on union density. In brief, they find that union-friendly legislation is associated with higher union density, especially among men, but not necessarily among women. Overall, however, higher density has or would have a modest effect on inequality.

These results are surprising, sufficiently so that further examination is warranted. The authors differentiate union members by gender and educational level. The distinctions omit other characteristics of union members. For example, the weak effect of higher union density on female wage inequality may be due to the concentration of women in the public sector. In particular, the bulk of well-educated female union members are employed in the public sector, teachers, nurses, administrators, etc. Their density levels are already high; their wages are subject to controls imposed by government; so higher density levels would have little impact on their compensation or inequality. Contrast these workers with women in the private sector, many of whom work in low-wage jobs, food processing, hospitality, retail or private services. If higher density should be achieved in those sectors, the impact on inequality might be substantial. Union density among high school educated men has declined precipitously, presumably reflecting the declining in manufacturing, the rise of non-union construction firms, deregulation of trucking, contracting out of services by large

employers. Where unions have remained in the construction, manufacturing and male-dominated service jobs, one expects that wages would be higher and inequality reduced.

The discussion of public policy favouring union density is necessarily restricted to measures enacted by at least one province. Labour law reform is a conservative process. The authors discuss the need for other forms of worker voice that may reduce inequality and serve other social goods. Canadian experience in labour law reforms in the past two decades has demonstrated that new forms of worker representation may be desirable, but are unlikely to be enacted.

Other measures to reduce inequality include Earned Income Tax Credits (ETIC), transfer payments to low-income workers. The authors favour the ETIC system, which has existed in other countries for decades, but is relatively new in Canada. Expansion of the ETIC could reduce poverty and inequality substantially. ETIC and other income supplements are preferable to increased tax rates for the top one percent. While raising taxes on the highest income earners can be politically popular in some quarters, revenues raised are not great and this is difficult to implement across the provinces.

Higher education levels are frequently offered as an antidote to income equality. After examining alternative policies to support participation in higher education, the authors favour fully subsidized tuition for children from low income families. The effects of this policy will be long-term, at best. A more immediate policy measure might be to strengthen apprenticeship programs and improve re-training programs for mid-career workers. Apart from an observation that apprenticeship systems are not functioning well, little is said on that subject. Ironically, craft unions in particular negotiate provisions to require employers to train apprentices, so some of the problems of apprenticeships may be linked to lower private-sector union density.

These criticisms aside, this is a substantial volume, destined to be the basis for any general discussion of inequality in Canada or examination of some of the specific policies the authors discuss. The editors have fulfilled their goals of addressing three major questions on inequality in Canada. This book deserves to be studied. It is relatively accessible to readers who are not professional economists. The performance of governments in recent years could be improved by such study. In the past decade, Canadian provinces have frozen minimum wages, increased university tuitions, smiled while foreign investors drove up the price of housing in major cities and dismantled apprenticeship programs, among other policies. Clearly, an examination of this book might reduce inequality and improve economic performance.

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### **Empty Promises: Why Workplace Pension Law Doesn't Deliver Pensions**

By Elizabeth J. Shilton (2016) Montreal/  
Kingston: McGill-Queen's University Press,  
304 pages. ISBN: 978-0-7735-4787-2.

The title of this book is both attractive and puzzling. It attracts attention because it is rare to state such a sharp opinion about private pension funds, which are in a delicate situation in Canada. Most of the population does not have access to a defined benefits pension plan but would like to, because it is recognized for its offering of secured rents for retirees. Saying that defined benefits pension plans are empty promises is quite depressing and unfair in the context of the Canadian retirement system. The title of the book is puzzling because workplace pensions are usually set in the context of collective bargaining and supervised by regulatory authorities—federal and provincial—which are protected by several laws. Saying that

workplace pension plans are not delivering pensions suggest that this industry is, in the majority, in an illegal situation or that workplace pension law is inefficient. The title stays in mind during the entire reading of this book, reconstructing the demonstration of empty promises across the chapters. The elements of the demonstration are not new in pension literature. Quebec readers will not find much in common with the author's perspective because of Quebec's pension system specifics (unions' savings plans and workplace pension model, sovereign fund and pension management authority in the public sector, multi-employer workplace pensions, and sectoral pension funds). Nevertheless, it is interesting to have a synthesis of reflexions about pensions from a highly experienced practitioner. Chapter 5 to 8, for example, are very well documented and each judicial decision placed in its own particular context.

The book is probably not accessible for non-specialists of Canadian pension's system without a solid judicial background. Unfortunately, there is no presentation of the present situation of pension funds system in Canada to introduce main debates about pension. Industrial relations academics and professionals may be interested by the analysis of jurisprudence and Supreme Court decisions. It is nonetheless necessary to recognize that the judicial aspect is usually decisive in case of conflict about workplace pensions. The problem lies in many statements, usually discussed more thoroughly in the literature, which are presented as definitions at the beginning of the book: the system is a "voluntary system", established by employers because a "business system demanded a stable workforce of loyal, well-trained employees"; "a trend away from plans that pay guaranteed benefits, towards capital accumulation (CAP) plans"; "Canada is unusually dependent, by international standards, on the workplace pension system as a mechanism for delivering retirement income"; "this book focuses primarily on a