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Article abstract

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The author analyses the question of job security. He proposes alternative definition of this concept, examines recent trends in Canada, and deals with the objectives of job security.

Job security has been an important issue in the literature of industrial relations from the very origins of the discipline more than a century ago. Marx and the Webbs observed that unions grew out of the attempts by workers to protect themselves from competition in the labour market¹. However the protection against competition among workers was focused more on maintaining wages in the face of downward pressure than on protecting jobs as such. It was in the twentieth century, with the advent of assembly-line production and increased mechanization, that the threat was seen to be to jobs themselves. Tannenbaum, writing at the beginning of the 1920's and Perlman, at the end of that decade, both saw the labour movement as the primary instrument for the self-defense of the worker in the face of a scarcity of job opportunities². Machines threatened the loss of jobs (Tannenbaum) while the end of the unlimited American frontier meant that workers could no longer look forward to the limitless creation of new jobs (Perlman). The grim reality of Perlman's concern was brought home by the Great Depression which began shortly after the 1928 publication of his pioneering study *A Theory of the Labor Movement*³.

Concern for job security has waned and waxed in the five decades following the Depression. World War II and the immediate postwar prosperity reduced interest in this subject. While unemployment was high in the

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1 Alton, W.J. CRAIG, *The System of Industrial Relations in Canada*, Second Edition, Scarborough, Ontario, Prentice-Hall Canada, 1986, Chapter 2, pp. 46-63.

2 *Ibid.*

3 Reprinted by Augustus M. KELLEY, New York in 1949.

1958-1962 recession, it was concentrated among blue collar workers and did not have the pervasiveness experienced in the early 1980's. In addition, the peak unemployment rate of 7.1 percent in 1961 was doubled when it reached a peak rate of 14 percent in March of 1983. Even allowing for differences in the demographic composition of the labour force and the impact of changes in unemployment insurance regulations,⁴ the recession of the 1980's was the most severe of the post-war period. Job security was back as a major societal concern. The major manifestation of this concern was concession bargaining in which unions traded reductions in wages and benefits and changes in work rules for enhanced job security. While some concession bargaining took place in Canada there appears to have been much less than in the United States, even though unemployment rates reached much higher levels in Canada⁵.

At least two factors seem to underly the lower concern for job security in Canada than in the U.S. First, income security provisions through unemployment insurance and job training programs provide more support in Canada, and unemployment insurance-assisted work sharing was a major program during the early 1980's⁶. Second, the relatively greater strength of unions in Canada⁷ may also have made them resist what was viewed as rolling-back gains which were made in the past⁸.

While there was less concern for job security in Canada than in the United States there still was an increased concern than in the past. This paper will set out the alternative definitions of job security and the recent trends in Canada. This is followed by a discussion of the objectives of job security and the issues looking toward the year 2000.

4 Frank REID and Noah M. MELTZ, "Causes of Shifts in the Unemployment-Vacancy Relationship: An Empirical Analysis for Canada", *Review of Economics and Statistics*, Vol. 61 (1979).

5 See Morley GUNDERSON and Noah M. MELTZ, "Recent Developments in the Canada Industrial Relations Systems", *Bulletin of Comparative Labor Relations*, 16, 1987, pp. 77-91.

6 Frank REID and Noah M. MELTZ, "Canada's STC: A Comparison with the California version", in Ramelle MACOY and Martin J. MORAND, editors, *Short-Time Compensation, A Formula for Work Sharing*, New York, Pergamon Press, 1984, pp. 106-119.

7 See Noah M. MELTZ, "Labor Movements in Canada and the United States", in Thomas A. KOCHAN, ed., *Challenges and Choices Facing American Labor*, Cambridge, Mass., MIT Press, 1985, pp. 315-334.

8 This is not to say that Canadian unions did not participate in situations where employment in major companies was threatened. The most notable case was the participation of the then Canadian branch of the United Auto Workers in the concessions granted to Chrysler Corporation.

DEFINITIONS OF JOB SECURITY

Job security can be defined in narrow or broad terms. In narrow terms job security means preserving the identical job a person has. This would mean a guarantee that the person could continue to perform the same job for the same pay with the same organization as he or she had been doing in the past. A somewhat broader definition of job security would permit the individual to remain in the same type of job or job category as in the past but not the identical job. The broadest definition of job security is where an individual remains employed with the same organization with no diminution of seniority, pay, pension rights, etc. The job description could be changed in these circumstances. This latter case is also termed employment security⁹. This is a feature identified with large manufacturing organizations in Japan and a few organizations in North America¹⁰. All of these definitions have in common the retention of employment and income in an organization but with varying degrees of change in job responsibilities.

JOB SECURITY IN PRACTICE

For the most part job security provisions in Canada, in collective agreements which cover almost 50 percent of the said workforce, have not even met the test of the broadest definition of the term. What are commonly referred to as job security provisions of collective agreements between labour and management normally do not provide any employment guarantees at all. Instead, the term job security provisions refer to the use of seniority in layoff, recall, promotion, and bidding for overtime, shift work, etc.¹¹. This will be referred to this as quasi-job security. Such quasi-job security provisions also include the banning or severe limitation of contracting out of work. A prohibition of layoffs, which is tantamount to the broadest definition of job security, is limited in Canada.

9 See Jerome M. ROSOW and Robert ZAGER, *Employment Security in a Free Economy*, New York, Pergamon Press, 1984. Rosow and Zager define employment security as "[...] the degree to which employees are assured that, regardless of internal or external changes, they will continue in employment as long as they live up to the terms and conditions of employment", p. 2.

10 Jocelyn F. GUTCHES, *Employment Security in Action: Strategies that Work*, New York, Pergamon Press, 1985.

11 For example, THE LABOUR CANADA publication, *Provisions in Major Collective Agreements in Canada covering 500 and More Employees*, 1985, includes in the section Employee Security, such tables as: probationary period, special seniority for employees with special skills, seniority on promotion, seniority on layoff, retention of seniority during layoff, retention of seniority during illness, bumping nights, notice of layoff, recall procedure, distribution of work during slack periods, severance pay and supplementary unemployment benefits, posting of job vacancies.

Table 1 compares the incidence of the various types of seniority provisions in cases of layoffs. The most restrictive practice is straight seniority, the least restrictive is no provision. The data in Table 1 suggest that there has been a shift towards somewhat more restrictive layoff provisions with respect to seniority. Thus, the indicators of quasi-job security provisions are moving in the direction of somewhat more security, at least for longer service employees.

Table 1
**The Use of Seniority on Layoff in Major Canadian Manufacturing Establishments,
Percent of Totals, Selected Years**

	<i>Agreements</i>			<i>Workers</i>		
	<i>1964</i>	<i>1974</i>	<i>1985</i>	<i>1964</i>	<i>1974</i>	<i>1985</i>
Straight seniority	7	15	21	6	11	18
Seniority taken into account	90	82	76	91	78	79
(Seniority with other factors)	(56)		(53)	(59)		(59)
(Seniority if other factors equal)	(34)		(23)	(32)		(20)
No provision	3	4	3	3	11	3
TOTAL	100	100	100	100	100	100

Source: LABOUR DATA BRANCH, LABOUR CANADA, *Provisions in Collective Agreements in Canada Covering 500 and More Employees: All Industries (Excluding Construction)*, Ottawa, Supply and Services Canada, selected years.

Provisions of collective agreements restricting contracting out of work is also a form of enhancing job security. Table 2 indicates that in the 1970's and 1980's there were more restrictions on the ability to contract work out (for example 34 percent of agreements in 1985 versus 6 percent in 1964). However in 1985, one quarter of all collective agreements in major manufacturing establishments permit contracting out, and 41 percent are silent on this issue. In non-manufacturing a smaller proportion of agreements (28 percent) contain any provisions restricting the right to contract out.

Table 2
Provisions in Collective Agreements in Major Manufacturing Establishments in Canada
Contracting-Out of Work, Selected Years
(Percent of Total)

	<i>Agreements</i>				<i>Workers</i>			
	1964	1974	1985	(1985)	1964	1974	1985	(1985)
			<i>(NON-MFG)</i>				<i>(NON-MFG)</i>	
Provision restricting right to contract-out	6	38	34	28	9	54	36	27
Prohibited			4	1			2	*
No contracting-out if it leads to layoffs			25	27			27	25
No contracting-out if it leads to layoffs and if it is to a non-union			3	*			5	1
No contracting-out to non-union employer			3	1			2	*
Other			0	*			0	*
No specific provision restricting right to contract-out	94	62	66	72	91	46	64	73
Permitted			25	14			37	18
No provision			41	58			27	55
TOTAL	100	100	100	100	100	100	100	100

*Less than 0.5 percent

Source: LABOUR DATA BRANCH, LABOUR CANADA, *Provisions in Collective Agreements in Canada Covering 500 and More Employees: All Industries (Excluding Construction)*, Ottawa, Supply and Services Canada, selected years.

The final category, and the closest to true job security, is measured by the extent of no layoff provisions. Table 3 indicates that very few firms have collective agreements with no layoff provisions. For establishments with 500 or more employees, 9.1 percent have employment guarantees against layoffs in general plus an additional 7.6 percent have employment guarantees only in the event of technological change. In terms of employees the respective coverage is 18.7 percent and 10.3 percent. This means that almost one in every five employees in large units covered by collective agreements are protected by general employment guarantees.

Table 3
Employment and Income Guarantee Provisions in Collective Agreements, Canada,
Establishments With 500 or More Employees, 1988
(Percent of Total)

	<i>Agreements</i>	<i>Employees</i>
<i>Employment Guarantee Provision¹</i>		
Excluding Technological Change Considerations		
No Provision	90.9	81.3
Some Provisions	9.1	18.7
Indefinite duration	5.9	15.3
Term of agreement	2.7	2.9
Time period	0.5	0.4
Employment Guarantees in the Event of Technological Change	7.6	10.3
<i>Income Guarantee Provisions¹</i>		
Excluding Technological Change Considerations		
No Provision	84.6	80.4
Some Provisions	15.4	19.6
Income Guarantees in the Event of Technological Change	20.9	19.6

¹ A total figure for employment and income guarantees cannot be obtained by combining the categories with and without technological change because the result would overstate the extent of the guarantees since the provisions would be double counted if a clause specified that an employee shall not be laid off due to technological change or due to lack of work.
Source: Labour Canada, Bureau of Labour Information.

For firms without collective agreements, it is difficult to provide an overall picture, but a few large firms such as IBM have similar practices¹². The big three automobile firms in the United States in 1987 agreed to no layoffs as a result of technological change, outsourcing of supplies, or negotiated productivity improvements. However layoffs can take place for volume-related reasons. The onus is now placed on the firms rather than the United Auto Workers (UAW) to prove that a layoff is volume related. In Canada, as will be discussed later, the Canadian Auto Workers (CAW) negotiated increases in and inflation protection of pensions rather than enhanced layoff protection.

¹² GUTCHES, *op. cit.*

The data which have been presented indicate that some workers (18.7 percent) are covered by the most strict definition of job security and a slightly larger number are covered by income security provisions. Far fewer firms have general employment security provisions than have income security provisions. The result is that the average number of employees covered by an agreement with employment security is almost twice that with income security provisions. If broader definitions are included then most employees receive seniority preference in layoffs and recall.

OBJECTIVES OF JOB SECURITY

Job security provisions, whether narrowly or broadly defined, are intended to protect workers income and stability of employment. If income is guaranteed then shouldn't the actual employment guarantee be of lesser importance? Both are of concern not only because the income guarantee is likely to be more viable if there is also an employment guarantee, but also because of what employment represents to individuals. Much of personal status in society is based on employment¹³ and much of satisfaction in a social context comes from the workplace. Losing a job, even with the availability of income from unemployment insurance and other sources is a very traumatic and stressful event¹⁴. As a result, even aside from avoiding the possibility of financial hardship, society attaches a high value to maintaining employment¹⁵.

While employment guarantees benefit individuals and society in general they also represent costs to employers and to society in general. The context for considering the objective of job security is the need to balance the benefits to individuals and the costs to employers. On the other hand providing job security can benefit employers as well. In order to fully consider this balancing it is important to add a number of factors. First, a lot of voluntary job changing takes place. In 1976 it was estimated that on average, one out of every two employees changed jobs each year¹⁶. Given

13 ROSOW and ZAGER, *op. cit.*, p. 4.

14 Harvey BRENNER, *Estimating the Social Costs of National Economic Policy: Implications for Mental Health and Criminal Aggression*, A Study prepared for the Joint Economic Committee of the U.S. congress, Washington, D.C., U.S. Government Printing Office, 1976.

15 The Economic Council of Canada included a high level of employment among the five economic goals it identified when it was established in 1963. *ECONOMIC COUNCIL OF CANADA, First Annual Review*, Ottawa, Queen's Printer, 1964.

16 ECONOMIC COUNCIL OF CANADA, *People and Jobs*, Ottawa, Information Canada, 1976.

the extent of job changing, few would want job security at the price of being unable to change jobs. On the employer's side, providing job security represents a cost. The more employers are required to maintain individuals in jobs the greater the fixed costs which must be born by the whole organization and ultimately by society. On the other hand, turnover represents a cost to employers of lost production while new employees are recruited, trained and oriented to the firm. In addition a stable workplace can provide greater incentives for productivity growth than a rapidly changing and unstable workforce. Rosow and Zager add that employment security induces employees to support continual change, to concentrate on the success of the enterprise and encourages employers to invest in training and developing people¹⁷. The difficult question is how and at what level to balance the competing needs of individuals, employers and in the final analysis society as a whole?

The success of the Japanese approach of providing guaranteed employment suggests that in the Japanese context of very large multifaceted organizations job security pays. The fact that a number of large and successful firms in North America have also adopted the same approach suggests that even from an employer's perspective the positive aspects outweigh the negative¹⁸. The general direction of developments seems to be in favour of more negotiated and voluntary job security and quasi-job security. The question is what additional efforts should be made by the parties to the process?

ISSUES FOR THE FUTURE

Several issues for the future will be considered. First, should efforts be made to increase the percentage of workers covered by the most strict definition of job security? Second, should efforts be made to increase the range and coverage of the types of quasi-job security? Third, are there alternative mechanisms which might be considered to achieve the objectives of job security protection?

Guarantees of No Layoffs

What efforts should be made by unions, employers and government to increase the percentage of workers with guarantees of no layoffs and protection of earnings? Recently some unions in Canada have opted to push for

¹⁷ *Id.*, p. 4.

¹⁸ GUTCHESS, *op. cit.*

guaranteed pensions (income protection) rather than job security in the form of employment protection. The Canadian Auto Workers (CAW) did not follow the approach of its American counterparts, the United Auto Workers (UAW) which had won more employment security. The stated reason for the CAW position was that a guarantee of increased pensions would create more jobs than would the employment security provisions negotiated in the U.S. In the Canadian context the wisdom of this position is bolstered by the fact that the Canadian automobile industry has been generating more employment growth than that in the United States¹⁹. In the final analysis, unions make a judgement call at the bargaining table on what package of benefits it wants from employers. At the present time there does not seem to be a major push by unions in Canada in the direction of narrowly defined job security²⁰. As the work force ages and if employment prospects become more uncertain than at present (spring of 1988) then the low priority ranking of this objective may change.

Since unions have not given a high priority to the strictest form of job security it is unlikely that governments will legislate such provisions or press employers to expand their job security. The long-run trend toward enhanced job security is a factor which also militates against any major government legislation. Instead governments, at least that in Ontario, are emphasizing improvements in pensions. Common law and the interpretation of collective agreements more and more restricts the right of employers to arbitrarily dismiss their of employees,²¹ and the *Canada Labour Code* provides a grievance mechanism for non-unionized employees under its jurisdiction when there are allegations of unjust dismissal. As well, the negative view of the experience of those European countries which provide implicit job security through restricting the right of employers to fire or layoff workers is also likely to work against government mandating job security²².

19 See Harry KATZ and Noah M. MELTZ, "Profit-Sharing and Auto Workers' Earnings: The United States vs. Canada", paper presented at the Second European Regional Congress on Industrial Relations of the International Industrial Relations Association, Herzlia, Israel, December 13-17, 1987.

20 Even though employment at Inco Ltd. has fallen by almost 50 percent in ten years United Steelworkers of America leaders are recommending indexed pensions and the first across-the-board raise in a decade rather than employment security. See Terry PENDER, "Tentative Inco Contract Contains Unique Clause for Pension Protection", *The Globe and Mail*, May 30, 1988.

21 Jeffrey SACK and Ethan POSKANZER, *Contract Clauses, Collective Agreement Language in Canada*, Toronto, Lancaster House, 1985.

22 Michael ELLMAN, "Eurosclerosis", in Morley GUNDERSON, Noah M. MELTZ and Sylvia OSTRY, editors, *Unemployment: International Perspectives*, Toronto, University of Toronto Press, 1987, pp. 47-62.

Should efforts be made by unions, employers and governments to enhance quasi-job security? It is likely that efforts will continue by all groups in this direction. The aging of the work force will lead union members to demand an expansion of seniority provisions in layoff and recall, along with greater prohibitions of the contracting out of work. The fact that such provisions have increased over time indicates that employer resistance has been gradually eroding. At the same time governments are likely to continue to require firms to give advance notice of layoffs and to provide other labour market adjustment mechanisms. At present only half of the larger firms have such provisions. While extensive provisions already exist in Canada,²³ these provisions are likely to be expanded in the United States where there has been a recent move to introduce advance notice of plant closings and large-scale layoffs²⁴.

Other Mechanisms for Job Security

There are several other mechanisms which can support the objectives of job security while minimizing the costs to employers. One approach is that of work sharing and job sharing²⁵. Work sharing is designed as a device to meet cyclical fluctuations in employment. Job sharing is a long-run mechanism which is particularly appropriate for the increasing percent of the work force which is working part-time. While job sharing is unlikely to involve large numbers of people, it is a device for enhancing job security while preserving flexibility for all parties to the labour market process. A second mechanism is the payment of wages and salaries based on skill acquisition rather than the particular job being undertaken at the particular time. Such an approach is followed at the Shell Canada Chemical Plant in Sarnia,²⁶ and provides for more flexibility in employment for both workers and employers. Employment security is not explicit in the collective agreement (other than the usual seniority provisions for layoffs, etc.) but it does result from a more co-operative labour-management approach which works toward the long-run objectives of job security.

²³ See Thomas H. STONE and Noah M. MELTZ, *Human Resource Management in Canada*, Second Edition, Toronto, Holt, Rinehart and Winston, 1988, p. 84.

²⁴ "Senate goes for Trade Bill but Reagan still has Veto", *Globe and Mail*, April 28, 1988.

²⁵ See REID and MELTZ, 1984, *op. cit.*, and Noah M. MELTZ, Frank REID and Gerald S. SWARTZ, *Sharing the Work, An Analysis of the Issues in Worksharing and Job-sharing*, Toronto, University of Toronto Press, 1981.

²⁶ Norm HALPERN, "Sustaining Change in the Shell Sarnia Chemical Plant", *QWL Focus*, Vol. 2, No. 1, May 1982, Toronto, Ontario Ministry of Labour, Quality of Worklife Centre, 1982.

A third approach is joint labour-management consultation on long-term needs and developments in organizations. In the final analysis the ability of an organization to provide job security depends on its economic health and viability. Whether firms voluntarily undertake to provide such consultation or whether it is required by collective agreements, this development is likely to occur for a greater number of organizations and employees in the future²⁷.

A basic mechanism and one which is fundamental to the discussion of job security, is the level of employment which is being generated by an economy. At the outset of this paper it was indicated that concern for job security varies with the rate of unemployment. An overriding consideration of public policy must be to generate a high level of employment and thereby a low level of unemployment rather than simply attempting to legislate job security. The latter would undoubtedly be as unsuccessful in generating an adequate supply of reasonable jobs as rent control has been in generating an adequate supply of affordable housing.

CONCLUSIONS

Job security can be defined in narrow or broad terms. The broadest definition requires the maintenance of individuals in employment with no diminution of seniority, pay, pension rights, etc. At present less than twenty percent of employees in major bargaining units in Canada are covered by employment security which approaches the broadest definition of the term. A related category is termed quasi-job security. This category of collective agreement provisions includes no contracting out of work, seniority in layoffs, etc. One third of employees in major collective agreements have provisions to restrict contracting out, while most employees have some form of seniority provisions for layoffs, and half have advance notice of layoff provisions.

Some large organizations do have provisions for no layoffs but while these provisions may increase somewhat, it seems unlikely that it will be a major component of employer-employee relations in Canada. While Rosow and Zager have certainly made an effective case for the benefits of employment security, the widespread layoffs in the recession of the early 1980's suggest that either there has to be a fundamental change in the attitudes of management to employees and/or the scale of operations of organizations

²⁷ The case for enhancing employment security is set out in ROSOW and ZAGER, *op. cit.*, while GUTCHES, *op. cit.*, provides examples of terms which have provided the various types of employment security.

in Canada has to change to permit the increase in such provisions. However, we should expect a continuation in the gradual increase in job security and in particular quasi-job security. This may not yet permit us to gain the maximum benefits which job or employment security can provide but we appear to be moving in the right direction.

La sécurité d'emploi au Canada

Dans sa définition la plus englobante, la sécurité d'emploi signifie le maintien des individus dans leur emploi sans perte d'ancienneté, de rémunération, de droits relatifs à la retraite, etc. De nos jours, moins de 20% des salariés faisant partie des grandes unités de négociation au Canada jouissent d'une forme de sécurité d'emploi qui s'approche de cette définition. On qualifie de quasi-sécurité d'emploi une catégorie connexe caractérisée par la présence, dans les conventions collectives, de clauses excluant le recours à la sous-traitance, l'application du critère d'ancienneté en cas de licenciement, etc. Environ le tiers des salariés couverts par les grandes conventions collectives bénéficient de clauses restreignant le recours à la sous-traitance, la plupart sont régis par des clauses où l'ancienneté joue sous une forme ou une autre en cas de licenciement, et la moitié, par des clauses de préavis de licenciement.

Des clauses de non licenciement se retrouvent également dans les conventions collectives des employés de certaines grandes entreprises. Ces clauses pourraient s'accroître quelque peu, mais il semble peu probable qu'elles deviennent une constituante d'importance majeure des relations industrielles au Canada. Alors que Rosow et Zager ont développé un plaidoyer convaincant en faveur de la sécurité d'emploi, la vague de licenciements que le pays a connue lors de la récession du début des années '80 reflète un certain malaise. Cela laisse donc supposer qu'on devra assister à de profonds changements d'attitude de la part des dirigeants envers leurs employés. De plus, l'échelle des opérations des organisations canadiennes devra permettre que les clauses de sécurité d'emploi prennent davantage d'importance. On peut cependant s'attendre à une certaine continuité dans le développement progressif de la sécurité d'emploi, et plus particulièrement de la quasi-sécurité d'emploi. Si on ne parvient pas ainsi à obtenir tous les avantages qui y sont reliés, il semble toutefois qu'on se dirige présentement dans la bonne direction.

Seguridad del trabajo en Canadá

Seguridad del Trabajo puede ser definida en términos precisos o amplios. La definición más amplia requiere del mantenimiento de los individuos en empleo sin ninguna disminución de antigüedad, sueldo, derechos de pensión, etc. Actualmente, menos del veinte por ciento de los empleados en las más grandes unidades de negociación en Canadá, están cubiertos por una seguridad del trabajo que se apegue a esta definición. Una categoría relacionada es definida como cuasi-seguridad del trabajo. Esta categoría de previsiones de acuerdo colectivo, incluye la no contratación del trabajo en fuentes exteriores, consideración de la antigüedad en los despidos, etc. Un tercio de los empleados en los más grandes acuerdos colectivos, tienen previsiones que restringen la contratación de trabajo fuera, mientras que la mayoría de los empleados tienen alguna previsión para la consideración de la antigüedad en los despidos, y la mitad tienen previsiones para el aviso con anticipación en caso de pérdida del empleo.

Algunas organizaciones grandes tienen previsiones que impiden los despidos, pero aún y cuando este tipo de previsiones pudiesen aumentar, parece improbable que estas se puedan convertir en un componente importante en las relaciones patrón-empleado en Canadá. Mientras Rosow y Zager han creado realmente un buen argumento en favor de los beneficios de la seguridad del empleo, los despidos masivos en la recesión al principio de los años ochentas, sugieren que debe haber un cambio fundamental en las actitudes de la administración para con los empleados y/o la escala de operaciones de las organizaciones en Canadá, tiene que cambiar para permitir la inclusión de previsiones para la seguridad del trabajo. Sin embargo, debemos esperar una continuación en el incremento gradual en la seguridad del trabajo y en particular de la cuasi-seguridad del trabajo. Esto no nos permite aún obtener el máximo beneficio que la seguridad del trabajo o empleo puede ofrecer, pero parece que nos estamos moviendo en la dirección correcta.