PROFESSOR J.R. SHACKLETON, Dean of University of Westminster Business School, holds Masters degrees from King’s College, Cambridge, and the London University. He has taught at Westminster University, Queen Mary College and the University of Buckingham and worked as an economic adviser for the U.K. government on pensions. He has served on the Council of the Royal Economic Society and the Executive Committee of the Association of Learned Societies in the Social Sciences. He is a Fellow of the Royal Society of Arts and a Trustee of the Institute of Economic Affairs. Professor Shackleton's extensive writing on labour market and related issues includes contributions to the Institute of Economic Affairs, the Institute for Public Policy Research, the Employment Policy Institute and the Adam Smith Institute. He has addressed conferences throughout Europe, testified before Parliamentary committees and has published and spoken widely in both print and electronic media. He was interviewed from Toronto, Ontario, by telephone on September 27, 2006, during a Canadian speaking tour.

Frontier Centre: In Britain, Tony Blair’s Labour government has had ample opportunity to reverse the labour law reforms enacted by previous Conservative governments. Why hasn’t it done so?

Len Shackleton: I think because there is now no constituency for going back to the situation we had in 1979, where you had the closed shop, unofficial strikes and major labour problems. You’re quite right, in nine years the only industrial relations legislation there has been is to bring in a union recognition or certification process which is a much more moderate version of some of those which exist in Canada.

FC: How can you tell which changes rekindled the fire in the British economy? How can you divide the credit up?

LS: That’s very difficult to do. You have to take everything into account. The U.K. economy changed dramatically in the last 25 or 30 years, since these reforms began. I think we’ve been able to take advantage of opportunities for economic growth which other countries haven’t been able to do in quite the same sense. When I travel around Europe, say to Germany or Italy, I’ve found that they haven’t been able to take advantage in the same way we have. I would say that the industrial relations environment is a very important element of that. Of course, timing is important.

In continental Europe, the industrial relations thing is tied in very much with other aspects of policy. So you’ve got this kind of “social partnership” thing, which is a big issue in France and Germany. Workers are represented on company boards in Germany. Unions are very much involved in redundancy processes; in France, for example, unions have a veto over who gets laid off.

In the U.K., unions are no longer the centre of the economic and political spirit of the country, at least not in the way they were. Unions in the U.K. were represented on national economic development councils, retired members were on the boards of nationalized industries and the board of the BBC, things like this. They were seen as central features of economic life. Now, of course, they really are marginalized. They now have a much narrower function and much less influence on Downing Street. The world has changed.

FC: Can you discuss the British reforms one by one? First, the forbidding of secondary strikes and coercive mass picketing. How important was that?

LS: One of the ways in which unions were able to impose pressure was through secondary action where, for example, plants would be picketed and other workers would engage in sympathy strikes. Another aspect of this was coercive union picketing, which reached its peak during the various miners’ disputes in the early 1980s. You would have these flying pickets, with huge crowds of people blockading the mines. Now that’s all gone, because the maximum amount of people you can have on the picket line is six. Coercive

FC: How have reforms helped workers in Britain?

LS: What has happened is that union density has fallen very considerably. Private sector unionism is now a very small issue. There still remains a problem in the public sector. Prior to the reforms, prior to privatization and deregulation, unions effectively choked out the competition which enables whole areas of the economy to grow and develop. Those parts of the economy which are heavily unionized grow less rapidly than those which are not unionized. As a result of the reforms, the U.K. has now got lower unemployment than most OECD countries, including Canada, and a very high proportion of our workers are actually employed. We’ve had some 14 years of continuous economic growth, usually at a higher than average level. So I think workers have gained a lot.

FC: You give these reforms a lot of credit for the revival of the British economy from the dark days when it was regarded as the “sick man of Europe.” But wasn’t the turnaround also the result of other changes, in areas like monetary policy?

LS: Yes, sure. Monetary policy creates a stable background for macroeconomic expansion. But you’ve got to have flexible labour laws to enable employers to take advantage of that. Relatively speaking, the U.K. has one of the most flexible labour markets in Europe. It doesn’t compare yet with the United States, but it compares quite favourably with most other OECD countries.
mass picketing is history and unofficial strikes are history. The whole scene is very different.

FC: Second, the change that stopped most wildcat strikes, that made unions liable under tort law. I guess it's safe to say that changed a lot of behaviours.

LS: Absolutely. Union officials used to wash their hands and say, “Well, it’s not us that’s doing this, it’s the workers.” They would come out of tied-up professional work places and say, “It’s not our fault.” And often these unofficial strikes were far more destructive and expensive than official ones. It was a very difficult thing to take. Nowadays, all strikes have to be balloted and there is no such thing as an unofficial strike. If workers do walk off the job without union agreement, then the union is still going to be liable for damages. This has made a great deal of difference to the thinking of union officials.

FC: So many Canada unions now prosper solely because of the closed shop. Was it completely abolished in Britain in 1990?

LS: The closed shop covered some five million workers in Britain in 1979, when it peaked. The scope of the closed shop was gradually removed. Legislations in 1990 actually finished it off completely. There was no longer any question of anybody having to be union members in order to hold a job.

FC: Do you think that all of those elements need attention in Canada? What’s the situation here in comparison with Britain?

LS: Canada is very interesting because you’ve got different provincial jurisdictions. From the point of view of an economist or a social planner, it becomes quite a natural experiment. What goes on when you have different regimes? It does appear to be the case that those provinces which are particularly heavily unionized and have these kinds of restrictions are doing worse with their employment rates, their unemployment rates and economic growth. I think there is a very strong case that Canada can do better if changes of the British sort were made.

Of course, the advantage that you have in terms of grounds for comparison and grounds for experimentation presents a problem for reforming things. Jurisdiction is then a problem because the changes have to be made in each province. I have talked with many people across Canada who believe that some kind of change is needed. There’s a very strong feeling. But it’s difficult because there has to be a fight in each place.

FC: You cite Québec as the Canadian jurisdiction with the set of labour laws most in need of change.

LS: As I understand it, Québec has very strong certification procedures which are very strongly in favour of unions. They enable unions to become recognized on the basis of card counts rather than a secret ballot. It’s also difficult, if not impossible, to replace people during a strike.

FC: Can you rank the importance of the key issues you think need attention in Canada – procedures for union certification, the forced payment of dues and penalties for crossing picket lines?

LS: The institution of secret ballots clearly makes a difference. There has been some work done on this by a fellow at Queen’s University in Kingston. He found that the spectre of card checks increases the proportion of union certifications that succeed. I think that secret ballots are regarded in the U.K. as a very important element.

FC: Forced payment of dues seems a no-brainer, as a simple contravention of civil liberties.

LS: I think you’re quite right. There is a lot emphasis, and rightly, on the economics of this issue. But you could no longer in anywhere the European Union get away with this kind of thing, with forced dues. I’m very surprised to see Canada still out on a limb here, on a clear moral issue. What the actual consequence of that in economic terms is an evidence-based issue, but the underlying idea is that this is something that you shouldn’t be doing in the 21st century. That’s important to stress.

FC: That unions may have the power to penalize workers who cross picket lines is also offensive. But even if you have a law that protects them, don’t they still face social and psychological sanctions?

LS: That’s true. There’s a lot of evidence that union officials don’t necessarily represent the views of their membership. If you’ve got a membership which doesn’t particularly want to be forced to strike, knowing that they are obliged to do so will obviously reinforce the power of officials. If you take that away, and they know that you can’t force them to do that, then you will have less strike action. There will still be psychological coercion, obviously, but if there is not great underlying support for a strike, then that coercion is not very great.

FC: You link levels of union density in different Canadian provinces with their employment rates, with the level of participation of the workforce in the economy. Can you explain the connection?

LS: I think this is due to the fact that a heavily unionized province will be less attractive to new employers. If you’ve got the ability, as increasingly employers have, to locate in different parts of the country and in different parts of the world, you’re not going to go into areas where you’re facing more union power. This is not just a problem in Canada. There is evidence right across the world how in unionized sectors employment grows less than in un-unionized or less unionized sectors.

FC: Now for the 600-pound gorilla in the room. In most countries the public sector tends to be the part of the economy that is the most highly unionized. Why?

LS: This is a phenomenon which we find in the U.K. but to a lesser extent than in Canada. We do have quite a heavily
unionized teaching profession, for example. It’s difficult. You have to think about tying reform in industrial relations in with reform to the provision of public services. In many countries, governments, whether national or provincial, still have monopolies on areas like public health provision, public education and so on. It’s interesting that, even in a very heavily socialized country like Sweden, you’re beginning to see experiments where, for example, citizens can develop their own schools yet still be supported by government funding, which introduces competition into that area.

I think that without competition in public services, it’s going to be very difficult to break the stranglehold of the unions. To go back to the Thatcher example: although public sector unions are still powerful, they’re nothing like as powerful as they were, because one of the things which the Thatcher government did, alongside the industrial relations stuff, was to break up the formerly nationalized industries, to privatize them and to deregulate them to allow greater competition, for example, in financial services and areas like that. These sorts of initiatives, privatization and deregulation, need to go hand in hand with measures to reduce the power of unions. They interact.

FC: The Swedish example is interesting, not just for schools but for the purchaser/provider split enacted by some County Councils in healthcare.

LS: We’ve also made some experiments in that direction in the U.K., but it’s one of the issues Mr. Blair has run into trouble with. He’s been a strong advocate of this kind of split within public services, but he’s run into problems with his own Labour Party.

FC: Is the biggest opposition in Britain towards public school reform and healthcare reform coming from unionized workers?

LS: Oh, absolutely. Wherever public sector unions are powerful, they are extremely conservative and very resistant to change and increasingly interested in maintaining their monopoly powers. It’s a classic kind of bind. The more powerful unions are, then the fewer the opportunities for people to get into jobs. So in both Canada and the U.K., the proportion of young people that are joining unions is declining. Union memberships are getting older. They represent the past. This is something which gradually over time is going to erode the power of these unions. But it’s going to be a long job.

FC: Decision-makers in government departments seem to be an easier roll for union bosses than private sector employers. Do you agree that they get a softer reception from management in the public sector?

LS: I think that’s true. There isn’t the immediate pressure which there is in the private sector, where you’ve got to get the money to meet these paycheques, which concentrates the minds of private management. The public sector tab is picked up by the taxpayer, obviously. There’s also, I think, a problem with management in the public sector, at least in my experience of dealing with these kinds of things. Very often managers are life-time civil servants, without much experience in the private sector. They’re used to a hierarchical system where things are not really questioned, and new ways of doing things just create trouble.

FC: If all labour laws were written to your specifications, what would they look like? What role in society do you envision for voluntary unions? Should they be given any special protection at all?

LS: I think there is a role. If you look historically at trade unions right across the world, unions have been very different things at times. The origins of unions in the U.K. were as organizations offering members benefits, things like burial clubs and basic medical insurance. Since the changes have occurred that we’ve been talking about, unions have merged on a large scale. Now some 85% of all union members in the U.K. are in the same union. These are much larger, much more professional, and offer a range of services to constituent members, which I think is probably where their future is.

There is a positive view of unions, in which they become a positive force in the workplace as opposed to a negative one. By conveying to management the preferences of workers in relation, for example, to working times, benefits and pay, by presenting that kind of view and getting a better fit between worker expectations and employer expectations, they can play a positive role. The alternative in very unionized sectors is high labour turnover, as people walk of the job to get something else because they feel they can’t communicate with management.

So there can be a positive role for unions. What we ought to talk about, then, is why within this positive model do we think we need to coerce people into accepting the benefits of union membership? It should be voluntary. There is no place for coercive unions in the 21st century.