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# **A Search for Balance: The Case for Joint Labour- Management Responses to Adjustment**

*Final Report of the  
CLMPC*

Task Force on Adjustment  
and Transition



**Canadian  
Labour Market and  
Productivity Centre**

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## **Executive Summary and Recommendations**

This report by the Canadian Labour Market and Productivity Centre, an independent national labour-business organization, is the culmination of an in-depth examination of adjustment and transition issues as experienced by individuals, enterprises, and sectors. The Task Force on Adjustment and Transition was one of several task forces set up by the CLMPC to further understanding of a number of key areas of concern identified in the 1993 report of CLMPC's Committee on Economic Restructuring. These CLMPC projects in the areas of Access to Capital, Workplace Change, Adjusting to Environmental Change and now, Adjustment and Transition Issues represent a pivotal consensus-building effort that has contributed to improved labour-management relations and to development of joint problem-solving approaches in the workplace.

The Task Force based its analysis and recommendations on an extensive set of case studies which examined how a number of Canadian firms and sectors have dealt with the challenges of adjustment and transition. The central proposition of this report is that optimal solutions to adjustment are found when employers and labour work together to anticipate change and to address it in a proactive rather than a reactive way, using their combined expertise and knowledge of the particular sector or workplace. Through the case studies (which form a solid core for a data base on labour market adjustment partnerships and practices, and could be of great practical use to unions, firms and government; the case studies are available as a companion document to this Report), the Task Force has identified key factors, attitudes, practices and principles that can contribute to effective adaptation and positive adjustment.

The goals of business, labour and government often differ as they enter into an adjustment process. For business, the main goal is generally the survival of a competitive enterprise. For labour, the overriding goal is to preserve economic security for workers. For government and for society, the adjustment process should ensure a balance between efficiency and equity. Although the goals of the different parties may appear to compete, they may also complement each other, as is illustrated in the case studies.

The report posits that all participants stand to benefit from joint approaches to adjustment. For management, advantages include access to the extensive knowledge and understanding of existing operations on the part of front-line workers; better prospects for a smooth outcome in which cost considerations have been fully reflected; probability of an improved bottom line; new workplace relationships which can improve teamwork, joint decision-making and problem-solving; increased productivity; retention of the skills and knowledge of workers; and goodwill and trust of workers. For labour, advantages include the probability of increased economic security; access to information and a role in decision-making; an opportunity to help select and implement the options for change; a chance to ensure that the adjustment plan provides displaced workers with adequate support and training for the transition; and an opportunity to offer options which better address the underlying problems.

The case studies illustrate constructive ways in which key players in individual situations have come together to deal with adjustment related to economic restructuring. Three principal approaches to adjustment have been identified in the cases examined:

- restructuring, reshaping or reinventing the enterprise;

- major investments in skills development and the upgrading of human resources, both in reaction to current pressures for change and in anticipation of future; and
- efforts to distribute the impacts of adjustment in an efficient and equitable manner.

In most cases, an amalgamation of several approaches is the norm.

The case studies and other background work on adjustment provide a rich source of information on how adjustment has been managed in different circumstances. One of the premises of this research is that joint labour-management approaches are more likely (though not guaranteed) to have positive outcomes than approaches which are unilaterally imposed by management or government. Joint approaches, however, require a genuine commitment to encouraging and listening to the input of the co-participant in the process. In many cases, this will involve a significant change in behaviour on both sides.

Innovative adjustment solutions also require that all interested parties be included in the discussion and negotiations, recognizing the various roles and responsibilities of each party. In some cases, agreements are reached between employers and employees without external participation. In other cases, participants in the adjustment process might include labour, management, and government, as well as environmental, community, and aboriginal groups. Because whole communities may be affected by economic dislocation, communities can and should play a role in the adjustment process. The key point of involving all affected groups is to ensure that any agreement reached properly reflects the varied needs and concerns of such groups.

With the goal of improving the process and outcomes for others involved in or facing adjustment challenges, the Task Force has grouped the lessons learned through the case studies, and their associated recommendations, into several key themes:

- anticipating and preparing for change;
- dealing with individual, enterprise, community and sectoral adjustment;
- evaluating outcomes; and
- a new role for government.

The Task Force concludes that optimal outcomes for all parties are best achieved through joint development and negotiation of adjustment plans. This includes both open exchange of information and the earliest possible involvement of all workplace partners in decision-making. Business, labour and government all have important roles to play in the development of effective adjustment strategies

As each adjustment situation is unique, the value of joint approaches and solutions developed by the affected parties is evident. A key finding is that crisis adjustment that involves unilateral decisions with only a short-term perspective does not meet the test of balance, and may offer only short-term savings at a very high cost to individuals, families, communities, and often the organizations themselves.

## Recommendations

1. *We recommend that labour and management at the workplace level, with government support where appropriate, recognize the critical need to anticipate future adjustment pressures and begin joint processes to assess and prepare for*

*the medium-term challenges facing the workplace. These pressures could include:*

- *changing training needs;*
- *new work organizations;*
- *new competitors; and*
- *new technologies.*

*Preparing for the medium term challenges could entail addressing the need for economic education at the workplace level, developing tools for information sharing, and encouraging labour and business leaders to promote advance work to anticipate and address adjustment challenges.*

2. *We continue to support the recommendation that the federal government work jointly with labour and business to improve mechanisms for sharing labour market information, including expanding the use of the national jobs data bank, and that this information be made broadly accessible to all job seekers.*
3. *We recommend that a national data base on successful adjustment case studies be established for access by all parties seeking information on innovative partnerships and practices.*
4. *We recommend that management and labour in the public and private sectors put in place joint processes which will facilitate ongoing adjustment at the workplace and community levels. These could include initiatives in the following areas:*

- *identification of future training needs and activities to meet them;*
- *joint exploration of work organization changes;*
- *establishment of counselling programs*
- *enhanced communications practices and policies.*

5. *We recommend that in individual adjustment situations, management and labour jointly come together to address the issues involved at the earliest possible point in the process.*
6. *We recommend that government employers follow the best practices and principles used in the private sector in working with labour to develop effective adjustment measures, either through joint management-labour committees, or other vehicles for negotiation and joint decision-making.*
7. *We recommend that business, labour and government use a sectoral adjustment approach when the following conditions exist:*
  - *skills are transferable between firms;*
  - *there is an advantage to maintaining a trained and adaptable pool of workers;*
  - *the adjustment will entail substantial downsizing of persons with similar but not identical needs within an industry;*
  - *the pooling and managing of resources is key to survival of the industry.*
8. *We recommend that adjustment processes be tailored to the needs of the individual workplace and the individual workforce, through joint negotiation between management and labour; and further, that the expertise of both internal resources and those at the sectoral, local or community levels be an integral component of the adjustment process. This may require that particular attention be paid to addressing*

*equity concerns, including provisions related to:*

- *women,*
- *visible minorities,*
- *older workers,*
- *the disabled, and*
- *aboriginals.*

9. *We recommend that labour, business and government jointly develop and apply near and long term benchmarks for evaluating or measuring the success of labour force adjustment mechanisms.*
10. *We recommend that governments at all levels, following the advice and guidance*

*of business and labour, continue to perform the role of facilitator, broker and in some cases financier, in dealing with adjustment measures.*

11. *We recommend that federal government support for the Industrial Adjustment Service (IAS) be continued, if not increased, to facilitate positive adjustment and improved labour-management relations.*



## Preface

In 1992, the CLMPC undertook a wide-ranging study of economic change and restructuring under the direction of an Economic Restructuring Committee. From the outset, the Committee was determined that its study would examine restructuring in a manner that addressed both the different perspectives and the various needs of all parties involved. One of the key insights was a common understanding that a balance must be achieved between the needs of business and labour in any recommendations. Productivity growth and economic security are equally important tests for whether proposed solutions are workable. They are also mutually reinforcing aspects of economic change.

In 1993 the Economic Restructuring Committee published a statement entitled *Canada: Meeting the Challenge of Change*. To develop further understanding of four key areas of concern which emerged from its broad examination of economic restructuring, the Committee

recommended the establishment of the following Task Forces.

- Access to Capital
- Workplace Change
- Adjustment and Transition
- Innovation

In establishing the Task Force on Adjustment and Transition, the Committee recognized that a great deal of previous work on adjustment had focused on the level of the overall economy. It recognized that a significant portion of adjustment to economic restructuring occurs at the levels of the firm and of the individual. The work of this Task Force would therefore supplement and expand upon existing work in this area. The Task Force was asked to take the recommendations from the Economic Restructuring report on adjustment and transition issues, and develop specific workable solutions directed at business, labour and government with a particular emphasis on the sectoral and workplace levels. This report is the product of that work.



## Introduction

Throughout the world, economies and labour markets are being buffeted by rapid change. Canada is no exception. Both the speed and scope of change have accelerated and partners in the economy including business, labour and governments are being challenged to adapt quickly and efficiently in order to remain competitive.

Profitability, productivity, quality and cost have been the yardsticks by which this competitiveness has been measured in the 1980s and 1990s. In recent literature, increased attention is paid to adaptability and opportunity creation as the measure of survival for the 21<sup>st</sup> century. Part of this survival is the identification of new markets, new products and new processes not yet conceived. The idea that enterprises face a continuing need to get ahead of, or at least match, the transformations of competing firms and countries is challenging traditional notions of employment and confronting many workers with growing economic insecurity. With new processes and new product lines, workplaces are being reconfigured, with significant alterations to both job requirements and job security. For many firms, it is changing organizations and production systems; for many individuals, the outcome is increasing job insecurity. Economic restructuring can also have positive employment effects, resulting in “upside” adjustment. But in either case, the change in traditional patterns and structures of work, along with traditional notions of employment security, create pressures on both managers and workers to adapt to new forces for change, and to adjust to evolving workplace realities.

Labour market adjustment is a term to describe the process of matching people to jobs. “Adjustment” can describe both the process and the outcome of actions by business, labour, and government to respond to changing economic circumstances. To be effective, adjustment

strategies should respect the following principles:

- A central focus should be on people, since at its most basic level, adjustment means that individuals have to adjust to altered economic or employment circumstances. On the one hand, the need is for employment and economic security.
- At the same time, the need is for continued competitiveness to enable the firm to create jobs, wealth, or effective services, over the longer term.
- Adjustment measures should seek to strike a balance between rights and responsibilities on both sides; between improving enterprise or sectoral productivity, and providing economic security for employees.
- Positive adjustment is a process, not a one time event, and should not be conducted in an atmosphere of crisis management.
- Successful adjustment is measured not simply in terms of how it addresses today's needs, but how appropriately it deals with the challenges of preparing both the individual and the workplace for future adjustments through both retraining and work reorganization.

This report is the outcome of more than a year of joint business and labour research and consultation on that challenge to adjust, particularly as it applies to the changing relationship of human resources to economic activity. The primary focus is on the roles, practices, and interactions of public and private employers and labour, as the principal labour market players in adjustment, with special emphasis on the sectoral and workplace levels. In addition, the role of governments in establishing public policy relating to adjustment, and/or in facilitating adjustment is considered, along with the practices of governments as employers in providing instructive models of adjustment. The goals are to create awareness of the value of a humane approach to adjustment; to identify factors which can contribute to

improving the functioning of labour adjustment in this country; and to distill from these a set of observations and related recommendations which can be used by labour, business and government at all levels to assess their evolving roles in adjustment.

There remain sharp differences of view between some people within the labour and business constituencies, about the value of joint approaches to adjustment. The findings and recommendations put forward in this report are based on an extensive review of labour adjustment literature and the examination of numerous workplace and sectoral cases where business and labour have arrived jointly at adjustment measures, usually on their own initiative.<sup>1</sup> The case studies have been conducted only in organized workplaces, where both business and labour have been involved. The central proposition of the work of this project is that optimal solutions to adjustment are found when employers and labour work together to anticipate change and address it in a proactive rather than reactive way, using their combined

expertise and intimate knowledge of the particular sector or workplace in question. Through reviewing the process and outcomes in a variety of circumstances affecting either sectors or workplaces, or both, it has been possible to learn more about the elements which can contribute to effective adaptation and positive adjustment.

The findings in this report are not presumed to cover all adjustment situations, nor to prescribe a specific model of successful adjustment. Rather, they describe a variety of models of adjustment and outline factors, attitudes, practices and other key elements which, in the estimation of participants in actual adjustment situations, are of critical importance both in dealing with the immediate challenges of adjustment, and in instituting an ongoing process of continuing adaptation to change.

It is the expectation of the members of this Task Force that this information can assist others faced with adjustment pressures to identify workable solutions through joint efforts.

# Emerging Challenges to the Labour Market

## The Broad Economic Pressures

World-wide economic restructuring is pushing countries, sectors and firms to adopt new strategies to remain competitive and retain or increase their share of world markets. These strategies have included restructuring workplaces, and in some cases re-inventing the way they do business. In the private sector, firms have sought to control costs to ensure economic survival. In the process, substantial numbers of workers have been displaced and work organizations often substantially changed. In the public sector, efforts at debt and deficit reduction have led to significantly leaner government services, and a dramatically smaller public sector workforce. In both public and private sectors, it is clear that many of these jobs will not be replaced, and that substantial numbers of displaced workers will need to adapt to new forms of employment. While the emergence of new small businesses is acknowledged as an important source of new jobs, there is a clear need to improve individuals' movement from one type of job to another.

The significant pressures faced by business, labour and governments include: economic globalization and trade liberalization, technological adaptation; demographic change; and the internalization of environmental considerations. Each of these pressures is well documented in a number of reports<sup>2</sup> and will only be considered here briefly for its impact on adjustment.

## *Economic Globalization and Trade Liberalization*

For the past decade, new trading arrangements, particularly the North American Free Trade Agreement and the World Trade Organization, have been among the driving forces of economic restructuring in Canada and throughout the industrialized world. These arrangements have had positive effects in some sectors as they have

opened up markets to Canadian goods abroad, and contributed to wealth creation at home. But there have been negative impacts in other sectors, which have involved extensive dislocation in Canada as production shifts occur, and as the Canadian market for goods and services opens up to external competitors. The combined effects of trade liberalization and economic globalization are reshaping production patterns and practices across industrial sectors as well, leading to the death of certain sectors and the birth of new ones. Production processes are increasingly fragmented and mobile. A single good may cross several borders as corporations utilize the most competitive production location for each stage from conception and design to manufacturing and distribution. And the pressure from competitive offshore sites of production is intensifying.<sup>3</sup>

Assisted by the newest information technology, transnational corporations are becoming at the same time more concentrated in their ownership, and more segmented in their operations, in order to take advantage of the best combinations of inputs and production processes in the world.<sup>4</sup> The ties of transnational corporations to specific nations are often weak. Increasingly, companies are looking for clear advantages in terms of access to resources or markets when they make decisions on where to locate. Acquiring world product mandates therefore requires that individual workplaces show world leadership in cost-competitiveness, quality,<sup>5</sup> and efficient and responsive production.

With the exception of human labour, most of the components necessary for production are mobile. Even the physical infrastructure offered by a national economy can usually be duplicated in other countries. International movement of human resources is still highly restricted by political barriers to immigration and by the financial, social and cultural costs of relocation.<sup>6</sup> For the competing workplace, this makes human resources both the most valuable of resources

and the most vulnerable. Investment in an economy's human resources can often provide a country with a strong competitive edge.<sup>7</sup>

### ***Technological Adaptation***

The continual introduction of new technologies, such as robotics and informatics, is rapidly affecting all sectors,<sup>8</sup> and revolutionizing both the structure and content of production. As the creation of new enterprises and new forms of employment are made possible by new technologies, literacy, numeracy, adaptability and the capacity to use these technologies effectively become even more valuable commodities. Manual workers are being replaced by knowledge workers, and primary production processes are being turned over to machines. This puts an increasingly high premium on the skills, education, and forms of organization which promote flexibility at the workplace level.<sup>9</sup>

One of the most significant debates currently underway concerns the impact of technology on the overall number of jobs, and on whether job disappearance as a result of technology will be exceeded by new job creation as a result of economic growth.<sup>10</sup> There is evidence that while technology can create a need for higher skill levels, and provide challenging opportunities for some, it is also a factor in shutting potential workers out of the job market, de-skilling jobs, and contributing to the declining quality of others. The technology that allows for just-in-time inventory can also contribute to a contingent workforce, and an enhanced capacity to monitor employees.

In spite of these concerns there is substantial agreement that technology is one of the most influential pressures affecting the demand for labour, and that our future orientation should be to develop the advanced skills necessary to apply technology effectively.<sup>11</sup>

### ***Demographic Trends***

A number of important demographic trends, such as an aging population<sup>12</sup>, lower birth rates, and changing labour force participation rates,<sup>13</sup> are having a profound influence on labour markets. Most of these changes are visible in the shifting composition of the working population,<sup>14</sup> from younger workers to older workers as the baby-boom generation ages; from a workforce dominated by men, to a more gender balanced one as women take on more paid employment; and from a culturally and racially homogeneous labour force to a more heterogeneous mix.

Demographic change can also alter the demand side of the market through changing needs and expectations.<sup>15</sup> For example, an aging population will create a need for new products and new modes of service delivery. Time pressures on two-income families have also helped to create new demands for convenience products, and a wider range of contract services. In addition, the search for more balance between work and leisure can alter work patterns for the few who can afford to trade off paid hours of work. In a number of cases, shorter work time is being negotiated as one avenue to protect existing jobs or to expand job opportunities. But voluntary reductions in both hours and pay is not the norm. In the face of declining real incomes, many are working longer and longer hours, either to maintain a threatened lifestyle, or because restructuring has left enterprises short-staffed or reliant on overtime or contract work.

Many young job seekers are having real difficulty gaining permanent entry into the workforce and finding that their opportunities are being limited by older workers who remain in the work force to make up for insufficient retirement income.

At the same time, there has been a shift away from the more equitable patterns of income growth and wealth distribution established in this century. Until recently, with few exceptions, each

successive generation has expected to improve upon the economic lot of the generation which preceded it. As discussed in the OECD Jobs Study undertaken in 1993, the affluence of the Fifties and Sixties in the OECD countries is being followed by an era when secure employment and wealth accumulation is less certain. Slower economic growth and increased international competition are challenging industrialized societies to find ways to achieve an equitable means of distributing the gains from economic activity.<sup>16</sup>

### **Shifts in the Canadian Economy**

Economic restructuring in Canada is faster and more intense than at any time in the last thirty years.<sup>17</sup> The resulting dislocation is similar to that in most industrialized countries. Like other nations, Canada can use its institutional and labour market structures to produce a positive climate for adjustment. The context in which adjustment takes place is a very important consideration.

#### ***Sectoral Shifts***

In Canada, resource and manufacturing industries are shrinking as a percentage of the economy, and both are modifying their focus. Resource industries are shifting to more cost-effective and sustainable practices; and manufacturing is diversifying to new products in emerging tertiary sectors such as information technology, telecommunications and robotics.<sup>18,19</sup>

While the service sector has been an area of great economic and employment growth, there are some questions raised as to what kinds of jobs are being created.<sup>20</sup> At the low end, there are meal and entertainment services and personal and household services expanding rapidly; and, at the high end, there are specialized consulting, training, financial and technical support services.

### ***Transforming Structures of Production***

In the world of the 'virtual product', a good can be designed in one country, manufactured in a second, and packaged in a third. This world presents Canadian businesses with very different challenges. Traditional organizational structures, modes of production, and management are rapidly becoming outdated,<sup>21</sup> and enterprises are experimenting with new practices<sup>22</sup> as they attempt to break new ground.

For many employers, cost containment and production flexibility have become central considerations. To help achieve this, they outsource and contract out many of the goods and services they require. While providing opportunities for some workers, this flexibility has undermined the economic and employment security of others. This trend directly raises the issue whether job losses for some are offset by job gains for others. For labour, it is clear that standards should be put in place to ensure a measure of economic security for contract workers.

The differentiation between sectors and between jobs becomes blurred as new patterns of production emerge. Traditional employer-employee contracts are being challenged as tasks previously handled in-house are being provided on a fee-for-service or retainer basis by individuals independent of the organization, many of whom function in a much less structured work and management environment.

Within the workplace, technology is causing production patterns and structures to change radically. For example, sequential assembly-lines are being replaced by the integrated assembly and finishing of entire units, and more emphasis is placed on the production of customized units to meet specialized requirements. New production processes require completely different forms of interaction between persons and between persons and machines. Hierarchical decision-making and traditional line production

are being replaced by teams working together on highly integrated and interdependent components of a single production process.

As the patterns of production change and the interaction between technology and workers evolves, the technical and social skills required of individual workers is also evolving. For instance, it is estimated that half the skills of technical workers become obsolete within three to seven years after completion of formal education.<sup>23</sup> As many sectors apply new technologies, the skill requirements are changing dramatically. In the Ontario auto parts sector, for instance, the proportion of the workforce classified as unskilled fell from 62 percent to 43 percent in four years while the proportion classified as skilled or semi-skilled rose from 38 to 57 percent.<sup>24</sup> For the unemployed, the challenge both for the individual and for society is to keep their skills sufficiently current that opportunities remain open.

On the skills front, at least two trends are occurring simultaneously. The first is the need for highly specialized knowledge and skills which are unique to a certain task or role within production,<sup>25</sup> which co-exists with the need for multi-skilled workers, with transferable and adaptable skills to meet new challenges and design new product lines. This combination creates maximum flexibility for enterprises and eliminates the need and the cost of carrying replacement workers for all specialized functions. The second trend is the deskilling of work. Deskilling is a consequence of the fact that a significant portion of new technology is designed to operate with minimal skill requirements, and leads to a downgrading of jobs and deskilling of certain members of the workforce.<sup>26</sup>

### ***Changing Patterns of Work***

At the same time as the new forms of production are emerging, patterns of work are changing. These are not usually single events but tend to

reflect continual pressures. As our economy changes there is an ongoing need to make adjustments. In the face of competitive pressures, many firms have cut costs, upgraded the skills of their workforce, or sought greater flexibility by reducing the size of their permanent workforce. For some workers, this has meant increased skills. For others it has meant layoffs, the replacement of full-time permanent employees with part-time or contract workers, or the substitution of workers by computers and/or other technologies. In some cases, firms have opted instead to invest in their existing workforce, and to reinvent the enterprise using its current staff.

The changing pattern of work often means less structure and fewer definitions in job descriptions. However, workers who are involuntarily displaced in these processes are faced with having to seek new employment, train for the new requirements of the job, or, if fortunate and financially well-positioned, retire or otherwise leave the workforce. Some workers are entering the small business sector, seeking to create their own jobs and opportunities. For them, job loss may be the catalyst that stimulates a complete employment shift. Other displaced workers with outdated or inadequate skills and without access to resources, or the ability to acquire the necessary skills, are finding themselves obliged to take whatever work can be had. In seeking new jobs, displaced workers may face competitors who are younger, or better able to meet employers' employment equity criteria. In addition, many of the available jobs may be low paid, low skill work which comes with few guarantees of security and stability. In remote areas, or in locations with chronically high unemployment, losing a job with the major local employer can shatter a once secure and stable attachment to the workforce, and destroy a family's economic security.

Some of the adjustments we are seeing are the result of changing modes of production, but the



changes are not just due to employer strategies. In some cases, families find they need two incomes to survive. For others changes come as a result of more social or personal concerns such as the search for a better balance between work and home and the community. But whether imposed by production schedules or adopted as a voluntary choice, these new patterns are profoundly altering traditional understandings of work and the workplace.

For some, patterns of work are shifting in response to a need for a better balance between paid employment and other activities. Faced with the considerable stress of balancing work and family, and occasionally out of a desire for more leisure, workers are also seeking more flexibility in their work patterns. Fewer hours per day, fewer days per week, and longer paid and unpaid leaves of absence, flextime and telework are all options being sought by employees and offered by employers.<sup>27</sup> Over the economy as a whole, what is emerging is a variety of new work arrangements such as flextime, teleworking, job sharing, and an increasing number of workers employed in part time work or in small scale entrepreneurial activities.

Homeworking and self employment are two such categories. For workers engaged in contract work from their homes, these patterns offer advantages of less travel-to-work stress, greater control over their personal lives and timetables, a chance to be self-sufficient, and freedom from the regulations and limitations of traditional workplaces.

The concept of homework often produces sharp differences of opinions. While many employers and employees see it principally as a vehicle to provide workers with more flexibility, more choice and an aid to dealing with the competing demands of work and family, many others see homework as a broad continuum that over time will isolate employees, weaken collective bargaining rights, and make workers more vulnerable.

For many of those who are involuntarily “self-employed”, contract work is a poor replacement for a regular job if it offers reduced hours, more contingent and irregular work, fewer if not any medical or disability benefits, greater insecurity, and a lower income. Contingent work, which in the past was the norm only in service sectors subject to real shifts in cyclical demand, is now occurring in all sectors. It covers a wide spectrum from the highly specialized self-employed consultant to the average part-time retail clerk whose shift varies according to sales patterns. And it also includes piecework and commission-based work where earnings are based on specific production quotas. Increasingly contingent work is being used to enable employers in both private and public sectors to respond to pressures to cut costs and enhance productivity.

Although there are workers who benefit from these new arrangements and who seek them out, the majority of contingent workers are at the low end of the wage and skill spectrum. The overriding similarity between these forms of contingent work, from an employee viewpoint, is the fact that they do not provide the guarantees of stability or security that permanent work does.<sup>28</sup>

From an employer perspective, however, there are advantages in flatter, more flexible organizations where decision making is increasingly devolved within the organization. There are also significant savings to the various fixed costs associated with permanent employees (payment of benefits such as CPP and EI, payment of overtime, tax deductions at source, recruitment, training, etc.). Employers may attempt to minimize these costs as part of a strategy for cost control and competitiveness, and some employees may welcome a paycheque with fewer source deductions. However, these changes may also contribute to the breakdown of the traditional allegiance between employer and

employee, since job security and loyalty to the employer are inherently linked.

These trends highlight the patterns and some of the problems associated with adjustment: how to provide workers with the skills they need to help them find high quality new jobs, and how to approach the question of workforce reduction in ways which can minimize lay-offs, and maximize options and flexibility for both workers and employers.

### **Public Policy and the Traditional Role of Government in Adjustment**

Canada sits somewhere in the middle among OECD countries in terms of the breadth and depth of its public policy affecting labour adjustment. It has neither the strictly regulated markets of many European countries, nor the relatively unregulated markets of the U.S., particularly those in some of the southern states. Recently, the trend has been for government to withdraw from direct involvement in labour markets in favour of letting markets sort themselves out.

Public involvement in labour markets historically has been an effort to balance fairly the needs of three key players: business, labour and society. It covers a range of direct and indirect legislation, regulation, and program provision. The most obvious of these are employment standards and regulations covering hours, overtime payments and conditions of work.<sup>29</sup> Laws have also been enacted to establish the right of employees to join unions, to oblige both employers and unions to bargain in good faith, and to regulate methods for dispute resolution between employers and unions through legitimate grievance and arbitration procedures. Minimum wage laws, occupational health and safety requirements, pay and employment equity legislation, layoff and redundancy legislation, and laws preventing the use of child labour are all additional ways in which public policies were put in place to

regulate labour markets and protect citizens from negative impacts which can flow from the operation of market forces.

There are also a number of other ways, sometimes less obvious, that public policy affects the market for labour and acts as a powerful economic stabilizer. Up until now, the presence of mandatory pension and unemployment insurance programs, as well as worker's compensation provide buffers against loss of income due to injury or short term job loss, and protect both employers and employees from economic hardship in difficult times. For employees, unemployment insurance provides a declining, modest income replacement when jobs are lost. And unemployment insurance protects employers and businesses as well by cushioning their losses during recessions. The fact that unemployed workers maintain some form of income protection helps to sustain demand generally. These programs are both necessary and desirable, and are appropriately administered by the public sector.

In most jurisdictions, public policy also establishes other requirements directly related to the adjustment process, such as advance notice of lay-off, minimum severance payments and in some cases, the involvement of the existing union in the process of planning and managing displacement in the workplace.<sup>30</sup>

Other public programs which exist expressly to address adjustment issues include employment centres offering job search assistance, counselling, training and job information and matching. Educational institutions also facilitate adjustment by providing opportunities for individuals to develop new skills and enhance existing ones. In addition, sectoral councils, the federal Industrial Adjustment Service and similar provincial agencies, are supported by public funds in programs developed to address the needs of workers in specific displacement situations. In the past there have been government programs which have recognized

and provided some support for the specific needs of some older workers facing adjustment.

However, in addressing the needs of different labour market participants, policies can sometimes have indirect and unintended consequences. Equity legislation, for example, can have indirect consequences for displaced workers by making their employment search more difficult, notwithstanding the value of such legislation to society as a whole. There is a need to recognize that those individuals who are displaced are different from new entrants.

While appropriate public policy can help to correct imbalances and inequities that emerge in labour relationships, outdated policies can become a barrier to efficient adjustment and block the development of a workforce that combines flexibility for employers with equity and economic security for workers.

Public policies and programs can aid or impede adjustment to economic restructuring and positive social change. Public policy seldom evolves as rapidly as the economy, however, and while providing economic stability is essential, it is a challenge to policy makers to ensure that public policy evolves in a way which anticipates emerging trends and supports positive economic change while recognizing the need for complementary social structures.

One trend which has become increasingly evident over the past decade has been the wide scale disappearance of promising opportunities for young people. While the numbers of young people entering the job market are declining, and many entering the job market have much higher levels of education than their parents had a generation ago, the lack of job growth is preventing many of our youth from gaining a

toehold in the economy of the future. In looking to its mandate to support positive social change, one potential area for government involvement in adjustment might be to strengthen and/or facilitate programs which ease the school-to-work transition for young people, and to encourage both unions and employers to work in partnership with government to open doors for young people to the job market of the future.

One traditional characteristic of government involvement in adjustment has been the availability and use of significant amounts of financial resources. Faced with large debts and deficits, governments are no longer prepared to provide ever increasing contributions to the financing of adjustments. Coupled with fiscal constraints are political ones. Pressure is being applied to governments in the industrialized world to curtail their involvement in the marketplace from that of regulator to that of facilitator. These two trends are combining to change significantly the role that governments see themselves playing in the adjustment process in the future. This in itself pushes the onus for adjustment more squarely on the shoulders of individuals, unions, and employers. However, the realities of adjustment affect all players in the economy, and as the economic actor with primary responsibility for the overall functioning of the national economy, government has an essential, ongoing role. Government policies affect the educational training and social policy choices that influence the supply side of modern labour markets. They also condition the labour relations climate at the workplace, influence the rate of diffusion of technology and shape the infrastructure that surrounds an individual firm. These factors can be crucial for the long-run success of job creation strategies.<sup>31</sup>



# **Balancing the Needs of Business, Labour and Society: The Case for Joint Labour-Management Responses**

It is the search for balance between the needs of the different participants in the labour market which encourages the use of joint approaches to adjustment. It is yet a larger search for balance that extends beyond the labour market which brings governments into the picture. The challenge of adjustment is to re-configure existing structures, patterns and relationships in ways which promote economic sustainability for the individual, the enterprise and the community. Business, labour and governments have essential roles to play in choosing the best methods of adaptation to adjustment challenges. While each participant will have independent goals, all will be affected by decisions made by the others, so in many respects the roles of labour, business and government are interdependent. For this reason, working together to prepare for and manage adjustment can produce better results.

## **The Challenge for Employers**

### ***Business Goals***

Businesses enter into adjustment processes, either proactively or reactively, when faced with competitive challenges. Survival of a competitive enterprise becomes the key objective. Ideally, the enterprise will restructure, re-engineer or reinvent itself to close any gap in performance, adaptability or opportunity.<sup>32</sup>

This requires that an enterprise produce as quickly, as cost-effectively, and as well as its competitors. Strategies include reducing costs, improving productivity and customer service, and pursuing the highest quality standards. This implies ensuring that the organization of work and the use of technology help to maintain

productivity; that the enterprise can respond quickly with new products and markets to changes in demand; and that it develops transferable skills in its employees, flexibility in production processes, and movement toward multi-skilled teams. All of this change requires extensive training in both skills upgrading and team production. If a firm acquires the thinking and structure which puts it on the cutting edge of its industry, it can position itself to set the agenda for its industrial sector and to set the standards of production against which any competitors will have to measure up.

Faced with adjustment pressures, a firm has certain options for its workforce: it can invest in training and upgrading its current complement of workers; exchange existing workers for others with the necessary skills; downsize permanently through lay-offs; or use a combination of all of the above.

All of these come at some cost. Laying off workers, although it reduces the payroll, involves the direct costs of any severance payments required by a collective agreement or by legislation. In addition, individuals who 'survive' the lay-offs and remain with the organization may experience a reduction in the quality of work life resulting in decreased commitment and perhaps loss of productivity. One of the most vulnerable employee groups in adjustment processes may be middle management itself, who may lack the support of a union and not be involved in the change process at its earliest stages.

Replacing workers, on the other hand, may involve considerable costs in both displacement and re-hiring. It also assumes the availability of suitably trained workers in the labour market or a considerable investment in training. Similarly, investing in existing workers requires a commitment to training. These expenditures and the potential indirect impacts can negate some or all of the anticipated benefits from the adjustment.<sup>33</sup>

When lay-offs occur, which may result if business sees no other way of achieving a cost-competitive position, management of the lay-offs becomes the adjustment exercise. A number of practices, such as early notification of planned layoffs, provision of retraining and skills upgrading, incentives for early retirement, etc. can improve a difficult situation, ease the process, and improve the eventual adjustment of workers and the labour market. Some employers in both the public and private sectors provide minimal assistance; others feel that the implicit employment contract demands substantial efforts from the employer to prepare those laid off for other jobs. In some cases, management's focus on the financial or taxation implications of a downsizing may lead it to place a priority on a quick layoff process. In many instances, however, employers participate in more extended joint processes with the union or employees, provide employee needs assessments, counselling, job search assistance, etc. and seek out other means of easing the transition, such as community and government sponsored adjustment assistance.

While the final decision regarding adjustment processes will in most cases be made by management, management will want to explore options with labour, which are consistent with the provisions of the collective agreement, to determine which approaches best meet both parties' needs. Management should understand that from a labour perspective, workers may often see layoffs as the first, not the last, option presented to them. For management, then, the challenge is to find ways to include workers and their unions at the earliest possible point in the adjustment process — even when there is no indication of trouble or crisis. Generally speaking, employers will tend to resist processes imposed by government, although many will recognize the helpful role governments can play as a facilitator or broker in adjustment situations.

### ***The management advantage of a joint process***

Management stands to gain from pro-actively involving labour in planning and implementing changes in the workplace. By working closely with labour *from the earliest possible moment*, employers in both public and private sectors can benefit from a number of advantages of a joint adjustment process:

- access to the extensive knowledge and understanding of existing operations among its front-line workers;
- better prospects for a smooth and longer-lasting outcome in which cost considerations have been fully reflected;
- the probability of an improved bottom line and a more secure future for the enterprise;
- the strengthening of new workplace relationships which can improve teamwork, joint decision making, and problem-solving;
- increased productivity from workers fully knowledgeable about the new technology, both hard and soft, that accompanies the adjustment;
- retention of the skills and knowledge of workers if alternatives to downsizing by permanent layoffs are negotiated; and
- the goodwill and trust of workers, particularly those who remain with the organization.

In non-unionized workplaces, these advantages will also follow from management worker dialogue. In such workplaces, the mechanisms of communication will be different from unionized workplaces. Lacking a union as a vehicle for ensuring a more fairly perceived adjustment process, these mechanisms may be less developed.

### ***Government as Employers***

Governments at all levels have a dual role. Not only are they the regulators; they also serve as employers for a large portion of the labour force, particularly women. Governments at all levels are also faced with pressures to adjust, partly due to

technological change, but also due to cost constraints imposed either by declining tax revenues, cuts in funding and transfer payments, a commitment to spending restraint, or a belief in a smaller role for government. In the public sector, the goals and options for adjustment are very similar to those in the private sector. Many of the advantages of a joint process for employers and unions are equally applicable to government in its capacity as employer.

### **The Challenge for Labour**

#### ***Labour's Goals***

The challenge for labour is to involve itself proactively in the process of ongoing adjustment. Traditionally, labour has found itself in adjustment situations after the fact, that is, after a company or government has determined that change is essential, and frequently after the nature of change has been decided. Labour is seldom afforded an opportunity to participate in the decision-making process leading to significant adjustment. More commonly, labour is invited to participate at the point when the decisions are limited to determining such issues as which of their members are going to lose their jobs. It may be faced with the dilemma of deciding whether in the long run more jobs will be saved if it seeks from the outset to protect some jobs, but not all.

When labour enters into an adjustment process the over-riding goal is to preserve economic security for workers. In general, this means protecting hard-won gains made in wages, benefits, and working conditions in the past. Improvements in severance provisions, access to training and skills upgrading, and participation in the development of better jobs are frequently part of a pro-active approach. However, in today's economy, most adjustment takes place in the context of significant downsizing.

In the face of inevitable displacements, either within the enterprise or government department or agency or outside, labour's task is to ensure adequate support to permit workers to make the transition successfully. Success in this context would include minimum disruption of employment; maintenance of earnings, employment status and the quality of working conditions, in the short- and long-term; and continued family and personal stability. While labour is prepared to make significant accommodations to ensure the survival and success of a viable enterprise, labour works to ensure that workers do not bear a disproportionate share of the burden of economic restructuring.

Workers recognize that the survival of their enterprise/department/branch is critical to the survival of their employment. Therefore, workers are anxious, if given the opportunity, to participate in processes aimed at finding solutions, as long as there is a sense of reciprocal commitment on the part of management actively to seek options which minimize displacements. Ideally, ways should be sought through which labour and management can act to anticipate changes and prevent them from developing into crises, using tools of communication and dialogue. This provides time for steps to be taken to prepare for change. Such steps may include training, planned work reorganization, and improved communication channels.

Enhanced flexibility can benefit workers as well as employers. It creates greater opportunities in and out of the enterprise and in some cases, enhances self-esteem and quality of working life. Labour also recognizes that engagement in a joint adjustment process can have a long-term influence on industrial relations within the workplace. This can alter the tone of future discussions and negotiations, giving labour greater influence in future discussions over the work environment.

However, given past experience, labour is less willing than business to trust to the vagaries of unregulated labour adjustment. Labour believes that adjustment is a joint responsibility, and that primary control over adjustment should exist within, or be determined through, collective agreements. In the absence of a commitment to involve labour in decision-making and provide some measure of employment security, labour considers minimum standards and obligations tied to employee displacement to be necessary.

### *The labour advantage of a joint process*

The potential costs and benefits to labour of participating in adjustment can be very high. The union must perceive that its involvement is part of a genuine effort to come up with solutions that better balance the needs of their members against those of management, or result in gains for both sides. The history of labour relations will be a key factor in determining the level of cooperation among workers. However, genuine participation, as negotiated and agreed to by the two parties, can offer significant advantages for labour:

- the probability of increased economic security;
- access to information and a role in decision-making;
- an opportunity to help select and implement the options for change, from suggesting new products or markets, to proposing choices for new hard and soft technology, to providing creative input on re-configuring the size, structure and operation of the workforce;
- a chance to ensure that the adjustment plan provides displaced workers with the necessary support and training to make the transition to unemployment or re-assignment within the workplace with minimal personal disruption; and
- the ability to offer options which better address the underlying problems facing the organization.

### **The Challenge for Society and Government**

The challenge for society and governments is to ensure the economic environment encourages healthy investment and growth and the distribution of economic gains is broadly balanced.

From the perspective of society, the adjustment process should improve the functioning of labour markets by facilitating faster and more accurate job matching, enhancing skill levels, and maximizing the economy's ability to maintain high levels of productive activity. Excess production capacity and high unemployment act as drags on economic growth and impede creation of new wealth. Adjustment which results in increased polarization in the labour market undermines efforts to achieve greater equity. For adjustment to succeed at a societal level, it must ensure the economy provides for a balance between efficiency and equity.<sup>34</sup>

In its search for this balance, society is faced with the added difficulty of adjusting to economic restructuring in an environment in which it is trying to address a number of historic inequities which have built up in the labour market. Overall, however, resources devoted to adjustment must do more than change the order of those who are unemployed by moving some to the front of the queue. Adjustment measures must also improve the efficiency of labour markets, ensuring that vacancies are filled more quickly, and that individuals remain unemployed for shorter periods, than would have occurred without such measures. However, these measures alone will not deal with the problem of unemployment resulting from economic restructuring unless economic security can be achieved through growth in economic activity and employment or other options which address the growing inequities between those with employment and those without.

Governments may have specific goals they wish to achieve as policy makers as well as employers



via an adjustment process. For example, in the health care sector, governments may undertake an adjustment process as part of an overall approach to rationalize health care services, or to shift health care from institutional to home settings. In the case of the fisheries and the forestry sector, governments have instituted adjustment processes aimed partly at downsizing employment in the sector, but specific adjustment initiatives may have had as much to do with overall government policy on environmental sustainability and resource management as with any specific plan to limit employment. In such cases, governments can use the process of adjustment to suggest or to apply certain models of decision-making, training initiatives, re-employment options, retirement incentives or work sharing arrangements. Government may thus act as a model, as well as a facilitator, or broker, of multipartite approaches to adjustment issues.

### **Evaluating Adjustment**

The success of adjustment is determined by the extent to which the process and outcomes meet

the goals of the participants. As noted above, from a business perspective, these goals relate to the survival of a competitive enterprise, while from a labour viewpoint they relate to maximizing workers' economic security. For both business and labour, the time frame over which adjustment takes place can be very important. There is a danger that decisions taken with a view to the short term produce only short term results. Over the long term, economic security for both is enhanced if an enterprise is made more viable through the adjustment process. In evaluating outcomes for workers who are displaced, it is also necessary to assess the results of a particular adjustment over the longer term. From a societal perspective, the goals are to ensure a balance between efficiency and equity. The assessment must therefore be made on the basis of the individual case and at the level at which the adjustment actually takes place. The different goals of business, labour, and government, may appear to compete but as the case studies undertaken for this project show, they can also complement one another.

# Innovative Responses to Emerging Challenges: A Look at the Case Studies

In the course of its work, the Task Force undertook a number of case studies to examine different patterns of and approaches to adjustment. These case studies constitute a solid core for a database on labour market adjustment partnerships and practices, which could be of immense practical use to unions, firms and government in seeking out ways to develop workable and practical options for adjustment.

The case studies have been used to examine the way in which adjustment is taking place in different organizations and industries and in government departments and agencies. They illustrate constructive approaches which have been developed in individual situations, from which it may be possible to draw out key elements and develop transferable lessons. The cases look at how key players have come together to deal with adjustment related to economic restructuring in three different ways:

- through restructuring, reshaping or reinventing the enterprise;
- through major investments in skills development and the upgrading of human resources, both in reaction to current pressures for change, and/or in anticipation of future adjustment; and
- through efforts to distribute the impacts of adjustment in an efficient and equitable manner.

Three principal approaches to adjustment have been identified in the cases examined. No single case fits entirely within any one approach; rather, most cases include an amalgamation of several approaches. The case studies also demonstrate that adjustment is not a one-time event but continues to evolve. Detailed descriptions of the cases reviewed are contained in the background document which complements this report.

## A. Reshaping the Enterprise, Department, or Sector: A Continuum from Restructuring to Reinvention

Enterprises/departments will adjust in a number of ways to restructuring pressures. Some businesses will re-assess what they do, and make radical efforts to “reshape” themselves to reposition themselves to compete. In the search for survival, a firm may develop entirely new products within the existing sector; shift into new sectors; secure new markets for new or existing products; or possibly significantly differentiate existing products through increased standards of production and hence, the quality of the outputs. True reinvention through innovation for the future is likely rare. The majority of enterprises and departments will restructure and continue to operate within the parameters of existing products, services, and markets. Some, whether or not shifting products or markets will go a little farther and reengineer themselves by introducing new forms of technology and production structures to improve productivity and/or reduce costs. These changes may displace existing workers, alter the functions of certain positions, change the scheduling and organization of work, or require new skills sets; or they may combine all three.

### *Reinvention*

The case of Fishery Products International (FPI) in Newfoundland is an excellent example of a reinvention strategy. Faced with an almost total loss of its primary input, cod found off the coast of the island, FPI went in search of new sources of input. Simultaneously, it identified and secured markets for these new products and shifted from being primarily a fish harvester to being mainly a fish purchaser and producer. Using aggressive overseas marketing, it has successfully weathered the moratorium on the cod fishery, although as a much smaller enterprise. To accomplish this turn-around, it

has worked closely with the unions representing its fishing fleet and its fish plant workers.

Another example of reinvention is the case of Edwards Canada. Edwards Canada is a long established company (founded in 1872) that has been involved in the design, development and manufacture of electro-mechanical products such as bells, buzzers and other components for fire alarm systems since 1921. Many of its employees have been with the company for 30 to 35 years. In the early eighties, Edwards was losing market share and concluded it needed to move into the new technology of microprocessors and more sophisticated manufacturing processes if the firm was to survive. Important first steps were to decide what types of products should be produced, how they should be manufactured and how to secure markets for its products. By 1983 a new product had been developed and the U.S. parent company granted Edwards a world product mandate for the control equipment. The commitment to build a new and technologically current business was made with an equally strong commitment to do so with the existing workforce and with the assistance of their union, the United Steel Workers of America (USWA).

### ***Reengineering***

This strategy of reshaping has also been used in other cases. Health reform is not usually referred to as a reengineering; however, it does fall under this category. As illustrated in the B.C. Health case study, the shift to community services is being driven by two main forces, debt and deficit concerns and the related necessity to contain costs, and the pressure from consumers for services closer to home and on a more personal basis. Just as in the case of private enterprises, the health sector, which is dominated by public ownership and administration, is finding itself in need of new ways of delivering its services and resolving the issues that continue to exist among its stakeholders.

Within the forestry sector of British Columbia, but also in other provinces, forestry and wood products firms are reengineering themselves. Devastating cost pressures in the late 1980s necessitated the re-examination of product lines and production processes. Environmental pressures have also played a significant role in forcing businesses to change their modes of operation. Under the British Columbia Forestry Renewal Plan, companies are having to change their harvesting practices to comply with resource sustainability requirements. Since parties' perspectives have differed on various aspects of the Plan, the issue of balancing interests has been an important challenge.

Overall the auto parts sector in Canada has grown in recent years,<sup>35</sup> but a new set of relationships between the auto companies and the various suppliers has begun to intensify the adjustment pressures in the industry. Increasingly, the large auto makers, both domestic and foreign, have begun to develop direct relationships with a small number of "Tier 1" suppliers. Below them are a series of "Tier 2" and "Tier 3" suppliers, to whom they subcontract work, including, increasingly, less sophisticated work. The Tier 1 suppliers, by definition, will meet the highest standards set by the auto makers, and in turn will impose these on the Tier 2 and 3 suppliers, possibly with regular audit and inspection.<sup>36</sup> These pressures have led to a number of adjustment responses in the industry, including increases in capital investment, new alliances to do research and development, and new institutions to do training.<sup>37,38</sup>

### ***Restructuring***

Another form of adjustment which at least broadly could fall under this category is the changing ownership or control over enterprises. Employee buy-outs in the pulp and paper industry and of other firms are one type of example.<sup>39</sup>

The devolution of the authority over the Calgary Airport from the federal government to a local non-profit organization is another such example. Others include employee buyouts in the pulp and paper industry in Ontario and the buyouts of Great West Brewing Company. Changing the governance and creating a motivational structure through retention of savings is considered one option for encouraging greater efficiency.

So far, the transfer of governance of the airport to the Calgary Airport Authority has resulted in neither downsizing of the workforce nor significant changes in the conditions of work. In fact, the first collective agreement between the union and the CAA, signed in October 1994, strengthens both employment security and benefits for workers. As described in more detail in the case study, the agreement also put into place a joint process and a specific amount of money to facilitate the evaluation of the existing job classification system and the development of the new system. The system inherited from the government had been developed to meet the needs of Transport Canada facilities across the country, and did not reflect the unique characteristics of the Calgary operation.

## **B. Investing in the Adaptability of Human Resources**

The second form of adjustment is investment in the adaptability of human resources. This investment in adaptability of personnel occurs for two reasons: to retain jobs in an existing workplace and to facilitate the movement of laid-off workers into other workplaces. It includes the many ways in which the relative value and flexibility of labour can be enhanced, both in reaction to and in anticipation of changing requirements. Firms' primary interest is in developing their workforces to meet current or future needs; they will likely be less interested in developing those being displaced or already displaced from the workplace. As a result,

relatively few workers receive outplacement support while still employed. A number of alternative forms of delivering these services have been used, and in the past, these programs and services have often relied on government support.

Mechanisms such as training,<sup>40</sup> education, the creation of new work units, the flattening of the organization, and the empowering of employees, can all enhance the performance of a firm through reducing losses and increasing the quantity and quality of production. Productivity will likely improve if the workers have all the necessary skills to handle their jobs efficiently and to adapt quickly in the face of change.

### ***Training: Anticipatory and Reactive***

Almost all of the case studies undertaken by the Task Force include some investment in human resources. Technical knowledge about computer and information technology, communication skills and problem solving capabilities enable workers to adapt to jobs outside the mold of traditional manufacturing and service provision. In addition, job readiness and career counselling for displaced workers are measures to improve the mobility of labour, thus making adjustment more efficient and less burdensome for both society and workers, particularly when it occurs in industries facing large scale downsizing. Furthermore, the changing demographics of the labour force, with its increasing ethnic diversity, may require the development of higher language skills and cross-cultural skills.

Like other adjustment cases studied, the B.C. Health Accord included as part of its implementation plan the allocation of substantial funds and resources to the retraining of workers who lacked the skills necessary for available positions. Some displaced workers required upgrading, others were to be given educational support to prepare themselves outside the health sector altogether.

Edwards Canada, Spruce Falls Pulp and Paper, and the auto parts manufacturers have all utilized training of current employees to realize their goals of adjustment. In many cases, these cover firm-specific technical skills related to specific positions and processes, but increasingly these also cover basic literacy and numeracy skills. These basic skills are frequently regarded as prerequisites for training in other more advanced skills, as they were in the case of Honeywell. In others, they are simply necessary to handle the daily requirements of jobs which rely more heavily on written materials and the ability to process mathematical concepts.

New approaches to meeting the demands for skills upgrading are beginning to appear. In Toronto, for instance, the Metro Labour Education Centre is a non-profit service that provides on-and-off-site training and counselling for workers who wish to continue within an enterprise or to adjust to permanent displacement. Its courses and programs focus primarily on basic skills in literacy, numeracy and on English as a Second Language. The Centre works closely with unions and employers to ensure that workers needs are properly met. Where appropriate, the Centre uses peer trainers from the enterprise to provide these services.

The connection between anticipatory and reactive training in the face of lay-offs is illustrated by the Canadian Steel Trade and Employment Congress (CSTEC) case study where a program that was established as a reaction to severe downsizing has evolved to provide training as a preventive alternative — often referred to as “upside” adjustment — to periodic layoff crises. Based on a quick and individualized response to anticipated displacements, CSTEC provides support to workers both before and after actual displacement.

Sectoral approaches like CSTEC have also been used in recent years to provide adjustment responses with regard to training and are

particularly useful for industry-specific skills. Provision of training on a sectoral or industrial basis circumvents the traditional “free rider” problem with training since all firms contribute on an equal basis. In addition, since common training is provided under such a sectoral approach, there can be substantial portability of skills between employers within the sector. Sectoral based training also permits the realization of economies of scale on the administration of training by avoiding unnecessary duplication.

### *Other Options*

In addition to such training initiatives, there are other changes that can facilitate the mobility of labour and thus make for a smoother transition to a smaller workforce. Portability of pensions and health plans, for example, can help in this regard. Job counselling and outplacement, together with appropriate skills training can help workers move to other industries or to take new jobs in other parts of a large organization.

The Industrial Adjustment Service is a federal program established over thirty years ago to develop appropriate adjustment services to facilitate the transition from existing employment to new employment. Over the years IAS has been a proven tool to foster improved worker-management cooperation. Designed to encourage employers and employees to work together to bring about labour adjustment within a plant, an industry, or a community, the IAS helps the private sector to solve its adjustment problems at an early stage through the mediation of industrial consultants.

Following the federal government’s 1995 budgetary announcement of a 45,000 person employment reduction program, a national and regional joint adjustment committee process was established between federal public sector unions and the Treasury Board. Based on the IAS model of labour adjustment, this intervention is designed to ease the transition faced by federal

workers and ensure their re-employment. In addition, and in order to assist in the adjustment facing federal workers, the PSAC participates in IAS committees that have been established in a number of communities.

Every intervention sanctioned by an IAS agreement involves the establishment of a committee of employer and employee representatives, chaired by a neutral third party. Program evaluations have concluded that both employer and employee representatives and chairpersons believed that the IAS program had improved labour management relations. Evaluations regarding IAS successes in other areas are somewhat mixed. A 1993 study found that IAS agreements were much more effective when they dealt with upside adjustment. In downside adjustment cases, IAS was considered successful in promoting better labour management relations, but not in helping workers find jobs quickly or at higher rates of pay. One caveat regarding this evaluation, however, is that the evaluation was conducted during a recession, and it may be that “the success of IAS varies with the business cycle. An approach which focuses on establishing networks and opportunities may be ineffective in a depressed period of the business cycle because there is simply a dearth of opportunities.” (IAS Program Evaluation, Final Report, November 1993). This evaluation points to the difficulties of managing labour adjustment in a tight job market, but it also suggests implicitly that adjustment should be an ongoing process of preparing workers for change, and that investment in human resource upgrading and continuous learning in the workplace can be one of the best long term approaches to adjustment.

### ***Investment Requires Resources***

Any and all of these options, however, require the investment of resources, which may be beyond the means of small firms in times of rapid and difficult economic restructuring. With

planning and a more anticipatory approach to change, enterprises can better manage their resources and lay the groundwork in stable times to help them deal with crises as they arrive. Despite the best efforts of all involved, however, sometimes change occurs quickly, allowing little time for planning and consultation. These situations make it almost impossible for firms to spread out costs over the long term. Investment in the adaptability and flexibility of a firm’s workforce during good times demonstrates a commitment to employees which is likely to be reciprocated by greater loyalty and an improved labour relations environment.

### **C. Distributing the Impacts of Adjustment**

The third and last form of adjustment deals with how the impacts of adjustment are distributed. Every workplace adjustment will have its own unique solution for distributing the impacts based on its individual circumstances. For many workplaces, it may be possible to develop alternatives to layoffs, which meet the needs of both the employer and the workers.

#### ***New Configurations for Distribution***

With the decline in the number of traditional jobs and the persistence of high unemployment, new work arrangements such as reduced work time, flextime, teleworking, and job sharing have been proposed as measures that can mitigate the effects of downsizing and restructuring. There is a growing interest to look for new and creative ways to distribute work.

These measures must be tailored to the needs and circumstances of individual workplaces, and must take into account the priorities of both labour and management. A given approach may thus work in some situations, but not others. In the absence of increasing levels of employment, however, such attempts are to be seen as second-best approaches.

Every workplace will be different in the balance of

advantages and disadvantages arising from a different distribution of work. Limits on overtime, mandatory time off, and reduced workdays, plus increased retirements negotiated between the C.A.W. and the auto-makers are one example of the potential for increased employment when the benefits of increased production are distributed to persons not previously employed. The arrangement is estimated to have resulted in the creation of as many as 3,700 new jobs.<sup>41</sup> While there remain differences of viewpoint on the cost implications of the arrangement, this case demonstrates some of the possibilities for an active role for unions in adjustment, and illustrates how, through a collective bargaining process, opportunities can be opened up for younger workers. The reduction of weekly hours from 37.5 to 36 negotiated for all health sector workers covered by the B.C. Health Accord, among other factors, has contributed to fewer persons being displaced in order to achieve the same targeted amount of savings of person-years.

In contrast to many European countries, the standard work week as set out in employment standards legislation in most Canadian jurisdictions has changed little in the past two decades. Rather, shorter work time has often been bargained as an attempt to preserve jobs and share a given amount of work among more workers as a reaction to downsizing or restructuring. Although agreements on shorter work time are still few and far between, there is some evidence that a significant number of workers (though probably still a minority) would be prepared to trade off some present or future income for more time off if such considerations as job security, chances of promotion, and access to benefits were not compromised.<sup>42</sup> The extent to which this is true today requires study.

### ***Distribution Decisions by Discussion and Negotiation***

Settlements achieved through full discussion and negotiation are more likely to provide a balanced means of reducing employment in a particular workplace. Most firms will allocate the burden in more traditional ways, with some workers remaining on the job at full pay with little change to their working conditions, while others lose their employment completely. Others will share the burden of displacement across workers in any number of configurations from proportional reductions in work-time or pay across all categories of employees, and even among workers and management alike, to the use of complicated schemes based on seniority, pay scales or other considerations. Some allocation decisions will also originate from the individuals by the acceptance or rejection of options such as early retirement or severance packages. The greater the discussion and negotiation between the parties involved, however, the greater the chance of arriving at a mutually agreeable formula.

### ***The Gains from Redistribution: Real or Imagined***

It is important to recognize that there are very different views on the desirability of some of the options on new work arrangements as well as a great need to document the actual experience and impacts of these options on firms and workers. Downsizing can have significant direct and indirect costs on businesses<sup>43</sup> as well as the direct costs on the displaced workers, particularly when implemented unilaterally. These new options carry costs as well as benefits for both the businesses and workers involved. For example, reducing work time may impose increased fixed costs on businesses if it is necessary to hire and train new workers. But these measures can also provide employers with a more productive workforce, lower absenteeism and less turnover. For employees, reduced work time may provide more personal choice, less hectic work schedules, and a better framework in which to balance work and family responsibilities. Nonetheless, for most employees reduced work

time is involuntary and is usually accompanied by reduced income and security.

The creation of new openings through negotiated limits on work-time and the early retirement of older workers can also have the beneficial impact of redistributing work between the generations. The bulge of baby-boom aged workers is putting pressure on both those ahead and behind them. The large numbers create considerable competition for the relatively few positions at the top which result from normal attrition. The bulge also limits the opportunities of those coming behind as those aged 35 -50 keep competition for even entry level jobs fierce.

### ***Indirect Consequences***

The question of the distribution of the impacts of adjustment, however, goes beyond the traditional boundaries of the employment contract. The choices that are made regarding any one workplace or sector can have significant impacts on others in the labour market. The total displacement of some workers, for example, means that those workers will then join existing queues of unemployed workers with those same

skills, making it more difficult for all of them to find new jobs. The increased or decreased use of overtime will similarly affect not only those already employed but will also directly affect the employment prospects of the many young people and others hoping for employment when production increases.

Flextime may make it easier to manage an individual's time but it can also lead to greater monitoring of attendance at work. Teleworking may be desirable for the greater flexibility and choice it gives to both employees and workers, but others see it as part of a broad continuum that over time will isolate employees, weaken collective bargaining rights, facilitate global re-organization of work, and make workers more vulnerable.

Such concerns only point to the necessity of developing jointly acceptable and manageable solutions on changing work time and work arrangements reflecting local realities. They also point to a need for further work to document new approaches and their actual impacts on firms and workers.



## Lessons Learned

The case studies and other background work on adjustment provide a rich source of information on how adjustment has been managed in a variety of differing circumstances. The challenge becomes how to use the experiences from the case studies and the outcomes of those adjustments to improve the process and outcome for others. The lessons learned have been grouped around a number of key elements: anticipating and preparing for change; dealing with individual firm, community and sectoral adjustment; evaluating outcomes; and a new role for government.

One of the premises of this research is that joint labour-management approaches are more likely (though not guaranteed) to have positive outcomes than those which are unilaterally imposed by management or government. Joint approaches, however, can only work effectively if there is a genuine commitment to encouraging and listening to the input of the co-participant in the adjustment, and implementing the best choices regardless of their origin. Both employers and unions must be prepared to recognize this premise. In many cases on both sides, this will involve a significant change in behaviour.

Innovative adjustment solutions also require that all interested parties be included in the discussion and negotiations surrounding adjustment; and in so doing, that all parties recognize their various roles and responsibilities in the process. Only then will the needs and priorities of each party be fully recognized and respected in the adjustment choices made, including any trade-offs which may be necessary. In some instances, agreements are reached between employer and employees, with no external participation. But in other cases, the number of participants may be broadened considerably. The BC Forest Renewal Plan, for example, included labour, management, and

government, as well as environmental, community and aboriginal groups. Because whole communities may be strongly affected by economic dislocation, even when downsizing is occurring in just one enterprise, communities can and should play a key role in the adjustment process. While employers and employees may be the most immediately affected, problems of adjustment are frequently specific to particular regions, their resource bases, their ethnic composition, and the skill sets developed to serve specific local, educational and technical industrial needs and/or modes of service delivery. The key purpose of involving all affected groups is to ensure that any agreement reached properly reflects the varied needs and concerns of such groups,<sup>44</sup> for example, the productivity enhancement concerns of business and the security concerns of workers.

### Anticipating Change

A critical factor in improving the current state of uneven and often reactive adjustment is the value of anticipating the need for adjustment. With anticipation, transitions can be made more deliberately. However, the pace and enormity of pressures for change can make full anticipation difficult. In these circumstances, the ability to adjust effectively and efficiently will depend on the overall adaptability of workers and organizations. Creating an adaptable workforce and flexible enterprises thus becomes an important long-term goal for individual firms and for society as a whole.

Similarly, those involved in adjustment processes must also recognize the implications of adjustment measures on the employment prospects of young job seekers. Older workers, unable to retire for financial reasons, may prevent young job seekers from finding employment. The need to anticipate these issues and deal with them is therefore important.

Achieving flexibility can require the rethinking of all dimensions of an enterprise from its production processes<sup>45</sup> to its patterns of daily operation to the relationships between the various members of its workforce. All inputs must be re-examined to determine how to maximize their contribution to the long-term survival of the organization. By anticipating both specific changes and the need to achieve more flexibility in general, employers and workers can begin to prepare ahead and possibly avoid the upheaval of sudden and sometimes dramatic downsizing.

The most successful adjustment cases are those that attempt to anticipate change and dislocation: the Sectoral Skills Council and CSTEC are both proactive sectoral responses; Edwards and Honeywell provide evidence of individual enterprises' anticipation of market changes. In the case of FPI, labour and management worked hard to secure a constructive relationship in the 1980s, which proved invaluable as a basis for joint approaches to the crises of the early 1990s. Without that pre-existing relationship, the reaction to the crises, when they came, might have been much less positive.

The case studies also provide examples of adjustment responses that have been developed with a medium or long term horizon, and with broader social, community and environmental concerns in mind. The B. C. Health Accord had an initial three year time horizon, which has just been renewed. The University of New Brunswick case shows anticipation of upcoming internal pressures.

Based on these examples, there are a number of concrete steps which private and public sector employers and unions should take, in order to anticipate changes, to "get ahead" of them, and prepare for them. These steps are best taken by labour and management, with or without support from government. A time horizon of up to three years may be an appropriate one for these purposes. Such steps could include:

- working in the short term to establish effective labour management relationships, which can provide the basis for subsequent joint action;
- jointly examining future developments, based on shared information on markets, production, etc., and their possible implications for the workplace;
- jointly assessing adjustment approaches and resources applied in other workplace situations, to determine their potential applicability locally, should circumstances make this necessary;
- jointly assessing the current workforce skills and determining how to enhance these to provide a solid basis for specific further skill acquisition.

***1. We recommend that labour and management at the workplace level, with government support where appropriate, recognize the critical need to anticipate future adjustment pressures and begin joint processes to assess and prepare for the medium-term challenges facing the workplace. These pressures could include***

- *changing training needs;*
- *new work organizations;*
- *new competitors; and*
- *new technologies.*

***Preparing for the medium term challenges could entail addressing the need for economic education at the workplace level, developing tools for information sharing, and encouraging labour and business leaders to promote advance work to anticipate and address adjustment challenges.***

### **Assessing Adequacy of Resources**

The resources required to facilitate adjustment are threefold: information, people, and financing.

**(a) Information**

An important determinant of successful adjustment demonstrated by the case studies is the necessity of adequate information for making proper decisions on adjustment. In many cases adjustment agencies, in the absence of the necessary information, have had to create data banks to serve the needs of their constituency partners. CSTECC, for instance, has developed a computerized data bank for its job placement service. The Metro Toronto Labour Education Centre has set up a network of action centres which provide both information and services to interested businesses and workers. One of the critical services provided by the Metro Toronto Labour Education Centre is training in English as a Second Language, an essential element of adjustment for the many dislocated immigrant workers in the Toronto area. The role of improved information in a smoother transition has been underscored by a Canadian Labour Force Development Board report recommending the creation of a national jobs data base.<sup>46</sup> The Federal Government has recently introduced a national jobs bank but it is too early to measure its effectiveness. In addition to providing a database, however, information needs to be made accessible to the many job seekers who, because of language barriers or inadequate technical literacy are unable to tap into information highways and/or Canada Employment Centre structures.

**(b) People Resources**

The case studies also demonstrate that significant expertise exists at local and sectoral levels which can effectively enhance adjustment processes. The examples of the Metro Toronto Labour Centre, CSTECC and the Sectoral Skills Council indicate that significant improvements in the effectiveness of adjustment measures are apparent when these skills are mobilized for the use of the broader sector or community. In all three cases, training needs assessment and program planning and design is done by people

who have specific knowledge and experience in the industry or community. Significantly, much of these Councils' counselling and training roles are carried out by peer counsellors or trainers.

**(c) Financial Resources**

Access to adequate internal and/or external funds to cover the costs of training, counselling, workplace change, or employee buy-outs is essential if adjustment is to be undertaken proactively. In cases of government adjustments, in the past resources may have been greater than those available to firms in the private sector, although budget restraints are likely to alter this situation in future. Small and medium sized firms may also find adjustment burdens beyond their reach, particularly in tough economic times. Government resources may be needed to supplement the resources of small firms. Management and labour will thus have to address adjustment issues and become more reliant on their own resources. Where government resources are available, management and labour must have input into decisions on how to use them.

2. *We continue to support the recommendation that the federal government work jointly with labour and business to improve mechanisms for sharing labour market information, including expanding the use of the national jobs data bank, and that this information be made broadly accessible to all job seekers.*
3. *We recommend that a national data base on successful adjustment case studies be established for access by all parties seeking information on innovative partnerships and practices.*

**Facilitating Ongoing Adjustment**

Training is evident in some form in the majority of cases studied by the Task Force, a fact which

speaks to the importance of training, and upgrading, and continuous learning in planning for adjustment. However, many of the same cases also indicate that training, by itself, cannot be a sufficient adjustment measure. Rather, training is used as a means to permit adjustments to take place. Development of portable skills and literacy are important pre-conditions for successful individual adjustment. This fact has been evident in adjustment cases at the workplace level, such as Honeywell, and Edwards. In sectoral responses, such as CSTECC, training is an integral part of the adjustment services provided. However, CSTECC has moved into other areas such as job placement. The Metro Labour Education Centre, and the UFCW work closely with employers and workers to make effective use of the large training components in their adjustment programs.

While individuals have a responsibility to be involved in continuous learning to facilitate their own adjustment, the infrastructure and opportunities for this continuous learning, together with the continuing assistance and commitment of employers and government at all levels, must also be available to them, as well as the ability to balance this training with family responsibilities. The Metro Toronto Labour Education Centre has set up this kind of infrastructure, as have a number of other municipalities across the country. Many of these programs thus include an individual skills assessment of current workers, an assessment of the skills needed in the post-adjustment period, and the development of individual action plans for retraining and skills upgrading. Some use peer counselling and self-identification to determine individual needs; others use peer counselors and people with industry or workplace experience to conduct needs assessments.

Many of the case studies show that different mechanisms can be used to facilitate the adjustment process. In several cases, new

institutions designed to specifically implement adjustment are an integral and innovative part of the adjustment agreement. The B.C. Health Care Accord and the B.C. Forest Renewal Plan are both innovative ways to handle sector-wide downsizing and both agreements involve the establishment of new institutions which are specifically mandated to deal with the issue of adjustment and to implement the agreement. New mechanisms also include the creation of new joint workplace committees to handle adjustment as in the cases of Edwards and Alcatel.

Many of the cases indicated that adjustment was successful where it was accompanied by workplace change or workplace reorganization. Indeed, one may regard the two as different points on the same continuum. Certainly adjustment in a workplace implies some form of change in the way work is organized. To view adjustment in a vacuum without considering its wider implications for work would limit the effectiveness of adjustment measures. This was most notable in cases where shorter work time was negotiated. In the CAW Big Three Auto Makers case, an entirely new shift was introduced as a result of reduced work hours. Similarly, the PSAC and Northwest Territories agreement incorporated more flexibility in order to allow for job sharing and shorter work time. Significant workplace change took place at Algoma Steel, Great Western Brewing, Edwards and in the auto parts industry.

- 4. We recommend that management and labour in the public and private sectors put in place joint processes which will facilitate ongoing adjustment at the workplace and community levels. These could include initiatives in the following areas:***

- *identification of future training needs and activities to meet them;*
  - *joint exploration of work organization changes;*
  - *establishment of counselling programs*
  - *enhanced communications practices and policies.*
5. *We recommend that in individual adjustment situations, management and labour jointly come together to address the issues involved at the earliest possible point in the process.*

### **Dealing with Adjustment: Sectoral and Enterprise Strategies**

The cases exhibit adjustment at the sectoral and workplace levels. Determining at what level responses should be aimed can provide the key advantage of wider support and thus firmer commitment for the process of adjustment, since those involved will be responsible for developing their own solution to the problem. In addition, correct targeting and organization of resources will ensure their effective use. This will be most apparent at the workplace level, where those directly involved determine the approaches that best meet local needs.

Sectoral bodies can address needs such as training, job placement, counselling (including peer counselling), career planning, etc. which are common to the organizations within a sector, but either difficult or prohibitively expensive for firms to address on their own. In addition, sectoral approaches allow for the development of adjustment responses that deal with long term issues, as opposed to the shorter time horizons which individual organizations may be forced by circumstance to adopt. It is also important that sector responses strike an appropriate balance between the common treatment of strategic areas of concern and the desire for flexibility for individual participants in the sector. The examples of CSTECH and the forestry and health

sectors demonstrate the importance of a sectoral adjustment response to sectoral problems.

A number of factors influence the decision to utilize a sectoral approach. A sectoral approach may be most appropriate when:

- large scale management of resources is key to survival of the industry;
- there is significant skills transferability between firms;
- cyclical human resource requirements mean there is an advantage to maintaining a trained and adaptable pool of workers; and
- there is substantial downsizing of persons with similar but not necessarily identical needs within an industry.

Adjustment must also be tailored to the specific financial, structural, human resource and production circumstances or service orientation of the firm and industry. Successful adjustment will occur only if the culture of the institutions involved is taken into account. Packaged, inflexible and imported adjustment programs will seldom work. Each workplace and each adjustment situation necessitates a unique solution.

The unique needs of the workforce may also necessitate a unique approach. For example, previous work by the CLMPC has indicated the particular problems faced by women in adjustment.<sup>47</sup> These problems include an under representation of women in some jobs and occupations, unequal access to training, and the competing concerns of work and family.

Women often require and benefit from different options than men. This is both because of the dual responsibilities many carry and the fact that they may require different or extra supports in order to pursue training or take advantage of other adjustment services. The same need for specialized support may exist for other groups of workers such as immigrants, older workers, aboriginals, the disabled, and those with little in the way of literacy and numeracy skills. Some responses to these problems have been

demonstrated in the case studies: inadequate access to training in the food industry has been addressed by the UFCW program; balancing work and family responsibilities was a concern in the shorter work time at CEP and Bell and the job sharing programs of PSAC and the Northwest Territories. The services in basic skills training and language and literacy provided by the Metro Toronto Labour Education Centre is another good example.

One of the features of the current economic restructuring is the degree to which the public sector is being forced to change the delivery of its services. Workforce reductions in the public sector pose special issues. Adjustments in the public sector are often larger, at least numerically, than in the private sector (e.g. education, health care). Moreover, because governments are also legislators and controllers of public expenditures which include expenditures on social programs which support displaced workers, reducing the size of the public sector does not remove individuals from the financial calculations. On the other hand, governments have more levers at their disposal than an individual private employer. Thus, negotiating workforce reductions in the public sector can be more complex and may additionally involve the creation of new institutional structures and initiatives to recognize the separate roles of government as in the British Columbia Health Accord.

**6. We recommend that government employers follow the best practices and principles used in the private sector in working with labour to develop effective adjustment measures, either through joint management-labour committees, or other vehicles for negotiation and joint decision-making.**

**7. We recommend that business, labour and government use a sectoral adjustment**

**approach when the following conditions exist:**

- **skills are transferable between firms;**
- **there is an advantage to maintaining a trained and adaptable pool of workers;**
- **the adjustment will entail substantial downsizing of persons with similar but not identical needs within an industry;**
- **the pooling and managing of resources is key to survival of the industry.**

**8. We recommend that adjustment processes be tailored to the needs of the individual workplace and the individual workforce, through joint negotiation between management and labour; and further, that the expertise of both internal resources and those at the sectoral, local or community levels be an integral component of the adjustment process. This may require that particular attention be paid to addressing equity concerns, including provisions related to:**

- **women,**
- **visible minorities,**
- **older workers,**
- **the disabled, and**
- **aboriginals.**

## **Evaluating Outcomes**

Adjustment should include an evaluation component based on the objectives of each of the parties and for the adjustment as a whole. To assess accurately the impact of the adjustment on the workplace or sector, the evaluation should include both process and outcomes. If the adjustment involved thorough discussion and a negotiated agreement, there should be strong indications of the goals and objectives of each.

If evaluation has been incorporated into the adjustment from early on, it is more likely that these will be measurable. The joint review should help with the next steps or in preparing for the handling of the next external jolt suffered by the enterprise.

The outcomes of adjustment processes will best be viewed from two perspectives, i.e. short-term and long-term. Considerable dislocation may take place in the short-term and this should form part of the assessment. Meaningful evaluation also requires a longer time horizon for the full effects of the process to be assessed. In this connection, of course, it must be kept in mind that over the longer term, the effects of particular adjustment processes are more difficult to separate from other factors, making assessments of the outcomes of adjustment processes more difficult.

Similarly, even the most apparently successful adjustment process does not guarantee a positive eventual outcome for all parties. A good process may be derailed by external competitive forces, or decisions taken by the firm's head office which may be in another country. In spite of the best process, the firm may not survive.

From a worker's viewpoint, a good process may be derailed by a rigid or flooded labour market. This means that employees laid off from one firm, even if retrained, may not be easily absorbed into other firms if openings are few, or if hiring restrictions affect who can be re-hired into existing positions. Conversely, the labour market

may not function efficiently because of a lack of commitment to active (e.g. training and counselling) and passive (e.g. accurate, accessible labour market information) adjustment measures, many of which are costly and inefficient if pursued on an individual rather than a societal basis.

The success of adjustment must be measured by the extent to which the goals of business, labour and, sometimes, society and governments are met.

- 9. We recommend that labour, business and government jointly develop and apply near and long term benchmarks for evaluating or measuring the success of labour force adjustment mechanisms.***

## **Role for Government**

It is clear that governments have a changing role in relation to their approach to adjustment. Establishing the infrastructure and supports needed to effectively re-deploy displaced workers requires an ongoing commitment from governments at both federal and provincial levels, to facilitate adjustment and find or create new employment opportunities for the many workers, such as those with low levels of education and literacy, and/or those who fall outside of standard categories. This implies a more proactive role for government in developing models and effective mechanisms to lead and assist ongoing processes of adjustment. The case studies illustrate that the effectiveness of adjustment initiatives at the sub-national level is dependent on the over-arching policy framework and the degree to which government policies and programs accommodate local initiatives. These more direct and targeted forms of involvement must be supported by government policies which support strong economic growth and the survival of viable economic activity at all levels in Canada. Three key broad responsibilities include providing a legislative framework; acting on

behalf of society to ensure a balance of interests are met; and managing the unintended consequences of adjustment.

Policies must permit proactive responses to economic change, for instance, in the timing of formal support of training for workers under lay-off. The benefits of innovative and joint approaches to adjustment may be unduly constrained if government framework policies do not encourage adaptability and flexibility which balances efficiency and equity.

The case studies undertaken for this project suggest that the forms of support most frequently used by government are those of facilitator, broker, and financier. As a facilitator, governments can undertake such tasks as:

- coordinating training initiatives;
- facilitating cooperation and coordination within an industry or sector;
- providing a forum for exchange of information and expertise; and
- collecting and disseminating information needed for effective adjustment decision-making.

The Industrial Adjustment Service (IAS) is one example of this role. So is the support provided to the sectoral councils. In both instances, responsibility for the structure, organization, and direction of the programs remains within the enterprise or sector being targeted.

A somewhat more aggressive role is taken when governments act as broker to bring together and balance the needs of different players of an adjustment situation. As a broker, government may pursue some or all of the following roles:

- brokering or facilitating discussions and negotiations;
- legislating the necessary structures and organizations required (which may be opposed by some constituencies); and
- bringing all the appropriate players to the table.

This approach is most often applied when the government has a responsibility directly related to the sector. In the B.C. Health Accord case, the government is the funder and manager of the distribution of resources to the sector and hence has a strong responsibility to ensure that resources are used appropriately and wisely in accordance with the directions it establishes. In the forestry and fishery sectors, government is the owner of a large portion of the resource and therefore has the dual roles of protecting it on behalf of all citizens and promoting economic activity from its use. The B.C. Forest Renewal Plan, which was intended to guarantee jobs and income for workers, and at the same time address environmental constraints and maintain the potential of the resource for future economic development, would have been impossible without the active role by government.

As financier, governments are in a position to use their legislative power and their access to society's resources to encourage effective adjustment where discussion or negotiation has failed or to enhance the probability of success. By providing financial support and/or incentives such as loan guarantees as in the case of Provincial Papers, a paper mill in Thunder Bay, tax credits, and funding sectoral councils such as CSTECC and the Sectoral Skills Council and the Health Labour Adjustment Agency, governments can assist the process of adjustment. This role is particularly important in dealing with adjustment among small employers, where significant displacement is occurring and cost constraints or other difficulties prevent companies from providing adjustment support to displaced workers.

Beyond its role in facilitating, mediating, and financing adjustment assistance for enterprises in the private sector, however, government has an additional role to play in an economy facing ongoing adjustment. Government should be a model for good employment practice. Agreement was reached at a Joint Meeting of the International Labour Organization that when restructuring calls for any change in staffing



levels and tasks of public sector workers, the following provisions should apply:

- publicly or jointly funded training and retraining for affected workers;
- skills assessment, counselling and placement services for alternative jobs;
- redeployment within the public service.

***10. We recommend that governments at all levels, following the advice and guidance of business and labour, continue to perform the role of facilitator, broker and***

***in some cases financier, in dealing with adjustment measures.***

***11. We recommend that federal government support for the Industrial Adjustment Service (IAS) be continued, if not increased, to facilitate positive adjustment and improved labour-management relations.***

## Conclusion

This paper has addressed the changing economic and labour market phenomena that are causing severe adjustment and transition pressures on the Canadian economy. The purpose of this Task Force on Adjustment and Transition has been:

- to stimulate discussion on business, labour and government responses to adjustment by providing information on a broad range of case studies;
- to illustrate the complex and inevitable trade-offs that are possible between employers and employees in dealing with adjustment; and
- to draw lessons from these experiences which may be of use to other firms, unions or government departments facing similar pressures.

The precise arrangements for these trade-offs have been very different in different circumstances, but the general thrust of these case studies, and of this report has been to assess how to achieve a measure of employment security for workers in exchange for more cost effective, adaptable and productive enterprises, whether in the private or the public sector.

The information contained here has focused on *joint* labour and business and government initiatives. Optimal outcomes for all parties are best achieved through joint development and negotiation of adjustment plans, including both open exchange of information and the earliest possible involvement of all workplace partners in decision-making. One key finding has been that crisis adjustment which involves unilateral decisions made with only a short term perspective does not meet this test of balance. While crisis adjustment may offer short term savings, it generally does so at a very high cost to individuals, families and communities, and often the organizations themselves. For long-term savings and the opportunity to position an enterprise ahead of the inevitable changes of the future, enterprises, whether private or public,

must look to the future and prepare to create opportunities by investing in a flexible, adaptable workforce, which shares its commitment to survival and success.

Every adjustment case involves a number of different and possibly competing concerns. Meeting these diverse concerns will complicate the nature of any adjustment solution. This merely serves to indicate the importance of joint approaches to adjustment to ensure that divergent concerns are addressed in as fair and balanced a process as possible.

Business, labour, and government all have important roles to play in adjustment. Providing high value added investment and production as well as meaningful and rewarding employment for all Canadians is an important challenge. The development of effective adjustment strategies is a key ingredient in meeting that challenge.



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## Endnotes

1. See the Background document for a short summary of each of the case studies undertaken.
2. See, for instance, Hamel and Prahalad (1994), the Advisory Council on Adjustment (1989), CLFDB (1993), Ontario Premier's Council (1988), CLMPC (1990) and Betcherman (1992).
3. Canada has also been affected by the greater international mobility of capital. Its international investment position now indicates greater exposure of the Canadian economy to external liability. The increased openness of the Canadian economy in production, trade and capital is an important development for an economy where one third of its GDP is exported and a similar proportion is imported. Some domestic producers are now more vulnerable to international competition while other domestic producers have new opportunities to compete in international markets. The increased exposure of Canada to international capital movements means that exchange rate fluctuations are more likely to result, with sudden changes in the inflow or outflow of such capital. In terms of production, trade and financial flows, therefore, the Canadian economy is more sensitive to changes in the international economic climate. The corollary is that economic success will be achieved through an attention to international developments.
4. Sometimes called 'virtual corporations' because of their challenge to the traditional notions of corporations and their structures.
5. For industrial customers there is increasing development and recognition of specific quality assurance standards such as the International Standards Organization (ISO) 9000 series of standards which are accepted throughout 89 countries. The series of standards cover such aspects as design, development, installation production and servicing facilities and operations of a company. To qualify for an ISO 9000 series quality assurance on a product, a company must document its quality procedures and, where necessary, upgrade them to meet the standard. An audit by an independent agency verifies these procedures. The ISO 9000 series thus addresses product defects and assures the industrial customer that an ISO 9000 certified product will meet a defined set of standards. The increasing insistence by customers that products they buy meet the ISO 9000 standard has forced many producers to seriously address quality standards, improve the skills of their workforces and foster new forms of work organization. Brown (1993) reports that 50 percent of surveyed organizations in the U.S. and Canada indicated their customers believed that having a quality assurance certification was very important and that 85 percent with successful quality initiatives wanted their supplies to have an ISO certification. Northern Telecom's insistence on ISO 9000, for example, has resulted in many of its suppliers completely re-configuring their production operation, see Pitts (1992). Another increasingly important strategy for companies is higher spending on market research in order to gain market access through the satisfaction of discerning consumers, see Strauss (1993).
6. Even within Canada, geographic mobility is very low at 1.52% of persons changing region, on average, in the years 1983-87. This compares with 2.6% in Japan, 3.9% in Sweden, and 2.8% in the U.S..
7. Investment in human covers more than simply providing training to those in continuing employment. It also requires appropriate and adequate programs for those persons whose jobs or sectors no longer exist. It requires the achievement of a balance between employers' need for flexibility and employees' need for economic security.
8. According to a recent survey, the proportion of respondents indicating introduction of some computer based technology rose from 76 percent in the 1980-85 period to 88 percent in the 1986-91 period. This included more extensive use of these technologies by new users and more intensive use by those already using such technologies, see McMullen, Leckie and Caron, (1993). Advanced technologies such as personal computers, facsimile machines and computerized financial systems are in use in 90 percent of service establishments, while between 6 and 30 percent of manufacturing establishments (that account for 18 to 77 percent of shipments) were using some form of advanced manufacturing technologies such as computer aided design and manufacture (CAD/CAM), computer numerical control (CNC) and communications and control networks. See McFetridge (1992).
9. A number of studies indicate that shortages of skilled personnel are a barrier to technology adoption in Canada. Successful adoption of technology and the development of an appropriately skilled workforce are thus essential and interdependent components of economic change, see Munro and Noori (1986) and Betcherman and McMullen (1986).
10. Although the division of viewpoints does not absolutely match the traditional labour - management distinction, the positive views on the potential of technology generally originates from those with a business perspective while the negative views most often originate with those who identify themselves with the concerns of labour. One concern that has been raised regarding technological changes is that while they do yield productivity gains, they can also adversely affect employment levels in some occupations and industries. At the economy

wide level, estimates demonstrate that technological change does have a negative impact on employment, but that this effect is more than offset by an increase in final demand for goods and services. Over the period 1971-81, technological change accounted for an employment fall of slightly less than one percent, whereas employment grew by almost 3 percent as a result of growth in final demand, see Economic Council of Canada (1987a). The employment issue is of more concern in specific industries and occupations, where some tasks are eliminated by technology and as a result, different sets of skills are required for different workers in the occupation or industry. Occupations that were most adversely affected by changes in technology were general office clerks, farmers, nursery workers, textile processing, "other" metal machining, labouring in construction and miscellaneous occupations, Economic Council of Canada (1987b).

11. Environmental responsibility is becoming an important criterion in designing both new products and new production techniques. Governments, business and labour have all played a role here, in establishing environmental standards which require resource extraction by non-polluting means, and developing sustainable resource management practices. Environmental responsibility demands some economic restructuring as old production processes are discarded and new types of physical and human capital are required. To adapt, companies are seeking outside expertise or developing new skills and technologies within their own workforces. Environmental reclamation and rehabilitative services to industry and environmental auditing are just two examples of recent service innovations resulting from environmental pressures.

Some of this reconsideration of environmental responsibilities is occurring through self regulation, e.g. the Responsible Care programme in the Canadian chemical industry; or through the market such as the recycling efforts or the consumer campaign waged in other buyer countries concerning Canadian lumber and forest practices. Formal regulation on environmental matters is also providing pressure for change and causing adjustment in key Canadian resource industries. Such examples include sustainable development in forestry, use of chlorine, packaging requirements in the food industries, and land reclamation in resource industries like mining. The fact that many of the resource industries such as mining and forestry are located in small, isolated communities means that the impact of the changing environmental demands will be much more concentrated in certain industrial sectors and geographical regions. See *Greening Productivity: Adjusting to Environmental Change*, CLMPC, 1996.

12. The median age of the population rose from 26.3 years in 1971 to 32.5 years in 1991 and is projected to rise to 38.8 by the year 2011. By 2011 42.9 percent of the population is projected to be 45 years and over, compared to 31.2 percent in 1991 and 24.5 percent in 1951. By contrast, the proportion of the population aged under 20 years will fall to 24.2 percent by 2011 from 27.7 percent in 1991 and 38 percent in 1951, see Statistics Canada, (1993a).
13. In 1961 only 30 percent of women were part of the paid labour force. This figure rose to 40 percent by 1971, increased further to 53 percent by 1981 and in 1992 the participation of women was 58 percent. A number of analysts expect this growth to continue and project that by the end of the century female labour force participation will reach 66 percent. As a proportion of the workforce women have grown from less than 30 percent thirty years ago to 45 percent in 1992 and some projections suggest that 50 percent of the labour force will be female by the year 2000. See also OECD, *Societies in Transition*, and OECD, *Women and Structural Change*.
14. *Ibid.*, p.18-19.
15. See the OECD Jobs Study (1993) for a discussion in more detail of these demographic pressures on labour supply and demand.
16. OECD *Societies in Transition*, p. 11.
17. See study by the Royal Bank of Canada.
18. OECD *Societies in Transition*, p.9-10.
19. The environmental industry provides a good example of a new growth industry driven not only by environmental concerns but also by innovations in pollution control and elimination, together with the opening of areas with environmental problems such as Eastern Europe to foreign trade. Such an industry will require highly skilled engineers and scientists in the development of new control devices as well as new manufacturing skills in producing various types of instrumentation and control devices. At the same time the services side of the industry will require consultants and experts with high degrees of scientific knowledge as well as language and cross cultural skills to exploit the export potential of this industry.
20. As an example, the May 1996 Industry Employment figures indicate job growth in services and admin jobs, while the manufacturing and primary sectors continue to lose share of



employment.

Changes in Industry Employment May '95- May '96					
Industry	May 95	May 96	Growth Rate %	Share of Growth %	Change in Emp. 000's
Agriculture	425	444	4.5	10.6	19
Other primary	295	271	-8.1	-13.4	-24
Manufact.	2099	2070	-1.4	-16.2	-29
Construction	720	691	-4.0	-16.2	-29
Transportation	1038	1037	-0.1	-0.6	-1
Trade	2293	2362	3.0	38.5	69
Finance, Insurance & Real Estate	803	801	-0.2	-1.1	-2
Community, Business & Personal services	5002	5157	3.1	86.6	155
Public Admin	817	838	2.6	11.7	21
TOTAL	13492	13671	1.3	100.0	179

*Figures are seasonally adjusted.*

21. Coal mining is a good example of the revolutionary changes which have taken place. Even as recently as ten years ago, shifts of mine workers went underground to work in old-style teams, each heading to a different shaft in the coal face. Workers were assigned to different tasks, the majority requiring strong backs and a strong work ethic but little else. Most workers could, in a pinch, substitute for fellow team members. Although the technology in use had changed over the years, it was still overwhelmingly based on the brute strength of workers. The work was dirty, exhausting, and repetitive.

By comparison, the more sophisticated mines of today are models of high technology. The new technology not only encompasses the intricate and highly-specialized machinery used to cut, crush and transport the coal from the face, but also an equally intricate and highly integrated and interdependent relationship among workers and between workers and the machinery. A team of fifteen simultaneously handles the mechanized extraction process from the coal face. From a centralized position, two workers operate the tiny control panels and the others make the necessary adjustments and repairs to ensure the machinery is productive 100% of the time. Each worker brings highly specialized and differentiated skills to the process. Substitution is generally not possible. The interdependence and integration of the tasks of the team requires that they function as several parts of a well-oiled whole. Soft people skills and a strong commitment to the team are essential. (*Osberg et al., Vanishing Jobs, Canada's Changing Workplace, 1995*)

22. See the case study of the Auto Parts Industry for a discussion of changing quality requirements which is altering production structures between suppliers to the big three auto makers and within individual workplaces.
23. See CLMPC (1993b).
24. These figures relate to 1985 to 1989. By 1995 the proportion of unskilled is expected to drop to 33 percent and the proportion of skilled and semi-skilled to continue rising to 67 percent, see Canada Consulting Group (1991).
25. According to Schwartz et al. in *The Work Revolution* there will be five groups of 'smart' jobs: analysis and decision-making (scientific researchers, lawyers, accountants, business managers, investment managers, public relations and marketing experts, systems analysts, teachers "practitioners will depend on the new technology"; practitioners of medicine and related personal help professions (physicians, surgeons, psychologists, social workers, ... "such careers will probably not be negatively affected by technology"; support groups (operators of equipment — "organize and monitor but not analyze"); sales and marketing; and entertainment.
26. There is considerable debate on what can be expected for the future in the way of jobs and work. Schwartz also refers to the de-skilling of jobs in some sectors such as printing and publishing, steel, pulp and paper, apparel. There are a number of new books taking a bleak attitude towards the upcoming opportunities, for example, see Rifkin, J., *The End of Work* and Aronowitz, S. and DiFazio, W., *The Jobless Future*.
27. The proportion of the employed who are engaged in part-time work increased from 15.1 percent in 1989 to 16.4 percent in 1991 partly as a result of the recession but has continued to increase in 1992 to 16.8 percent and further rise to 17.3 percent in 1993. Translating this into jobs means that even in the recovery phase full-time employment fell by 76,000 between 1991 to 1993 while part-time employment rose by 113,000. (Although in 1994 this trend was reversed with over 400,000 full-time jobs being created.)
28. The proportion of people working part-time involuntarily was 22.4 percent in 1990, 27.7 percent in 1991, 32.5 percent in 1992 and 36 percent in the first eleven months of 1993 according to data from Statistics Canada catalogue 71-201.
29. For a detailed discussion of legislation related to these issues for different Canadian jurisdictions, see the report of the Advisory Committee on Working Time and the Distribution of Work (1995).
30. For example, see Ontario's Labour Relations

- Act, Bill 40, passed in 1992.
31. Osberg et al, p.191.
  32. See Hamel and Prahalad (1994) for an excellent discussion of the business goals and processes associated with competing for the future, which incidentally is the title of their 1994 book.
  33. "A new study of manufacturing from the U.S. Census Bureau contradicts common wisdom that cutting jobs is the most efficient way to increase productivity. Examining data on 140,000 plants in operation from 1977 to 1987, the study found the 'successful upsizers' — companies that increased productivity *and* increased employment — accounted for almost as much improved productivity as 'successful downsizers', those that raised productivity by lowering employment. Company owners tend to look at overall data for their industry and see that productivity rises when jobs are cut. They often decide to do the same thing, even though that is not necessarily what's best in their situation, says John Haltiwanger, one of three economists who did the analysis." (Globe and Mail, Change Page, July 26, 1994)
  34. Concern has been expressed by organizations such as the OECD about the increasing levels of social unrest caused by the substantial displacements resulting from economic restructuring. Increased income and wealth polarization is creating renewed friction between income classes. High levels of poverty and unemployment especially among the young have raised questions about the future prospects of generations not yet securely entrenched in the marketplace. Society is faced with tough questions about inter-generational and intra-generational distribution as women, visible minorities, aboriginal persons and youth look for a re-balancing of inequities. OECD, *Societies in Transition*, 1994.
  35. Canadian parts shipments jumped 17 percent in 1993 and roughly 10% in 1994, topping \$18-billion. (Globe and Mail, Monday, March 21, 1994- "Auto parts firms look to the future.")
  36. Tier 1 suppliers in Canada include companies such as Magna Auto Parts, A G Simpson, which supplies metal stampings including bumpers, Woodbridge Foam, Long Manufacturing, which makes automotive heat exchangers, Lear Seating, and Ford Electronics.
  37. Capital investment in new equipment in this sector has lead to significant productivity gains generally exceeding those of other industries. Productivity gains over the past three years have been in the range of 30%. (Globe and Mail, Monday, March 21, 1994)
  38. As part of the process of adjusting, the North American auto makers have also recently developed their own industry standard, similar to ISO 9000. The standard was developed by a joint industry committee representing all the large auto makers. This new standard, known as QS 9000, was finalized in 1994, and has been communicated to all suppliers. Use of this standard is likely to intensify the pressure on suppliers to upgrade equipment and technology, and to increase the quantity and quality of training in the industry.
  39. Within the Canadian union movement sentiments are divided on whether or not unions should support employee ownership initiatives.
  40. Traditionally, workplace investment in human capital has been made predominately in the area of hard skills. Less emphasis has been placed on soft or social skills. As we have seen, the introduction of soft technological changes is often as significant and equally necessary to competitiveness as the harder forms. Among our cases there are no really good examples of the conscious recognition and inclusion of these essential aspects of adjustment. In recent years, team-building sessions are being included as part of a re-organization to flatter organizations. Although sometimes they are used preventatively, these sessions are seldom sufficient to reverse a long-standing pattern of interaction.
 

The social skills needed for the effective and efficient functioning of inter-dependent and integrated teams of workers are difficult to teach. The learning of new ways of interacting with co-workers is a slow process. It is also one which requires a high degree of trust and reciprocal commitment from employers and workers. Change in an existing workplace is possible, but the emergence of group and team learning in schools is preparing workers of the future who are accustomed to cooperative and interdependent work styles and organization.
  41. Based on estimates by the C.A.W.
  42. See Benimadhu (1987).
  43. See footnote 34.
  44. Previous work by the CLMPC not only explicitly recognized the different concerns of business and labour but also laid out the general framework for some accommodation of these interests, see *Canada: Meeting the Challenge of Change*, Canadian Labour Market and Productivity Centre, (CLMPC), Ottawa, March 1993.
  45. Of the two, the challenge of introducing new equipment is the easier. Teaching the new social skills and responsibilities required for the operation of most new production processes is a difficult and very long-term proposition. Attitudes are often ingrained in us from a very young age. By contrast, the teaching of practical skills is more straight-forward. Even workers and managers with the right technical skills may not find the transition easy. In most

organizations, patterns of interpersonal interactions have long been set by the traditional hierarchical, line production processes of the past. Learning to interact in a new flatter, more interdependent manner is not simple for those set in their ways.

46. *Putting the Pieces Together: Towards a Coherent Transition System for Canada's Labour*, Report of the Task Force on Transition into Employment, Canadian Labour Force Development Board, Ottawa, 1994.
47. *Women and Economic Restructuring*, Canadian Labour Market and Productivity Centre (CLMPC), Ottawa, March 1994.