

A row of wooden figures, with one red figure in the center foreground. The figures are arranged in a line, receding into the background. The red figure is the only one of its color and is positioned centrally in the foreground.

The Roles of Governments and Unions in Compensation

4BE3

Week 10

Learning Outcomes

- ❑ Explain the role of government in compensation.
- ❑ Describe the major compensation-related provisions of employment standards legislation.
- ❑ Explain the impact of human rights legislation on compensation.
- ❑ Discuss the causes of the male–female wage gap, and explain what pay equity legislation is intended to accomplish.
- ❑ Describe four ways in which unions have an impact on wage determination.
- ❑ Explain why union attitudes regarding pay-for-performance have gradually become more favourable.

Government as Part of the Employment Relationship

- ❑ Governments' interests include:
 - ❑ procedures for determining pay are fair (no pay discrimination)
 - ❑ safety nets for the unemployed and disadvantaged are sufficient (minimum wage, employment insurance)
 - ❑ employees are protected from exploitation (human rights, pay equity)
- ❑ Compliance and fairness are continuing compensation objectives.

Effect of Government on Supply of & Demand for Workers

- ❑ Demand
 - ❑ Governments (federal, provincial/territorial and municipal) employ a lot of workers
 - ❑ Indirectly affects labor demand through its purchases and financial policy decisions
- ❑ Supply
 - ❑ Affects labor supply through legislation
 - ❑ Licensing requirements restricts labor supply.
 - ❑ Immigration policy and how rigorously it is enforced is an important factor in labor supply

Employment Standards Acts/Codes

- ❑ minimum wage
- ❑ paid vacation
- ❑ paid holidays
- ❑ standard hours of work and overtime pay
- ❑ pay on termination of employment
- ❑ minimum age of employment
- ❑ equal pay for equal work by men and women

Human Rights Legislation

- ❑ based on Charter of Human Rights and Freedoms in Canadian Constitution
- ❑ equal treatment in employment and opportunity for employment regardless of race, colour, religion, sex...

Pay Equity

- ❑ issue relating to the gender wage gap
- ❑ gender wage gap is the amount by which the average pay for female workers is less than the average pay for male workers
- ❑ four universal compensable factors
 - ❑ skill: experience, training, education, and ability as measured by job performance requirements
 - ❑ effort: mental or physical, the degree of effort actually performed on the job
 - ❑ responsibility: the degree of accountability required in the job performance
 - ❑ working conditions: the physical surroundings and hazards of a job; inside/outside, heat/cold, and poor ventilation

Reasons for Gender Wage Gap

- ❑ differences in occupational attainment; women historically segregated in small number of occupations e.g., sales, nursing
- ❑ differences in number of hours worked
- ❑ differences in industries and firms
- ❑ differences in union membership
- ❑ presence of discrimination

The Impact of Unions



- ❑ General wage and benefit levels
- ❑ The structure of wages
- ❑ On non-unionized firms (also known as spillover effect)
- ❑ Wage and salary policies and practices in unionized firm

Union Impact on General Wage and Benefit Levels

- ❑ union workers earn about 10 percent more than non-union workers
- ❑ size of the gap varies from year to year
 - ❑ union impact higher during periods of higher unemployment and slow economy
 - ❑ union impact smaller during strong economy
- ❑ union benefits 20 to 30 percent higher than non-union

Union Impact on the Structure of Wages

- ❑ Two-tier wage pay plans differentiate pay based on hiring date.

- ❑ For management, wage tiers can be used
 - ❑ as a cost control strategy to allow expansion or investment, or
 - ❑ as a cost-cutting device to allow economic survival.

Union Impact: The Spillover Effect

The spillover effect occurs when

- ❑ employers avoid unionization by offering wages, benefits, and conditions won in unionized firms.
 - ❑ Management avoids union 'interference' in decision making and workers enjoy rewards.
 - ❑ Occurs less often as union power diminishes.

Role of Unions in Wage and Salary Policies and Practices

- ❑ Collective agreements specify: basis of pay, occupation-wage differentials, experience/merit differentials, vacations and holidays, and wage adjustment provisions
- ❑ Unions are receptive to alternative reward systems linking pay to performance as employers face extreme competitive pressures, e.g. competitor's lower labour costs
- ❑ In unionized firms that experiment with alternative reward systems, the union usually insists on safeguards that protect both the union and its workers:
 - ❑ Group-based performance measures with equal payouts to members.
 - ❑ Use of objective performance measures
 - ❑ Use of measures based on past performance

Summary

- ❑ The role of government in compensation is to assess whether procedures for determining pay are fair, whether safety nets for the unemployed and disadvantaged are sufficient, and whether employees are protected from exploitation. Governments also affect the supply of and demand for workers.
- ❑ The major compensation-related provisions of employment standards legislation are minimum wage, paid vacation, paid holidays, standard hours of work and overtime pay, pay on termination of employment, minimum age of employment, and equal pay for equal work by men and women.
- ❑ Human rights legislation affects compensation in that compensation decisions based on any of the prohibited grounds for discrimination are illegal.

Summary (cont'd)

- ❑ The persistent wage gap between men and women can be partially, but not fully, explained by factors such as differences in qualifications and experience, in work or occupations, in industries and firms, in work-related behaviours, in union membership and the presence of discrimination. Pay equity legislation is intended to redress the portion of the wage gap assumed to be due to gender discrimination.
- ❑ Unions affect wage determination through their impact on general wage and benefit levels, the structure of wages, non-union firms (the spillover effect), and wage and salary policies.
- ❑ Union attitudes regarding pay-for-performance have gradually become more favourable because of the threat of overseas competitors with lower labour costs taking so much market share from unionized companies that they go out of business.