

## Worker Bargaining Power in Multipolar context: The Canadian experience of stagnating wages

Mathieu Dufour and Ellen Russell

Draft of Paper for presentation at the Thirty Years Crisis conference, Winnipeg 2015.

One of the challenges posed by Radhika Desai's "Geopolitical Economy" is the importance of sustained analysis of both the particular and the general. Her engagement with the theory of uneven and combined development (UCD) alerts us both to the contextual specificities of particular national capitalisms, as well as the interaction among national capitalisms. Her geopolitical economy pays detailed attention to the role of nation states in navigating the contradictions of capitalism as they are manifested domestically, alert to the many ways these contradictions shape and are shaped by the diverse pressures of a multipolar context. Desai's dialectical approach challenges us to neither fixate at micro peculiarities nor abstract entirely from local specificities via a grand narrative of a disembodied hegemonic (and homogenizing) world capitalist order.

In large part, Desai's analysis has been engaged by scholars of International political economy and associated fields. This article seeks to apply insights of the geopolitical economy scholarship to the study of labour markets, and in particular the stagnation of real wages (wages adjusted for inflation). Real wages typically grew in tandem with productivity growth in the post-war era among the more affluent `welfare state` countries, but in the last thirty years stagnating real wages have been a prominent characteristic of labour markets in the more industrialized countries (Anderson 2007, Sharpe et.al. 2008). The `thirty years of crisis` thematic of this conference applies equally to the ongoing crisis of wage stagnation (and its associated implications for consumption and indebtedness) that has played such an important role in the rising inequality evident in many of the countries where the welfare state has been eroded.

The analysis of wage stagnation has typically been characterized by homogenizing and essentializing narratives. The microeconomic preoccupations of neoclassical economists who seek to interpret (and legitimate) this trend tend to elevate skill-biased sectoral or technological change as the monolithic explanation for contemporary wage stagnation. Political economists of various inclinations often focus on and the ascendancy of neoliberal globalization of other epochal generalizations (Piketty, 2013) that tend to eclipse the particular circumstances of national capitalisms. The attraction of such generalizing narratives is perhaps understandable: the similarity of this real wage stagnation trend across many countries is often taken as evidence of homogenizing capacity of economic dynamics regardless of the national and regional distinctions, rendering national-states all but irrelevant.

While we have benefited much from the analyses of wage stagnation and growing inequality produced by political economists of many orientations, this article seeks to understand wage stagnation with reference to nation-states operating in a multipolar context. Our particular emphasis is class struggle mediated by nation states in the context of both domestic and international capitalist pressures. Certainly globalized markets have consequences which encourage secular trends, but we do not imagine that those globalized markets have erased the influences of specific national context such that all labour market dynamics are collapsed into a (trivial) outcome of the dictates of a hegemonic world order. Ironically, we interpret wage stagnation as a secular trend replicated in many countries thanks in large part to each state's particular navigation of the competitive dynamics and crisis tendencies experienced by both their domestic capitalists, workers and other entities in a multipolar context.

In the spirit of Desai's evocation of UCD, our analysis situates labour markets in their national (and even subnational) context, albeit a national context that is animated by many international dynamics. Nation states wrestle with a rich variety of factors, including the crisis tendencies afflicting their particular national capitalisms as well as the international system, domestic sectoral and regional synergies and antimonies, agendas for domestic industrial policy, competitive conditions among domestic capitalists and between domestic and international capital<sup>1</sup>, and the contextual specificities that shape the relative capacity of workers, capitalists and others to prevail upon the state to respond to (and further shape) these dynamics. Our interest is in the ways that nation-states interact with these pressures to shape class struggle in ways that have contributed to real wage stagnation. In particular, we trace the ways that the mediation of these various conflicts at the state level has contributed to reconfiguring the struggles between workers and their employers in a manner that exerts downward pressure on wages in many countries simultaneously.

This article will examine class struggle as it is mediated by states in a multipolar context via an examination of the influence of the Canadian state on the class struggle between workers and their employers. The article begins with an introduction to two prominent components of the bargaining power analytical framework with which we analyze class struggle in labour markets: threat effects and fall-back positions. Section two highlights some of the many influences of states on this bargaining power dynamic, as employers, workers (and others) seek to influence states' actions in response to the crisis tendencies, international and domestic competitive dynamics and other concerns that animate both employers and workers agendas vis-à-vis the state. The third sections illustrates the analyses developed in preceding sections by considering selected interventions of the Canadian federal government that have influenced the relative bargaining power of workers and their employers in ways that have contribute to real wage stagnation in Canada.

This analysis proceeds with one important caveat. While we develop several examples to illustrate the state's impacts on the relative bargaining power of workers and their employers, we readily admit that we have only selected a very small number of potentially analytic trajectories and specific examples.

Given the sensitivity of this analysis to so many local, national, international, intersectional and other factors of all kinds, any analysis of bargaining power must be situated in the complexities of its particular context. In the spirit of a revitalization of the UCD approach, and in recognition that the 'thirty years crisis' includes many more pressures than we have space to address, we would expect that the overview of selected influences discussed below would be extended to consider many more ways in which state interact to influence the class struggle animating wages.

## **Section 1 Bargaining power: a framework to analyze class struggle in the wage relationship**

In order to analyze wage stagnation from the perspective of class struggle in the context of varied national capitalisms, we require an analytic framework with several important attributes. First, we conceptualize the wage relationship as it is influenced by the relative position of workers and capitalist firms as they struggle over wages. But this struggle is itself overdetermined by a host of economic, political and social influences, including the activities of nation states as they engage in a variety of actions (or fail to engage in actions) that may tilt the relative capacities of workers and their employers. For ease of exposition, we introduce our “bargaining power” analytic framework by focussing more narrowly on the struggle between workers and their employers, and subsequently add the role of the state in influencing this struggle.<sup>ii</sup>

The bargaining power framework views wages as set via largely adversarial negotiation<sup>iii</sup> between workers and their employers. Bargaining power refers to the capacity of each party in an adversarial negotiation to secure an outcome they find favourable. Factors which increase workers' bargaining power tend to put upward pressure wages, while factors undermining

worker bargaining power tend to undermine wage growth. Our discussion highlights two particular dimensions of bargaining power: threat effects and fall back positions.

### Threat effects

In an adversarial context, workers' or employers' bargaining power is enhanced to the extent that either party can deliver a credible threat of injury to the opposing party. For example, workers may threaten to strike, while employers may threaten to lock-out workers.<sup>iv</sup> Effective threats provoke sufficient fear that the threatened party acquiesces to its opponent's demands rather than withstand the consequences if the threat is enacted. Thus the more fearful workers are, the weaker their bargaining power. An effective threat must be both possible and believable, for the impact of a threat on the bargaining process depends on the perceived credibility of the threat. If employers threaten to move production overseas to secure wage concessions, this threat is only effective insofar as workers view relocation as a likely outcome if the employer fails to secure its desired outcome. Thus the dynamics of threat effects necessarily have a twofold subjective element: workers must both assess the credibility of a threat and determine the extent to which they fear the threat.

The capacity of both workers and employers to issue credible threats is shaped by many factors. Many economic factors come into play, such as the level of unemployment. Widespread unemployment tends to decrease workers' bargaining power, since unemployment

makes it easier for employers to find more compliant workers if their current workforce becomes too militant. Workers who fear that their employer is weak vis-à-vis its competitors have less capacity to threaten job action, since an employer facing adverse competitive conditions may be more likely to go out of business or relocate to a lower wage jurisdiction. An environment of accelerating productivity growth makes it easier to accommodate rising compensation, while the adversarial nature of wage negotiations may be exacerbated in a firm or industry with weak productivity growth. All manner of influences in the broader economic environment, including periodic economic crises and technological change, may impact both employers' and workers' capacity to issue credible threats.

Threat effects are also influenced by an array of considerations that we detail in an forthcoming article in *Studies in Political economy*, but of particular interest for the present argument are the explicit actions (and inactions) of the state. The capacity to issue credible threats is influenced by many judicial, legislative, and executive functions of the state. Laws and regulations governing collective bargaining processes, employment standards, wage contracts, union organizing etc., may either encourage or constrain certain kinds of threats. Threats of a strike or lockout are less credible if laws and regulations make strikes or lockouts disadvantageous for the party issuing the threat. Perceived sympathies of political officials may also be influential, as workers and employers evaluate whether they believe politicians will act to support their capacity to issue threats. Domestic capitalists may (successfully or not) appeal to the state to take actions which might increase their bargaining power vis-à-vis their workers. For example, elected officials might enact laws that undermine workers' capacity to make

credible threats, such as laws that that remove the rights to strike in certain sectors, inhibit certain union activities or create categories of immigrant workers who are dissuaded from engaging in various forms of militancy.

Whether or not domestic capitalists (or some subsection of domestic capitalists) succeed in influencing the state to act in ways that enhance their bargaining power will be influenced by a host of factors, including electoral dynamics, media sympathies, the degree of worker activism in political processes and so on. For the analysis below, we highlight one important influence on the capacity of domestic capitalists to persuade their state to enact public policies that enhance their bargaining power: the public policy environment faced by competitors of the domestic capitalist firm(s). If a domestic capitalist firm (or a group of firms) is able to argue that it is disadvantaged because its international competitors enjoy a public policy environment that is more favourable to their capacity to bargain with their workers, this may compel national (or subnational) governments to amend public policies to extend similar advantages to their own capitalist firms.<sup>v</sup> The degree to which domestic capitalist will prevail in such attempts vary depending on a host of factors, but in general in international climate of “race to the bottom” (meaning public policies conducive to low wage and other adverse conditions for workers) will assist domestic capitalists in compelling their national government to conform to this international pressure.

## Fall Back Positions

A second aspect of bargaining power analysis concerns so-called “fall-back” positions. A fall-back position is the situation that workers or employers will face if negotiations are resolved in a manner they find unfavourable. The more fearful workers are of negative consequences should they fail to attain their bargaining objective, the weaker is their bargaining position.

What influences a workers’ fall-back position? Consider the possibility that a bad outcome in the bargaining process may lead to workers being fired. As workers consider the overall condition they will face in this event, they must evaluate many considerations. How likely are they to secure another job? If they get a new job, what will the wages be? Are they affected by gender, age, racialization, linguistic, regional, or other considerations that affect their employment and wage prospects? Do they have savings or other income to assist them if they lose their jobs? Will they qualify for government programs to cushion their period of unemployment? Is there a union that may intercede on their behalf? These and many other considerations will influence the degree to which workers assess the difficulties they face should they lose their jobs (or be forced to make other concessions).

Many economic forces shape workers’ assessment of their fall-back positions. For example, unemployment rates, both regionally and for workers with a particular skill set, will impact their perceptions of the likelihood of securing alternative employment. All sorts of

economic conditions affecting potential future employers' likely demand for new employees will in turn affect workers' assessment of the likelihood of getting new employment. Prevailing wage rates will influence workers' assessment of the compensation they will receive if they secure another job. A variety of social and cultural factors also influence workers' fall-back positions, such as the possibility that being fired or unemployed may be interpreted negatively by future employers and the degree to which the unemployed can expect support from family, extended kinship or community structures.

Among the many influences on workers' fall-back positions are the many roles of the state in influencing the relative position of workers and employers. Laws and regulations governing severance pay and other forms of payment upon the termination of employment will affect workers' financial security. Government programs such as insurance for the unemployed will influence their income while unemployed. Any government initiatives that provide or incentivize employment or training for the unemployed (or promotes military service as a desirable option for the unemployed) will also factor into workers' assessment of the situation they will confront during unemployment, as will their understanding of the peculiarities of the eligibility requirements for these programs.

As is the case in terms of state action that influences threat effects, worker fall back positions are shaped by a variety of activities of the state. Domestic capitalists scrutinize all public policies that soften the blow of unemployment (or other adverse outcomes for workers, such as reduced hours of work or reductions in benefits), and they continuously seek to have the policies amended in ways that support their bargaining power vis-à-vis their workers. This

applies both the government programs that directly speak to the situation of job loss (such as unemployment insurance) as well as the generosity of social programs in general. The experience of unemployment is much less dire in a context in which generous social programs mean that workers and their families will continue to access health care, education, recreation and other entitlements of citizenship provided by the state regardless of their employment status. Thus the erosion of social programs in general can provide an indirect support to employer bargaining power in some instances. <sup>vi</sup>

### **Section 3: Bargaining power and nation-states in a multipolar world**

States are continuously prevailed upon by capitalist firms (domestic and international) groups of capitalist firms (industries, regions, sectors etc.) and a host of other interested parties to shift their public policies and other activities in ways that reconfigure bargaining power between employers and workers. Because the state is understood as a contested terrain for reasons germane to class struggle as well as other concerns, there is considerable variation on the relative capacity for, say, a single capitalist firm (or group of firms) to prevail on the state to take those actions it sees as being advantageous in its struggles with its workers (or with its competitors, suppliers, retailers and so on). In a multipolar context, there is no single template for state actions, but rather each state's activities will reflect the relative capacity of workers, capitalists and others to promote their various agendas, and these agendas themselves will vary across countries (and regions) depending on the relative importance of crisis tendencies,

competitive conditions, the priorities of industrial policies and other public policy objectives, democratic pressures and so on.

Of course, states themselves may have complex agendas that further complicate their interventions that influence bargaining power. In the spirit of the UCD analysis emphasized by Desai, it is worth noting that nation states (and subnational governments) may seek to promote certain economic goals depending on their assessment of the economic, political and social challenges confronted by capitalism in their jurisdiction. For example, they may seek to encourage certain sectoral or regional attributes of industrialization. These various public policy priorities may in turn have influences on the relative bargaining power of workers and their employers. To illustrate this in the Canadian context, consider the ways that the federal and some provincial governments' promotion of oil sands development has influenced all manner of public policies, sometimes to the detriment of worker bargaining power. For example, the possibility that the relative scarcity of certain types of workers may bid up wages in oil-sands related sectors (and certain other sectors) has been an influential concern in the design of the Canadian Temporary Foreign Workers program, which has enabled Oil sands and other employers to access workers who are deprived of usual citizenship rights and are thus in a more vulnerable position that discourages their militancy.

In a multipolar world, domestic capitalists are ever mindful of the ways in which their national and subnational governments shape their relative competitive positions, as well as their exposure to various crises tendencies and their vulnerability to other pressures. To this end, domestic capitalists seek not only the protection of their local governments in the event of

crisis, but seek to shape public policy in a manner that will position them advantageously in both favourable and unfavourable contingencies. Should capitalists elsewhere prevail upon their governments to act in a manner that confers additional advantages, this will enhance the leverage of domestic capitalist firms to approach their national governments for similar advantages. Should competitors abroad succeed in gaining a relaxation of environmental standards, more lenient labour protection laws, tax decreases or any other such advantage, domestic capitalists will demand that their government meet or exceed these measures to enhance the competitive position of their domestic firms. This accelerates a “race to the bottom” dynamic as each jurisdiction competes to enhance the position of its capitalist firms vis-à-vis international competitors.

A critical aspect of this race to the bottom is its unevenness. If the public policy environment were homogeneous internationally as though each domestic government acted in conformity with a single neoliberal template, little leverage would exist for capitalists in each jurisdiction to compel their local government to match advantages elsewhere. The variation of favourable and unfavourable aspects of domestic policy environments ensures that domestic capitalists will always find some variation in policy landscapes from which they can create a case that their own government must take further action to “level the playing field”. Even if national governments aspired to conform to a single formulaic template of public policies to recreate the same impacts in each jurisdiction, it is impossible to create the same competitive terrain everywhere. Historical, institutional, cultural and political specificities (to name only some factors) will always combine to create a unique landscape in each jurisdiction. Even the attempt to mimic competitive advantages elsewhere will create differing perquisites and

constraints in every jurisdiction, depending on the immense array of factors that shape the impacts of public policies in each unique jurisdiction. It is the unevenness of these variations that allows the perpetuation of the dynamic in which domestic capitalists continue to seek the reconfiguration of their states' action to best situate them in the ever evolving domestic and international competitive struggles and unfolding crisis tendencies.

While capitalist firms are attempting to prevail upon various governments to enhance their interests, workers are doing likewise. Workers may be able to mobilize politically to block efforts to cut social programs, implement unfriendly legal or procedural changes, or other such changes that might undermine their bargaining power. Opportunities may also exist to enact or expand government measures that enhance worker bargaining power, sometimes as a quid pro quo of other government initiatives that have benefited employers. The rich variety of worker and citizen initiatives to shape government programs further accentuates the unevenness of the policy landscape internationally. For example, local cultural traditions may make it politically impossible to pass legislation to disentitle workers from certain workplace norms (the siesta, the coffee break, the break for religious observance, etc.) in one jurisdiction, while other jurisdictions may be more amenable to eliminating these limitations on the length of the working day. These variations in cultural norms, degree of worker and citizen mobilization, the legitimation (or lack thereof) of pro-capitalist agendas in popular discourse, the peculiarities emanating from historical and institutional specificities, and many other considerations further contribute to the uneven terrain of public policies. In addition, the response to crisis tendencies may at times be parlayed into advantages to workers. For

example, in moments when inadequate aggregate demand is understood to be an imminent threat to capitalism, workers and citizens may be able to secure public policies that stimulate aggregate demand in a manner that is supportive of higher wages or more generous social programs.

In a multipolar world animated by these and many other considerations, nation states vary in the ways in which their public policy environment influences the relative bargaining power of workers and their employers. But since this unevenness contributes to opportunities for each successive appeal by capitalists to further tilt the public policies to their advantage, there emerges the possibility of an overall trend to conditions that are more hostile to worker bargaining power across various countries. It is not that a hegemonic economic and political entity enforces conformity to a hegemonic agenda to the detriment of workers, but rather the competitive dynamics playing out in each unique circumstance created conditions in which the erosion of worker bargaining power can become a vicious cycle. The specificities of public policy context may vary quite substantially, but the points of leverage created by the necessary unevenness exhibited in the race to the bottom enhances the likelihood that worker bargaining power will be eroded across many jurisdictions, albeit the precise path through which public policies attack worker bargaining power may vary widely.

### **Section 3: Worker bargaining power in the Canadian Context**

The bargaining power analysis outlined is best appreciated when applied to a specific context. We apply this theoretical framework to an analysis of real wage stagnation in Canada. Despite ongoing productivity growth and other arguably positive economic developments, real wages have stagnated in Canada for several decades (Sharpe et.al., 2008, Bartlett and Tapp, 2012). In a recent publication we analyzed this trend in light of the many public policy changes that have eroded worker bargaining power, (Dufour and Russell, 2015). Below we will highlight several public policies that have reconfigured bargaining power in recent decades.

As has been the case in other jurisdictions, Canadian monetary authorities have embraced the fight against inflation as an overarching priority. While this hostility to inflation was shared in many of the more affluent countries (particularly in the 1980s), the Bank of Canada exhibited unusual anti-inflationary zeal into the 1990s with an atypically stringent monetary policy that led to a “great Canadian Slump” (Fortin, 1996). In terms of its own justifications for this punishing monetary policy, The Bank of Canada cited several indigenous factors as justifying this unusually harsh monetary policy agenda: it argued that Canadians exhibited an unusually deeply entrenched inflationary psychology (Thiessen, 2001), and a perceived “credibility “problem facing Canadian monetary authorities obliged them to take unusually decisive action to buttress their bonafide anti-inflation b credentials. (Clinton and Zlemer, 1997). Moreover, the Bank viewed such factors as uncertainty emanating from questions of Quebec sovereignty and the “large scale restructuring of Canadian private and public sectors” (Clinton and Zlemer, 1997) as requiring the Bank to pursue a more draconian anti-inflation policy in the early 1990s than that of other jurisdictions, notably the US (its closest

neighbour geographically and major trading partner). Whatever the strategic motivations of this monetary policy in the Canadian context (and it would require detailed investigation to untangle these motivations), its outcomes included both inflated government deficits (thanks to the high Canadian interest rates) and persistently high unemployment rates. Each of these outcomes had important influence on the bargaining power of Canada workers.

Increased unemployment rates shift relative bargaining power towards employers. In terms of threat effects, high unemployment discourages worker militancy, while employers bargain more aggressively since they expect that other employees will be easily found to replace their current workers. Higher unemployment rates also undermine workers' fall back positions by reducing the likelihood of finding alternative employment and exerting downward pressure on wages, thus making it more likely that alternative employment will be lower-wage employment. These impacts of unemployment may be mitigated to some extent by government policies. For example, generous insurance programs for the unemployed will soften the blow of unemployment, as will social programs that enable workers to access goods and services that enable them to have greater material comfort regardless of their employment status. In addition to these direct impacts of tight monetary policy on workers bargaining power, the increases in the federal deficit and debt that high interest rates implied set the stage to attack both unemployment insurance and other social programs on the pretext that they had become unaffordable (Russell, 2014).

In the mid-1990s concerns about the federal finances served as justification to reform Canada's unemployment insurance system. The renamed "employment insurance" was both less generous and more difficult to access<sup>vii</sup>, and (to add insult to injury) surpluses in the employment insurance account that could have used to alleviate the pain of the prolonged high employment rates were dispatched to enable the federal government to meet its deficit targets ahead of schedule. Substantial changes to many social programs were also justified by federal budget cuts (and because of the fiscal pressures the federal government downloaded to other jurisdictions). As health care, social services, education and many other social programs were made less accessible and/or less comprehensive more expensive, this increases the hardship posed by unemployment, thereby further eroding worker fall-back positions and undermining worker bargaining power.

In many instances, these policy changes to both unemployment insurance and other social programs were framed in terms of competitive issues such as the purported disincentive to work or the unreasonable taxation burden imposed by these programs. In each case, reforms were piecemeal, creating new idiosyncrasies in both employment insurance and other social programs that operated to the advantage of some capitalists (regionally, sectorally, in terms of the skill requisites of their workers and along other dimensions). Often policy changes had very micro level implications for unevenness, as when changes in the manner of assessing eligibility for employment insurance might advantage some sorts of work processes over others depending on their seasonality or their consistency over a certain number of successive work weeks. Thus employment insurance could act as a de facto subsidy to certain capitalist firms,

whose patterns of work allowed their workers to qualify for employment insurance at times of slower production, thus allowing employers to minimize wages since their workers were not having to support themselves during these layoff periods.

The monetary policy and reform of government programs supporting both workers and citizens more generally came alongside the Canadian government's pursuit of trade and investment agreements. These agreements typically contain provisions which tilt relative bargaining power towards employers. This may happen directly, as when a torrent of domestic reforms are unleashed, ostensibly justified as being required to bring individual jurisdictions into conformity with a new or upcoming trade and investment agreement. By facilitating the relocation of production abroad, these agreements also enhance employers' capacity to make credible threats of job loss to their workers.

But the less overt impacts of these agreements are perhaps more pernicious. The increased ability to relocate production abroad implies that capitalist firms are in an enhanced position to compel governments to enact policies they find favourable. Governments concerned about job loss and the other problems associated with losing domestic production facilities will be more anxious to ensure that the policy landscape is favourable to firms that they view as likely to relocate. At the same time that capitalist firms have a greater capacity to threaten governments in this manner, investor rights and other provisions contained in these agreements often constrain governments from taking actions viewed as antithetical to business

interests. This discourages politicians from directly or indirectly supporting domestic workers, lest they run afoul of international agreements. The impact of these treaties extends beyond their explicit deterrence of pro-labour government policies. Even pro-labour government actions that don't contravene international agreements may be deterred by the increased possibility that firms may relocate abroad if they don't find governments sufficiently "business friendly".

This increased leverage of capitalist firms vis-à-vis governments, together with the international agreements that provide additional avenues for capital to prevail upon governments, combines with a host of other factors (improvements in transportation and communication, changes in financial markets and so on) to reconfigure each domestic policy terrain. While these pressures are ubiquitous, the precise form they take varies widely in each specific national context. One favourite theme is the importance of "labour market flexibility".<sup>viii</sup>, which is said to be crucial for competitiveness, and the attraction and retention of investment and employment. In practice this euphemism is interpreted differently in different contexts, but in general terms labour market flexibility is associated with policies that are favourable to employers. Employment insurance and many changes to government programs falls under this general theme, but it also extends to measures that impede unionization and the activities of unions, and reduce or reinterpret labour relations law and regulations that support job security and other labour rights. These initiatives tend to increase the difficulty of organizing strikes or other credible threats, and they are often hostile to raising the minimum wage (in tandem with inflation) as part of their overall deregulatory rhetoric.

Many of these measures tend to constrain worker militancy and the capacity of organized labour to issue credible threats, while the erosion of minimum wages undermine workers' fallback position, since (in high unemployment environments) workers may consider that the only alternative employment would be a minimum wage job.

These various policy initiatives do not operate in isolation, indeed they may interact to create a vicious circle. Declining worker bargaining power contributes to the secular stagnation of real wages, while the austerity agenda operating at the level of the state implies that workers must stretch their paycheques to cover the cost of supports previously provided by government. But because workers experience stagnating real wages while paying for more items that were previously considered part of the "social wage", they are less likely to have savings to withstand a period of unemployment. On the contrary, high levels of personal indebtedness suggest that workers have been managing this squeeze by taking on personal debt. As workers' debt loads increase, their bargaining power is even further reduced. Servicing debt while unemployed is virtually impossible – particularly as austerity measures reduce or eliminate income supports for the unemployed and economically vulnerable. Even a brief interruption in paycheques is unsustainable for the deeply indebted, and the decline from temporary unemployment to poverty can be abrupt. Thus to the extent that neoliberalism indirectly contributes to rising debt loads by suppressing real income growth and offloading expenses from the state to individuals, this rising indebtedness opens further channels to reduce workers' bargaining power.

In each case, particular policy interventions were shaped by an array of specific pressures and other circumstances that created a unique and uneven public policy terrain in Canada. Often each successive policy intervention was explicitly justified in the name of promoting Canadian productivity or the resilience of Canadian federal finances as a precondition to Canada's economic prosperity. But the peculiarities of Canadian circumstances, including its geographic location, its specific mix of industrial and natural resource-based industrialization, its domestic market size, the political complexities implied by regional and linguistic diversities and many other factors resulted in particular policy design choices that had their own ongoing impacts. The state's role in the provision of health care, for example, has evolved differently in Canada than it has in the United States for a variety of idiosyncratic culture, political and economic reasons ranging from the importance of enhancing the relative competitiveness of the auto sector to the historical and cultural attachment of the Canadian public to this particular public policy commitment.

Even while the Canadian state was responding to pressures to enact policies that tilted bargaining power in favour of employers, this unleashed further contradictory dynamics. As bargaining power shifted to the detriment of workers and real wage stagnated, this exacerbated domestic aggregate demand problems in Canada. At times this unleashed public policies that attempted to buoy aggregate demand by other means (for example, by the promoting of exports by providing advantageous public policy incentives to exporters – or would-be exporters). This also might contribute to further contradictory dynamics: for example, the pursuit of international trade and investment agreements were often justified as

boosting exports, yet they also acted as leverage to enact further policies that disadvantaged workers, thereby exacerbating the aggregate demand problems they sought to alleviate.

## Conclusion

Capitalism in Canada, like capitalism in other nations, is neither entirely sui generis nor entirely derivative of a generalized imperative. As theories of uneven and combined development illustrate, there is a profound and diverse interaction of domestic and international pressures that inform each specific national experience with the evolution of capitalism. This analysis has attempted to situate both these commonalities and these differences in a multipolar context as they have played out in the particular circumstances unfolding in Canada over the “thirty years of crisis”. The use of a bargaining power framework provides a conduit through which to follow these diverse domestic and international dynamics.

By linking stagnating wages and rising inequality to the policy framework that helps to erode worker bargaining power, this analysis points to immanent opportunities. While capitalist firms may exploit the uneven terrain to further their competitive agendas, the attempted creation of every more favourable circumstances for capital also propels factors that undermine this objective by exacerbating crisis tendencies. Each public policy that detracts from worker bargaining power also reinforces a skewed income distribution that makes underconsumption crises endemic.

One of the benefits of the bargaining power analytic is that it suggests ways of seizing opportunities. For example, the recent response of states to the global financial and economic crisis included many measures designed to support aggregate demand. Yet many of these measures were specifically designed in a manner to stimulate aggregate demand while minimizing the positive entailments of these policies for the ongoing bargaining power of workers (Russell 2016, forthcoming). To the extent that rising inequality is understood as inflaming destructive aggregate demand conditions, bargaining power analytics encourage a response to public policies that not only seeks more equitable income redistribution, but addresses the conditions in which highly skewed income distribution are perpetuated.

Of course, the ultimate objective of this analytic approach is not merely to ameliorate a bargaining power terrain only to lose these gains as conditions continue to evolve. Given the pressures emanating from a multipolar capitalist context, any gains are always contested. We hope that the bargaining power approach can provoke scrutiny about both the possibilities and limitations of a more progressive capitalism. Certainly victories in which workers gain ground are to be pursued, but not based on the

illusion that this progress can be easily defended. The possibility exists to use such victories to challenge the dynamics of capitalism that put workers perpetually on the defensive, and to stimulate pressures to influence the state to reconfigure national contexts in ways that are favourable to even more fundamental challenges to the status quo.

## Bibliography

Anderson, Richard. "How Well Do Wages Follow Productivity Growth?" *National Economic Trends*, Federal Reserve Board of St. Louis. St. Louis. Mar. 2007.

Bartlett, Randal and Stephen Tap. *An Assessment of Canada's Labour Market Performance*. Office of the Parliamentary Budget Officer. Ottawa. 29 Oct. 2012.

Clinton, Kevin and Mark Zelmer. "Constraints on the conduct of Canadian monetary policy in the 1990s" Bank of Canada, Technical Report Number 80, 1997.

Desai, Radhika. *Geopolitical Economy: After US Hegemony, Globalization and Empire*. Pluto Press, 2013.

Drummond, Donald. "The Economists' Manifesto for Curing Ailing Canadian Productivity." *International Productivity Monitor* (2006): 21-26.

Elgrably, Nathalie. "The Minimum Wage and Labour Flexibility." *Economic Note*. Montreal Economic Institute Dec. 2006

Fortin, Pierre. "Interest Rates, Unemployment and Inflation: The Canadian Experience in the 1990s" in Keith Banting, Andrew Sharpe, and France St-Hilaire (eds.) *The Longest Decade: Canada in the 1990s* McGill-Queen's University Press, 2001.

Karabegović, Amela, Nachum Gabler, and Niels Veldhuis. *Measuring Labour Markets in Canada and the United States*. Fraser Institute 2012

Perron-Dufour, Mathieu and Ellen Russell. "Why Isn't Productivity More Popular: A Bargaining Power Approach to the Pay/Productivity linkage in Canada" in *International Productivity Monitor*, Number 28, Spring 2015.

Perron-Dufour, Mathieu and Ellen Russell. "Why the Rising Tide Doesn't Lift all Boats: Wages and Bargaining Power in Neoliberal Canada" forthcoming in *Studies in Political Economy*.

Piketty, Thomas. *Capital in the Twenty-First Century* Harvard University Press, 2013.

Russell, Ellen. "The Strategic Uses Of Budget Crisis In Canada" in Baines, Donna and Stephen McBride (eds.) *Orchestrating Austerity*. Fernwood.

Sharpe, Andrew, Jean-Francois Arsenault and Peter Harrison. "The Relationship Between Labour Productivity and Real Wage Growth in Canada and OECD Countries." *CSLS Research Report No. 2008-8*, Centre for the Study of Living Standards (2008): 1-83.

Thiessen, Gordon. 2001. "Canada's Economic Future: What We have Learned from the 1990s". Toronto: Canadian Club. <http://www.bankofcanada.ca/2001/01/publications/speeches/canada-economic-future-what-have-we-learned/>

---

<sup>i</sup> For ease of exposition, the distinction between domestic and international capitalist firms is left unproblematized in this analysis. A more thorough account would also scrutinize the possible ambiguities in discerning what constitutes a domestic vs. international capitalist firm, given that ownership, production locations, place of legal domicile for tax and regulatory purpose and many other factors may make the determination of nationality of a corporation debatable.

<sup>ii</sup> We discuss this bargaining power framework in Dufour and Russell 2015 and 2015 (forthcoming).

<sup>iii</sup> Workers and their employers may share some cooperative agendas. For example, insofar as workers seek to keep their jobs, they may ally with their employers in support of conditions that they view as advantageous to their employers' capacity to provide ongoing employment.

<sup>iv</sup> Threats may be overtly stated or they may be conveyed more covertly (as when parties appear to be preparing for a strike or lockout). Even if no action conveying a threat is taken, circumstances may encourage the interpretation of contextual information as indicative that the opposing party is likely to execute a threat.

<sup>v</sup> This dynamic may also occur when some regional, sectoral or other subsection of national capitalist firms can persuade governmental authorities to enhance their competitive positions vis-à-vis other domestic competitors.

<sup>vi</sup> This will depend on the particularities of any given context. For example, while health insurance enhances worker fall back positions, employers may continue to favour health insurance to the extent that it reduces the costs of paying benefits to employees.

<sup>vii</sup> While more than 80 percent of the unemployed qualified for Unemployment Insurance in the late 1980s, less than half of unemployed workers were eligible for EI after these policy changes. See Statistics Canada, CANSIM database, tables 276-0001, 282-0048.

---

<sup>viii</sup> A. Karabegović, N. Gabler and N. Veldhuis. "Measuring Labour Markets in Canada and the United States." *Fraser Institute* (2012): 5-98. 8.