

RECOMMENDATION SUMMARY

THE RAC RECOMMENDS THAT THE GOVERNMENT:

NOT MAKE DESTABILIZING CHANGES UNDER PART I OF THE CANADA LABOUR CODE ("THE CODE") TO BAN REPLACEMENT WORKERS DURING A STRIKE OR LOCKOUT, WHICH WOULD UNDERMINE SAFETY, INCENTIVIZE MORE AND LONGER LABOUR DISPUTES, AND ENHANCE SUPPLY CHAIN DISRUPTIONS FOR CANADIANS.

IF THE GOVERNMENT IGNORES THE CLEAR EVIDENCE OF ECONOMIC AND SAFETY RISKS inherent with such a proposal, the RAC recommends that the government:

CONCURRENTLY IMPLEMENT A NEW TOOL IN THE *CODE* FOR THE GOVERNMENT TO AVOID WORK STOPPAGES AT RAILWAYS AND PORTS WHEN COLLECTIVE BARGAINING FAILS TO PRODUCE A NEGOTIATED AGREEMENT.

Or

LOOK TO MODELS FROM ELSEWHERE WITH THE GOAL OF MINIMIZING WORK STOPPAGES AND THE RISKS THEY POSE

SUBMISSION

The Railway Association of Canada (RAC) is making this submission as the federal government considers significantly changing Part I of the Canada Labour Code (the "Code") by banning the use of replacement workers in the event of a work stoppage. There are significant economic and safety risks accompanying this approach.

The labour relations regime in Canada results from a tripartite consultative process that attempts to balance a worker's right to strike and a business's ability to function. A blanket ban on replacement workers would skew this delicate balance and result in harm to Canadians and Canada's supply chains. Past government policy and successive Ministers of Labour and Transport have repeatedly stated that labour disputes are best resolved at negotiating tables. Banning replacement workers will undercut this important principle. The national interest is best served by preserving the flexibility to use qualified replacement workers, such as managers or other employees, during a work stoppage.

If, however, there is a change to the Code related to the treatment of replacement workers in the case of a work stoppage, there absolutely must be a more certain and timely mechanism to resolve disputes, after the parties have exhausted all other processes through collective bargaining and mediation/conciliation, to protect Canadians from harm.

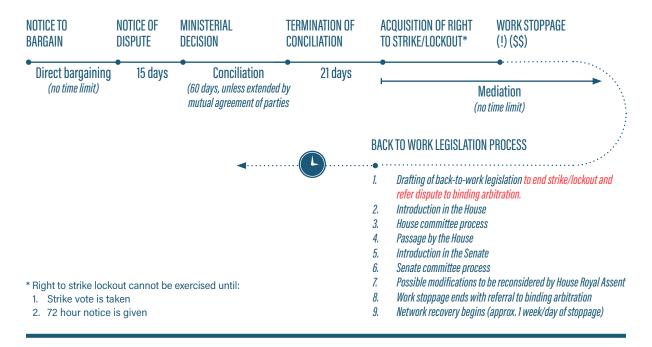
This submission focuses on the risks of destabilizing the current labour relations framework and national supply chains at this critical juncture. It will outline why legislation banning replacement workers is a 'solution' in search of a problem that does not exist. It also proposes potentially workable options, if Part 1 of the Code is to be changed, to mitigate the unavoidable harms for workers, businesses, and all Canadians, if the flexibility to use qualified replacement workers is removed. The Discussion/Fact Base section below outlines facts and evidence to support this supposition.

OPTION 1: AMEND THE CURRENT REGIME TO IMPROVE CERTAINTY

Amend the Code to provide statutory authority to the Minister of Labour or Cabinet to refer labour disputes to a fair and fact-based dispute resolution process before any work stoppage begins, if collective bargaining and mediation/conciliation have failed to produce a negotiated agreement. This would ensure facts are kept front and centre in such disputes, and it would protect Canadians from the unavoidable harms of a work stoppage at a railway. Parties would still have an opportunity, with the assistance of federal mediators, to come to a negotiated agreement before one is imposed by an experienced, qualified professional. This will increase faith and certainty in the supply chain performance and remove the kind of 'Parliamentary paralysis' we have seen with the timing of back-to-work legislation to terminate past labour actions and resolve the dispute through binding arbitration. This would be a tool available to the government to swiftly resolve labour disputes at railways, ports, and potentially other sectors — whenever a strike or lockout notice is received.

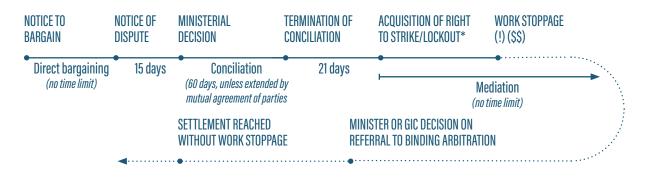
CURRENT COLLECTIVE BARGAINING PROCESS¹

Canada Labour Code Part I



PROPOSED PROCESS UNDER OPTION 1

Canada Labour Code Part I



- * Right to strike lockout cannot be exercised until:
- 1. Strike vote is taken
- 2. 72 hour notice is given

 $^{1 \}qquad \text{Adapted from https://www.canada.ca/en/employment-social-development/services/labour-relations/collective-bargaining.html} \\$

OPTION 2: MODELS FROM ELSEWHERE

There may be an opportunity to borrow from non-Canadian models to strengthen our own made-in-Canada model. One such model is the *Railway Labor Act*, a nearly century-old piece of U.S. legislation that was the result of work by rail unions and management. First passed in 1926 to minimize interruptions to interstate commerce, the Act provides mandatory dispute resolution procedures that include 'convening rights' to compel mediated and arbitrated settlements. The Act also provides for so-called 'cooling off periods' and the formation of a Presidential Emergency Board that may issue non-binding recommendations to ward off harmful work stoppages. Indeed, the U.S. model is designed to keep workers working and trains rolling even as negotiations continue. Since its initial passage, lawmakers have since extended these provisions to cover the airline industry as well. This is one model that can and should be explored if changes are to be made to Part I of the Code. A survey of other countries' practices (such as the United Kingdom, Australia, and New Zealand) could yield others.

DISCUSSION/FACT BASE

A replacement worker ban will put people and the movement of goods at risk.

CHANGES BANNING REPLACEMENT WORKERS WILL IMPACT SAFETY

Safety is something our member railways take as job one; it is at the core of everything they do each and everyday. Safety is a 24/7/365 preoccupation — even in periods of work stoppage. This deep-seeded commitment is rooted in both principle and practicality. A railway cannot and would not simply abandon trains full of goods at any point in its network where they can be tampered with or otherwise disturbed. Trains, especially those carrying loads of fuels, chemicals, and other sensitive materials, are brought to protected yards whenever possible. If they must be staged out 'on line,' there are definite precautions that must be in place (including but not limited to the proper application of handbrakes and other security measures). If crews walk off the job, safety and security cannot be compromised; other qualified employees, such as management crews, must do the work required to fulfill railways' safety obligations.

Some safety measures are, in fact, regulatory and legal requirements that railways are obligated to respect.² Others are <u>recommended railway industry practice</u>, <u>such as those (RAC DG-01)</u> that require safety inspections of cars every 48 hours after 5 days of non-movement. Other obligations involve the protection and preservation of shipper-clients' property, including but not limited to the need to keep fueled refrigerated and heated containers and boxcars. These obligations do not take a break, even if unionized employees are suddenly unavailable.

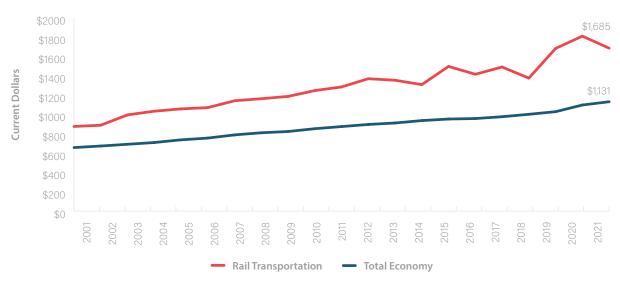
Railways do not tolerate unsafe practices, and safely shut down their systems or reduce their operations when work stoppages occur. Changes to prevent qualified railway employees from ensuring these obligations are fulfilled will potentially make our communities less safe and will undermine shippers' confidence in railways to deliver their products safely and securely, regardless of labour availability.

² https://tc.canada.ca/en/corporate-services/acts-regulations/transportation-dangerous-goods-act-1992-1992-c-34 and https://laws-lois.justice.gc.ca/eng/acts/r-4.2/

RAILWAY WORKERS ARE SOME OF THE HIGHEST PAID IN CANADA; THEIR UNION JOBS OFFER TOP-TIER BENEFITS

Statistics Canada data show that average weekly wages for railway transportation workers in Canada rose from \$875 to \$1685 from 2001–2021.³ Railway employees' average earnings over the past three years (2019-2021) have been higher than in all other transportation & warehousing sectors.⁴





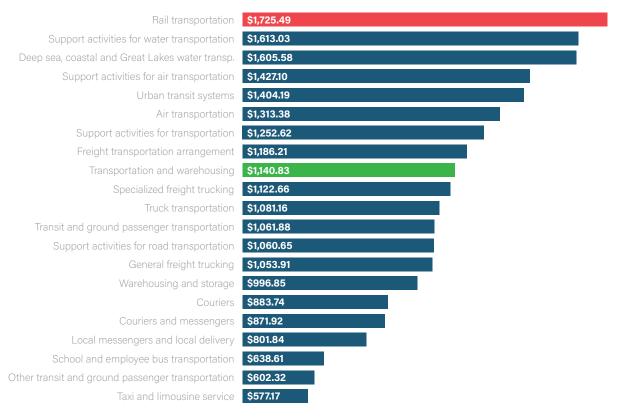
From 2001 to 2021, average weekly earnings in the rail industry increased by a total of \$811 per week (+93%), compared to the economy average of a \$473 increase (+72%). In 2021, average weekly earnings in the rail industry were 1.5 times higher than the economy average (\$1,685 vs \$1,131). The latest year with available data for *employees paid by the hour*⁵ — 2019 — indicates that hourly employees (of which most are unionized) in the rail industry earned 2.1 times more than the economy average for hourly employees, \$1,600 vs \$775, respectively (not shown in the figure).

³ Source: Statistics Canada, Table 14-10-0204-01

⁴ Ibid

Hourly workers refers to employees whose pay is calculated on an hourly basis, as opposed to paid a fixed salary. Their pay framework includes compensation considerations such as mileage, geography, seniority, specific skills/training, and more.

FIGURE 2: AVERAGE WEEKLY EARNINGS, TRANSPORTATION AND WAREHOUSING INDUSTRIES 2019–2021 (AVERAGE)



Source: Statistics Canada. Table 14-10-0204-01 Average weekly earnings by industry, annual Note: Data was not available for all transportation and warehousing industries.

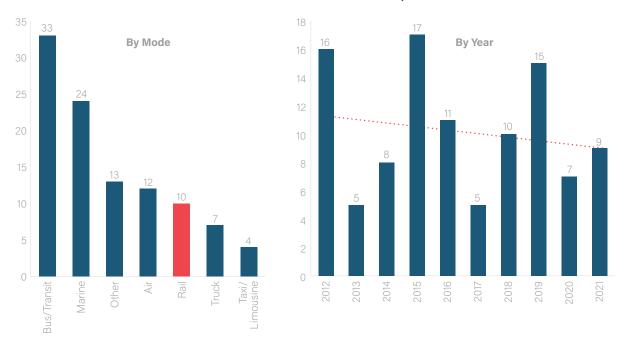
Canada's Class I railways, CN and CP, also have some of the largest defined benefit pension regimes in the country. Companies have taken great care to ensure these plans remain solvent for all who will need them over the long-term. When considered alongside generous health, dental and optional insurance coverages offered to employees, railways make compelling total compensation offerings to their unionized employees. These benefits packages are continually reviewed and enhanced through actual collective bargaining processes.

Any increased frequency and duration of work stoppages would only add to supply chain disruptions and to the cost of doing business for all sectors of the economy. Delays and sunk costs will be passed on to consumers through higher prices, only further fuelling inflationary pressures.

RAILWAY WORKERS HAVE FEWER WORK STOPPAGES THAN OTHER FEDERALLY REGULATED SECTOR EMPLOYEES; PROLONGED RAIL WORK STOPPAGES ARE LESS FREQUENT THAN IN OTHER SECTORS

The government's own numbers show that in federally regulated transportation sectors there are relatively low rates of work stoppage with wages trending higher, and person-days not worked trending lower (figure 3). Rail work stoppages are fewer than in several other sectors. A replacement worker ban will increase the frequency and duration of work stoppages in the railway sector, which will harm Canadians that depend on rail supply chains for essential goods every day.

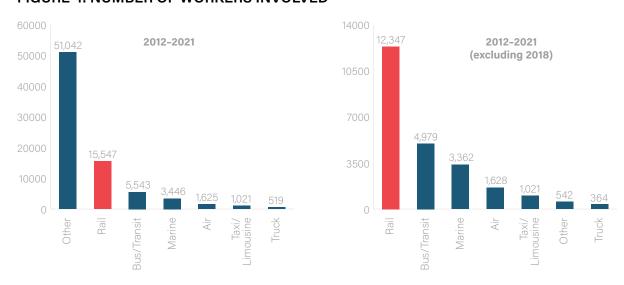
FIGURE 3: NUMBER OF TRANSPORT WORK STOPPAGES, 2012-2021



Source: Transport Canada, adopted from Employment and Social Development Canada (ESDC) special tabulation

Figure 3 (above) shows that federally regulated railways experienced an average of one work stoppage per year, compared to 1.2 work stoppages per year in the air sector, 2.4 work stoppages per year in the marine sector, and 3.3 work stoppages per year in the bus/transit sector.

FIGURE 4: NUMBER OF WORKERS INVOLVED



Source: Transport Canada, adopted from Employment and Social Development Canada (ESDC) special tabulation

When rail stoppages do occur, they tend to involve thousands of workers leaving their posts at once. As Figures 3 and 4 show, bus and transit work stoppages involved roughly one third the employees of rail work stoppages over the last decade, despite the fact bus/transit stoppages occurred 3.3 times more frequently than in the rail sector. Marine sector work stoppages involved roughly a quarter the number workers than rail, despite being 2.4 times more frequent. Because railways carry

approximately 50% of Canada's exports and because businesses of all kinds rely on railway services to get their goods to domestic and international markets, the effects of such stoppages are felt acutely,⁶ including by unionized workers employed by railway customers and supply chain partners. In fact, these effects begin to be felt even before a job action begins in many cases.

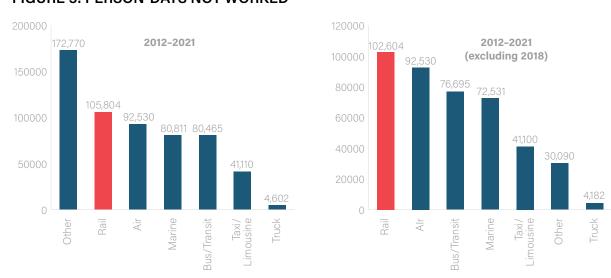
"...even the threat of strikes or lockouts negatively affects the operation of the national transportation supply chain and, in turn, Canada's reputation as a destination of choice for doing business. The Minister of Labour should urgently convene a council of experts to develop a new collaborative labour relations paradigm that would reduce the likelihood of strikes, threat of strikes, or lockouts that risk the operation or fluidity of the national transportation supply chain."

— Final Report of the National Supply Chain Task Force, 2022

Within hours and days, shortages of fuel, critical supplies, and feed for livestock can loom. Quebec Premier François Legault, for instance, warned of seniors freezing in their long-term care facilities and hospitals facing closure due to propane shortages within hours of 2019 labour dispute escalating to a stoppage. Farmers from Alberta and Saskatchewan worried how they would feed their cattle, and farmers across the Prairies were concerned about getting their grain to market. Railway work stoppages can and do quickly lead to supply concerns for chemicals for water treatment, diesel for generators (especially in northern communities), and containers carrying hospital supplies. Health and safety concerns mount quickly — especially when a work stoppage involves the so-called running trades (locomotive conductors and engineers, communications and signal workers, etc.).

Indeed, in these rare instances where large numbers of unionized employees withdraw services, qualified managers and other employees must be able to do the work of maintaining core services, including safe shutdowns and timely, orderly restarts. Long, protracted stoppages test managers' ability to fill gaps. Yet railways need to continue operating in the national interest. A blanket ban on replacement workers would undermine the national interest and affect Canadians' safety and wellbeing.

FIGURE 5: PERSON-DAYS NOT WORKED



Source: Transport Canada, adopted from Employment and Social Development Canada (ESDC) special tabulation

^{6 12} La liberté syndicale : Recueil de décisions et de principes du Comité de la liberté syndicale du Conseil d'administration du BIT, Bulletin officiel, vol LXXII, 1989, série B, no 2, 375, par. 401.

Statistics' Canada's most recent decade trendline data show a marked decline in person-days not worked in all federally regulated transportation sectors, with rail marking a drop from 54,450 days in 2012 to 0 in 2021.

It should be noted that, from 2008 to 2016, the two provinces that had the highest number of person-days lost to work stoppages were Quebec and British Columbia where bans on replacement workers are already in place. (More on these provinces' examples of potential unintended consequences below.)

For the record: As noted on Canada.ca: "there are 2 main exceptions to Quebec's ban. First, it allows employers to use managers who work in the same work location to perform the work of employees who are on strike or lockout." Railways don't hire 'scabs.' They train managers, move them across railway networks, and hold them to same safety and hours of work rules as unionized employees.

Quebec employers are also "allowed to use replacement workers during a strike or lockout if the purpose is to avoid the destruction or serious deterioration of the employer's property." In railway work stoppages, managers must work on physical infrastructure (track, signals, etc.) during strikes to make necessary repairs, preserve safety, and prevent damage to railways. Work stoppages mean railways' ability to operate drops by 40% or more at the outset, and then more so as work/rest rules and other safety implications take effect.

THE VERY THREAT OF A WORK STOPPAGE HAS IMPACTS BEFORE AND AFTER ANY ACTUAL DISRUPTION

As noted above, critical shortages and severe impacts are often felt before or as soon as a work stoppage begins. Businesses, individuals, and the institutions we rely on as a society are all served by railways. Hospitals, pharmacies, grocery stores and more all rely heavily on rail shipments as part of their supply chains. Manufacturers need component parts and finished goods to come and go on schedule to keep production lines running and workers employed. Farmers and agriculture producers need to keep livestock fed and get their harvests to market.

For a trading nation like Canada, the reputational impacts of disruptions to critical supply chains can also be devastating and acute. Railways move half of all Canadian exports and Canada is the number 2 exporting country in the G7. Supply chains are complex systems that are deeply interconnected. Tinkering in one area can throw another completely off balance — for days, weeks or even longer. From loss of efficiency to excess inventory, the effects can linger long after a work stoppage is resolved and all of these impacts are inflationary. In fact, it can take up to a week to fully recover from just one day of disruption. The aftershock of an eight-day strike can last up to two months. Businesses and individuals end up paying the costs.

"Supply chain disruptions have been causing a lot of pressure on the availability and prices of these goods... We are working to enhance the capacity and increase the fluidity of our supply chain to see goods faster and cheaper at our stores."

- Transport Minister Omar Alghabra, October 2022

 $^{15 \}hspace{1.5cm} \underline{\text{https://www.canada.ca/en/employment-social-development/services/labour-relations/replacement-workers/discussion-paper.html} \\$

Any question of railways' importance to the North American economy was most recently put to rest by U.S. lawmakers in December 2022. Facing a crippling railway strike that would have had disastrous consequences on American and Canadian supply chains, and which would have produced layoffs and triggered closures throughout our integrated economies, the U.S. Congress passed legislation that binded railway companies and the unions to a proposed settlement reached two months prior between the negotiating parties. Recent American actions are proof that political leaders there recognize the economic damage a disruption of rail service would cause. They were having none of it. And they likely, reasonably, expect their largest trading partner to also do everything its power not to destabilize labour relations in ways that could lead to disruptions across supply chains and borders. The U.S. having moved in this way; we must keep pace.

PROVINCES THAT HAVE BANS HAVE POORER OUTCOMES

One must only look at provinces where such laws are on the books to see why destabilizing the framework is an unworkable idea federally. Currently, just two Canadian provinces have some form of ban on replacement workers. To be clear: the experiences of both British Columbia and Quebec⁸ should be instructive — a lesson in what **not** to do — if the federal government seeks to avoid massively disruptive and overwhelmingly negative unintended consequences.

Our two largest members, CN and CP, have again been selected as 2023 winners of the Canada's Top 100 Employers competition. In both cases, they score high marks for work environment, training and development, and community involvement. For these reasons, and more — including responsiveness to employee housing needs, as but one example — railway hiring is not more or less challenging than other sectors. It stands to reason that this would not be the case if prospective employees worried unduly about the labour relations environment in which they were entering. If fact, Canada's largest railways are actively recruiting using their top employer status as a selling point.

Statistics Canada data from October 2022 show that 818,000 Canadians work in transportation and warehousing from coast to coast to coast. As reported in the most recent edition of *Rail Trends*, the RAC's annual report on railways in Canada, direct employment in railways increased by 3.0% year over year to 34,318 while railway-supported employment increased to more than 182,000. (These employment statistics take on additional importance in the discussion below about jurisdictions in which anti-replacement worker laws already exist: Quebec and British Columbia.) Collectively, railway workers moved more than \$350 billion worth of goods in 2021, a record, and 50% of Canada's exports. Canada's railways are indeed a backbone of our economy. On those rare occasions where labour action turns into a railway work stoppage, the effects on supply chains and the overall economy are immediate and profound. Every stakeholder who claims to care about supply chains and Canada's economic health should then be laser-focused on preventing and making work stoppages as infrequent and as swiftly resolved as possible. (As we will demonstrate in the following section, this is not accomplished by banning replacement workers.)

So, the question remains — what problem are we trying to solve with such changes to the *Canada Labour Code*? And what can we learn from Canadian jurisdictions where bans on replacement workers are already in place?

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⁸ https://www.donneesquebec.ca/recherche/dataset/liste-des-arrets-de-travail-au-quebec; https://www.travail.gouv.qc.ca/publications/bilans-statistiques-annuels/bilan-des-arrets-de-travail/; https://bdso.gouv.qc.ca/pls/ken/ken2122_navig_niv_2.page_niv2?p_iden_tran=REPERWF8P1C33-197505427000p{NO&p_lang=1&p_id_ss_domn=992}

⁹ https://www150.statcan.gc.ca/n1/daily-quotidien/221222/t003a-eng.htm

^{10 &}lt;u>https://www.railcan.ca/wp-content/uploads/2022/12/RAC-Rail-Trends-2022-EN.pdf</u>

THERE WILL BE UNINTENDED CONSEQUENCES FROM BANNING REPLACEMENT WORKERS

A review of literature on this topic reveals two clear impacts in jurisdictions where replacement worker bans are introduced: there are <u>more strikes</u> and these <u>strikes last longer</u>.

The CD Howe Institute in its seminal report on the topic found additionally such laws reduce investment, wages and employment.¹¹

"While replacement worker bans are popular with unions and might achieve the original goal of reducing picket-line violence (Savage and Butovsky 2009), which we do not measure, these results show that, in the long-term, the effect on wages is negative."

 The Laws of Unintended Consequence: The Effect of Labour Legislation on Wages and Strikes, Benjamin Dachs for the C.D. Howe Institute, 2010.

While noting "only anecdotal evidence" that such bans were successful in their original intent of reducing picket line violence, Dachs, in the above report, found that replacement worker bans actually increased strike incidence by 15% in the provinces where these laws exist and the number of strikes each month by 33%, while increasing the length of strikes by 58.6%.

A 2017 report by the Fraser Institute replicated many earlier findings with respect to the impacts of replacement worker bans on labour relations and workers, and further found negative macroeconomic consequences, saying such bans "can hinder economic performance." ¹²

In the context of railway operations, which are a backbone of Canada's economy, disruption in fact starts before the first day of a work stoppage. It starts with the mere threat of a strike as customers across economic sectors and in all parts of the country action their contingency plans. If a work stoppage occurs, the impacts to the Canadian economy can total in the tens or hundreds of millions of dollars per day. And the impacts to employers and every day Canadians can be widespread and immediate. From the bakery in Mississauga that relies on shipments of flour to a municipality trying to keep its drinking water safe, any interruption in freight railway traffic is felt quickly and very directly. The temporary use of replacement workers can help blunt these impacts.

Similarly, disrupting commuter and passenger railway services is not simply a matter of inconvenience to Canadian travellers. In parts of urban Canada, having qualified managers and other employees step in to ensure commuters and intercity travellers can get where they need to be could make all the difference in getting a health care worker to a hospital shift, a student to an exam, or a single mother to her child's medical appointment. In parts of rural Canada, particularly in some northern communities, passenger rail service is the only means of affordable travel in areas not served by road.

Surely, no policymaker would intentionally increase the number of instances where such anxiety is created, and — given the more intractable nature of work stoppages when replacement worker bans are implemented — this government surely would not want to increase the number of work stoppages harming Canadians and supply chains.

¹² https://www.fraserinstitute.org/sites/default/files/economic-effects-of-banning-temporary-replacement-workers.pdf



¹¹ https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/commentary_304.pdf

APPENDIX A

WHAT VIPS ARE SAYING ABOUT THE VITAL IMPORTANCE OF ENSURING RAILWAY SERVICE CONTINUITY

- "...even the threat of strikes or lockouts negatively affects the operation of the national transportation supply chain and, in turn, Canada's reputation as a destination of choice for doing business. The Minister of Labour should urgently convene a council of experts to develop a new collaborative labour relations paradigm that would reduce the likelihood of strikes, threat of strikes, or lockouts that risk the operation or fluidity of the national transportation supply chain."
- Final Report of the National Supply Chain Task Force, 2022

Selected quotes from Minister O'Regan:

- "when employers and unions work together, we get the best results for Canadians and for our economy."
- https://www.newswire.ca/news-releases/statement-by-the-minister-of-labour-seamus-o-regan-jr--843331930.html
- "Ninety-seven per cent of all collective bargaining disputes under the Labour Code that were referred to the Federal Mediation and Conciliation Service were resolved without a work stoppage. The best deals are certainly done at the table."
- https://openparliament.ca/committees/human-resources/44-1/10/seamus-oregan-9/ only/
- "I think it's incredibly important that we get the balance right. We've got to make sure that we get it right and do it right.
- https://openparliament.ca/committees/human-resources/44-1/10/bob-benzen-1/
- "For natural resources, for agriculture, for manufacturers, railways make the country move, they make the economy move."
- https://www.canada.ca/en/transport-canada/news/2022/09/the-government-of-canada-and-the-canadian-railway-industry-to-provide-rail-assistance-to-ukraine.html

Other notable quotes:

- "Canada's railway network is crucial to our supply chain... "Our supply chains are critical to our economy. I want to thank the workers of CP, CN and other organizations who have done the hard work during the pandemic and during climate events and who were there for Canadians... It is really important that we maintain the fluidity of our supply chain."
- Transport Minister Omar Alghabra, March 2022
- "We are looking at all options... because it is a priority for us to ensure that Canadians have the essential supplies they need."
- Transport Minister Omar Alghabra, November 2021

- "Supply chain disruptions have been causing a lot of pressure on the availability and prices of these goods... We are working to enhance the capacity and increase the fluidity of our supply chain to see goods faster and cheaper at our stores."
- Transport Minister Omar Alghabra, October 2022
- "Our government is committed to ensuring the reliability and the efficacy of our supply chains, which support Canada's economy right across all sectors. Canadians worked together throughout this pandemic to find solutions to our collective challenges, and they expect the same from stakeholders in our national economy. Our government respects and has faith in the collective bargaining process, because we know that the best deals are the ones reached by the parties at the bargaining table."
- Labour Minister Seamus O'Regan, March 2022
- "Every day that goes by, for farmers and manufacturers in this country particularly, is an hour or a day too long and I think that the parties at the table know that... They have an enormous responsibility to Canadians to negotiate an agreement that protects supply chains that Canadians depend on. They are working hard. No one has left the table. Our party believes that the best deals are reached at the table."
- Labour Minister Seamus O'Regan, March 2022
- "I can honestly say, in the last couple of years, we have seen more stress on our supply chain than in the last 25 years, and it has certainly hampered our recovery, of our sector, but of our overall economy... we certainly don't have the slack in our supply chain to be able to deal with yet another major stoppage."
- Dennis Darby, CEO, Canadian Manufacturers and Exporters, March 2022
- "The supply chains are critical and we have to keep goods moving. And this is really a situation where, for the health and safety of Canadians and the economy, we must take this action."
- Former Labour Minister Filomena Tassi, April 2021
- "We believe that mediation, collective bargaining is the right way to do this," ... "We believe this is not only the most probable but also the fastest way to find a solution."
- Former Transport Minister Marc Garneau, November 2019