BARGAINING STRUCTURE IN A DECADE OF ENVIRONMENTAL CHANGE: THE CASE OF THE B.C. FOREST PRODUCTS INDUSTRY

by

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THE UNIVERSITY OF BRITISH COLUMBIA

December 1989

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Date January 3, 1990
The forest products industry is a major part of British Columbia's economy, employing directly or indirectly about twenty percent of the province's workforce, and accounting for a significant percentage of the province's exports and government revenues. Historically, the industry has been characterized by highly centralized bargaining structures and formal pattern bargaining between the two regions, the Interior and the Coast, and between the two main industry sectors, pulp and paper and solid wood. Recent environmental changes however, have put considerable pressure on the current system. Because of these changes employers now desire less centralized structures and more local control over terms of the collective agreement.

Pressures for decentralization have resulted from a combination of world wide trends and industry specific changes. The globalization of markets, increased volatility of currency exchange rates, and the increasing rate of technological change are examples of the former. Industry specific changes include the diversification of products and markets between regions and firms, and two major labour disputes in the 1980s.

These changes however, have had little effect upon bargaining in the forest products industry. Some changes have occurred, but to date they have not been significant. Employers in the province's pulp and paper sector deaccredited
their employer bargaining association in March 1985. Despite this change, bargaining in the last two rounds has been done jointly, as it has been done for the past four decades. The second change noted is the severing of ties between the Pulp Bureau and FIR, the Coastal solid wood employer association. Previously overseen by a common Chairman, these two bodies are now run independently to encourage the separation of bargaining outcomes in the two sectors. The final change of note is the role reversal between the pulp unions and the IWA. For many years it was the IWA who negotiated what would become the industry wide settlement. In the last two rounds of negotiations, however, the pulp unions have settled first.

Despite what appear to be significant environmental changes, there has been relatively little change in bargaining in this industry. Clearly there are forces in the industry's industrial relations system that are preserving the status quo. Several organizational forces and one environmental force are identified which are preventing change in industry bargaining structures. Organizational forces include third party pressures (specifically threats of government intervention), industry tradition and past practice, and the unions' ability to resist unilateral changes in bargaining. The environmental force preventing employers from forcing change in industry bargaining structure is the economic health of product markets in the two sectors. Not until the pressures for change are great enough to overcome these inertial organizational forces will significant change occur.
in the bargaining structure and patterns of the B.C. forest products industry.
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Finally I would like to thank Tony Frost, my husband, for his tireless proof reading and his moral support throughout the months of this project.
CHAPTER ONE: INTRODUCTION

I. Bargaining Structure in British Columbia

The economy of British Columbia is resource based: forestry, mining, and fishing are the economic backbone of the province. These industries have traditionally provided jobs for thousands of British Columbians; dirty, dangerous jobs located in remote, isolated areas. Similar working conditions bred militant unions in Great Britain and many who came from there to British Columbia brought with them not only their skilled labour but also their militant union traditions. The working conditions in the mines and logging camps provided the labour movement with an environment in which a brand of militant and often radical unionism flourished.

Despite a more diversified economy today, the legacy of union militancy continues and has spilled over into many other occupational sectors in B.C.. This ideological perspective along with a high rate of per capita union membership (the second highest in the country at 40% (Kumar 1986)) has meant that labour-management conflict is widely felt. As a consequence, British Columbia's labour legislation has been viewed as some of the most progressive and innovative in finding ways to deal with these turbulent labour-management relations. The legal ability of employer bargaining associations to accredit and the
encouragement by Labour Boards for employers to do so is one such response.

During the 1940s and 1950s the labour movement in British Columbia grew to be one of the most powerful in North America. Wages and working conditions in B.C. were pushed to the highest levels in Canada (Weiler 1980). The strength of the union movement caused the employer community to bind together in employer associations in order to present a strong, united front to combat union power. Associations in the forest, pulp and paper, construction, and fishing industries have their roots in this period.

The 1960s and early 1970s continued to be filled with great turbulence and labour unrest. In 1972 alone, with a workforce of just under one million, two and a half million person days were lost to strikes (Weiler 1980). Waves of successive strikes rocked the province. Whole sectors of the economy were shut down for weeks at a time as strikes at a single location caused other employers to lock out their employees in retaliation (Weiler 1980).

Recognizing this pattern as wholly destructive, policy makers in B.C. saw the need for legislative change. In 1973 new labour legislation was created in the form of the *British Columbia Labour Code*. The creators of the new *Labour Code* saw broad based bargaining as the key to labour peace in British Columbia. Sections 57 and 59 encouraged the formation of councils of trade unions and accredited employer associations. The *Labour Code* did not first enact accreditation legislation.
That had been done in 1970 and a handful of employer organizations had become accredited. However, the makers of the Labour Code and those who sat on the Labour Relations Board early in the life of the new Code encouraged the wide scale accreditation of employer bargaining associations and the formation of councils of trade unions.

Since 1973, B.C. has witnessed an unprecedented centralization of bargaining structures. Bargaining in B.C. is nearly twice as centralized as the Canadian average with one half of the province's bargaining units of 200 or more employees in multi-employer units (Rogow 1989) (See Table I).

[insert Table I about here]

As seen in Table II, there are in B.C. today approximately thirty employer associations, both voluntary and formally accredited, bargaining on behalf of their members. These associations are in both public and private sectors and represent both small and large employers in all geographic regions and industries of the province. In addition to negotiating, many provide additional industrial relations services for their members, including the provision of information for use in the preparation of bargaining demands, counselling on the advisability of pursuing a given grievance to arbitration, legal assistance to do so, and the administration of pension and benefit plans.

[insert Table II about here]
Table I
B.C. Bargaining Structure

<table>
<thead>
<tr>
<th>Year</th>
<th>Single Employer</th>
<th>Multi Employer</th>
<th>Single Employer</th>
<th>Multi Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>37.7</td>
<td>62.4</td>
<td>69.9</td>
<td>30.1</td>
</tr>
<tr>
<td>1974</td>
<td>42.6</td>
<td>57.3</td>
<td>75.4</td>
<td>24.6</td>
</tr>
<tr>
<td>1975</td>
<td>48.5</td>
<td>51.5</td>
<td>79.4</td>
<td>20.6</td>
</tr>
<tr>
<td>1976</td>
<td>45.6</td>
<td>54.5</td>
<td>78.1</td>
<td>21.9</td>
</tr>
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<td>1977</td>
<td>52.1</td>
<td>47.8</td>
<td>77.1</td>
<td>22.9</td>
</tr>
<tr>
<td>1978</td>
<td>43.0</td>
<td>57.1</td>
<td>76.1</td>
<td>23.9</td>
</tr>
<tr>
<td>1979</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>1980</td>
<td>48.3</td>
<td>51.7</td>
<td>76.3</td>
<td>23.7</td>
</tr>
<tr>
<td>1981</td>
<td>45.2</td>
<td>54.8</td>
<td>72.8</td>
<td>27.2</td>
</tr>
<tr>
<td>1982</td>
<td>53.0</td>
<td>47.0</td>
<td>75.5</td>
<td>24.5</td>
</tr>
<tr>
<td>1983</td>
<td>*</td>
<td>*</td>
<td>*</td>
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<td>1984</td>
<td>49.8</td>
<td>50.2</td>
<td>76.3</td>
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<td>1985</td>
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<td>1986</td>
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<td>44.7</td>
<td>79.5</td>
<td>20.5</td>
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<tr>
<td>1987</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
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<tr>
<td>1988</td>
<td>50.3</td>
<td>49.7</td>
<td>73.3</td>
<td>26.7</td>
</tr>
</tbody>
</table>

* Data not available for these years

Source: Ministry of Labour, Province of British Columbia, *Negotiated Working Conditions* (various years).
Table II
Current Employer Associations

Accredited Associations                      Date of Accreditation

B.C. School Trustees:
  Okanagan                                    16 Mar 1971
  West Kootenay                                29 Jun 1971
  Coast Range Five                            3 Aug 1975
Greater Victoria Labour Relations Association 8 Nov 1976
Forest Industrial Relations Ltd              16 Jun 1970
Fraser Valley Labour Relations Association    14 Apr 1983
Health Labour Relations Association           21 Aug 1975
Interior Loggers Association                  25 Oct 1972
Metal Industries of B.C.
  Sales and Service                           Sep 1973
  Metal Manufacturing                         Mar 1973
Mid Island Public Employers Association       30 Oct 1975
Okanagan Federated Shippers Association       4 May 1981
Okanagan Mainline Municipal Labour Relations Association 3 May 1972
Refrigeration and Air Conditioning Contractors' Association of B.C. 13 Jan 1988
Vancouver Sheet Metal Contractors' Association 25 Apr 1988
Western Commercial Dental Laboratories        19 Jun 1980

Voluntary Associations                      Year of Formation

B.C. Lithographers' Assoc.                   1974
B.C. Maritime Employers' Assoc.              1974
Fish Processors' Bargaining Assoc.            1985
Greater Vancouver Regional District Labour Relations Department 1976
Interior Forest Labour Relation Association   1974
Kootenay Boundary Labour Relations Association 1979
CONIFER (Council on Northern Interior Forest Employment Relations) 1975
Continuing Care Employee Relations Association 1985
Council of Marine Carriers                    1974
Waterfront Foremen Employers' Association    1977


II. Changes in Bargaining Structure

However, the environment that once made this type of bargaining attractive has, it seems, disappeared in the 1980s.
The 1980s have been a decade of great change: technological advancements continue at what appears to be an increasing rate; both foreign and domestic competition have increased; export markets are increasingly volatile; and legislative changes have reflected the values of a more conservative government. All these changes have affected the industrial relations climate of British Columbia.

As a result of these pressures on the industrial relations system, changes in the formality of several employer associations in British Columbia have occurred in the last decade. Since 1984, as shown in Table III, five employer associations have chosen to deaccredit and to operate as voluntary organizations. Until 1988, only seven employer associations had ever deaccredited and of those seven, five had automatically ceased to exist. Since 1988, a total of ten have deaccredited and five remain as voluntary associations.
Table III
Deaccredited Employer Bargaining Associations

<table>
<thead>
<tr>
<th>Disbanded Associations</th>
<th>Date of Accreditation</th>
<th>Date of Deaccreditation</th>
</tr>
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<tr>
<td>Aluminium Window Employers' Labour Relations Association</td>
<td>30 May 1979</td>
<td>12 May 1986</td>
</tr>
<tr>
<td>Automobile Dealers Association; Victoria</td>
<td>26 Jan 1976</td>
<td>3 Mar 1987</td>
</tr>
<tr>
<td>B.C. Wholesale Drug Association</td>
<td>23 Feb 1971</td>
<td>9 Apr 1974</td>
</tr>
<tr>
<td>Association of Canadian Security Services</td>
<td>20 Jun 1973</td>
<td>4 Nov 1987</td>
</tr>
<tr>
<td>Pacific Drywall Dealers</td>
<td>13 Nov 1975</td>
<td>28 May 1986</td>
</tr>
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</table>

<table>
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<tr>
<th>Assumed Voluntary Status</th>
<th>Date of Accreditation</th>
<th>Date of Deaccreditation</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.C. Hotels Association</td>
<td>26 May 1971</td>
<td>8 Oct 1988</td>
</tr>
<tr>
<td>B.C. Road Builders</td>
<td>23 Jun 1970</td>
<td>18 Jan 1988</td>
</tr>
<tr>
<td>Construction Labour Relations Association</td>
<td>14 Jul 1970</td>
<td>22 Jan 1988</td>
</tr>
<tr>
<td>Pulp and Paper Industrial Relations Bureau</td>
<td>7 Jul 1970</td>
<td>8 Mar 1985</td>
</tr>
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III. The Purpose of this Research and its Methodology

The purpose of this research is to determine the effects of environmental forces on the structure of collective bargaining in B.C.'s forest products industry.

Historically, the majority of employers in B.C.'s forest products industry (and all pulp and paper employers) have been represented at the bargaining table by one of four employer associations. A handful of employers in this industry have chosen to bargain on their own. However, as in other industries, the 1980s have brought increasing environmental pressures to bear; from increased foreign competition, exposure to currency fluctuations on world commodity markets, the threat of trade barriers, technological change, and, in the early part of the decade, the worst recession since the Great Depression of the 1930s.

This research seeks to identify those forces which could be expected to change the preferences of the parties for certain bargaining structures. A secondary objective is to identify the factors responsible for change in bargaining structure or, conversely, to identify those factors responsible for the preservation of the status quo despite the force of these environmental pressures. Those forces responsible for such changes or those forces which have prevented such changes will be explored in more detail.

To accomplish this a number of avenues are explored. The traditional structure of bargaining in B.C's forest products
industry is described and compared to the structure in which negotiations are undertaken today. The industry itself is also examined. How has the industry changed - in terms of product markets, foreign competition, industrial concentration? What have been the effects of recent changes to labour legislation? How have the bitter, drawn out labour disputes of the mid-1980s affected the parties and their bargaining relationships? How satisfied have the parties been with the negotiated outcomes?

This research uses a systems approach to analyse the industrial relations environment of British Columbia's forestry industry. John Dunlop first presented this theoretical framework in his 1958 book entitled *Industrial Relations Systems*. Collective bargaining takes place in an industrial relations framework which is influenced by the external environment (Sethi and Dimmock 1989). The three parties (or actors, as Dunlop termed them) determining collective bargaining outcomes are government, employees and their unions, and employers and their associations (Anderson, Gunderson, and Ponak 1989). The behaviour of the parties is influenced by the economic, market, technological, and competitive environments as well as by organizational factors such as the legal context, history and past practice among the parties, and the pressures put on the actors by third parties.

Much of the information presented in this thesis was gathered through both telephone and personal interviews with the representatives of the three unions and the three employer associations studied. Pre-approach letters were sent in early
July 1989 and all six interviews sought were granted. Personal interviews were conducted at the respondents' offices between July 14 and August 2, 1989 and generally lasted between one and a half and two hours. One interview was done by telephone because of the distance separating Prince George from Vancouver, where the rest of the research was undertaken. This interview was also conducted during business hours and required roughly the same amount of time.

The interviews followed a semi-structured format. Separate questions were prepared for the union and employer association representatives. Many of the questions designed for the two parties however, addressed the same issues although obviously from different perspectives. Personal interviews were tape recorded and interview notes were taken. Later use of the tapes was made to verify notes and fill in details.

During these interviews other written materials were received which have also been used in this research. For example, a copy of the most recent PPWC/PPIRB collective agreement was received from the PPWC representative, a copy of the MacKenzie Report (1988) from the president of FIR, and unpublished pulp and paper sector strike data from the president of the Pulp Bureau.

Background and historical information about bargaining in the B.C. forest products industry was gathered from a combination of government publications, statistical sources, forest product industry trade journals, and newspaper files.
IV. Research Format

Three employer associations representing employers in each of the three sectors of the forest products industry (logging, sawmilling, and pulp and paper) are studied: Council on Northern Interior Forest Employment Relations (CONIFER), Forest Industrial Relations Ltd. (FIR), and the Pulp and Paper Industrial Relations Bureau (PPIRB). CONIFER represents lumber producers and a handful of unionized logging employers and has been a voluntary association (like its predecessor North Cariboo Forest Labour Relations formed in the early 1950s) since its formation in 1975. FIR, the Coastal representative of logging and sawmilling employers, was established in 1942 as R.V. Research Ltd., a voluntary association. It took its present name in 1949 and became a formally accredited association on June 16, 1970. PPIRB, representing the province's pulp and newsprint producers, was begun on an informal basis in 1946 and became an accredited association on July 7, 1970. It has, however, returned to voluntary status, having deaccredited in March 1985.

These three associations and the independent employers in the industry provide a wide spectrum of employer bargaining structures. By observing the behaviour of these associations and their independent counterparts, any change in bargaining structure, whether towards more centralized or more decentralized structures, can be identified.

The thesis is organized in the following way. Chapter Two reviews the literature on the theoretical determinants of bargaining structure. It also presents the findings of several
studies, both statistical analyses and case studies, that seek to identify the determinants of bargaining structure in various industries. Chapter Three outlines the environmental and organizational pressures on the industrial relations system in the B.C. forest products industry. The economic, competitive, political, and legal environments are each discussed in turn. The fourth chapter describes the actors in the system, outlines their interrelationships and describes bargaining structure in the forest products industry in the past. Chapter Five describes the pressures since 1980 put upon the forest products industry of British Columbia and the impact these have had on the industrial relations in general and, more specifically, on bargaining structure in this sector. Chapter Six seeks to explain the reasons for the observed changes in bargaining structure in this industry and to explain why changes in bargaining structure have not been as radical as traditional theory would have predicted. The final chapter presents recommendations for future research in this area.
CHAPTER TWO: LITERATURE REVIEW

I. Introduction

The purpose of this chapter is to review the literature on the determinants of bargaining structure. In order to understand the advantages and disadvantages associated with various types of bargaining structures, the relationship between both environmental and organizational factors, bargaining structure, and power must first be understood. To do so, this chapter begins by defining bargaining structure and outlining its role in industrial relations theory. Next, the various forms of bargaining structure are reviewed. The third section of this chapter discusses the theoretical determinants of bargaining structure and the effects of bargaining structure upon the balance of power between the parties. The chapter concludes by presenting empirical evidence from both statistical analyses of the determinants of bargaining structure and from case studies describing the bargaining structures of several industries in British Columbia.

A. Bargaining Structure Defined

Defining bargaining structure at the simplest level answers the question "who bargains with whom?", which employers with which unions (Rogow 1989)? A more interesting question, however, is "why?" - what causes the formation of more centralized or
decentralized structures? This question is more difficult to answer.

Weber (1967: 13) states that the purpose of bargaining structure is to "accommodate the goals of specific employee and employer groups while preserving the essential power relationships in the bargaining process". Weber's statement identifies the importance of bargaining structure to the process of collective bargaining. Bargaining structure is about power: how to gain, maintain, and increase one's power in relation to one's adversary.

Bargaining structure fits into the theoretical framework of industrial relations as an intervening or mediating variable between the environment and specific bargaining processes or outcomes (Kochan and Katz 1988). Kochan states that bargaining structure is a variable which can be manipulated by the negotiating parties in order to reach the outcomes each prefers. These preferences are influenced, but not wholly determined by, environmental (economic, technological, and competitive) factors. The parties' ability to achieve their objectives will in part be determined by organizational (social, historical, and legal) factors (Bairstow 1979).

Each party will wish to maximize its own bargaining power while minimizing the other side's. Environmental factors will affect each party's objectives in negotiations while organizational factors will place constraints on each party's ability to realize its goals. For example, forces in the environment that weaken a party's position may lead it to desire
a different bargaining structure in order to regain the power necessary to get what it needs at the bargaining table. Increased foreign competition in the employer's product market may cause the employer to join an employer's association in order to bring an end to union whipsawing. However, organizational factors may either increase or decrease the effectiveness of that choice. Legislation or third party pressure, for example, may render an attempt to decentralize bargaining useless.

Bargaining structure, as it changes the balance of power, will in turn influence the outcomes of collective bargaining and will affect the nature of the relationship between the two parties. Parties within the same industry, facing identical environmental factors can have very different bargaining outcomes by choosing different structures to meet their goals and objectives. The relationship between environmental factors, organizational factors, bargaining structure and outcomes of negotiations is shown in Figure 1.

[insert Figure 1 about here]
Figure 1
Bargaining Structure and the Collective Bargaining System

Legislative Context
Economic Context
Technology
Power Context

Organizational Characteristics
Union Structure
Collective Bargaining Structure
Management Structure

Negotiation Process
Bargaining Outcomes
Labour Management Relationship
Industrial Conflict
Macroeconomic Performance

B. Types of Bargaining Structures

Bargaining structures can be classified most broadly as either formal or informal. The formality depends upon the degree to which the parties on either side (employers or unions) are bound together in negotiating new agreements and the degree to which each must accept the contract terms that the group negotiates.

Informal bargaining structures are simply negotiations that are related in outcome (Rogow 1989). These structures may range from the almost formal relationship of pattern bargaining in which the pattern-setting agreement is always imitated in the pattern-following negotiations, to the most temporary of agreements in which one party seeks to win a bargaining outcome based upon one recently won by a reference group (Rogow 1989). Informal bargaining structures are often more attractive to the parties involved than formal ones because of their flexibility. In the event that the economic, organizational, or political climate changes, the participants are not compelled to remain in the relationship (Rogow 1989).

In contrast to informal structures, formal structures are "less voluntary, more difficult to leave, more difficult to change," and "more regulated by law" (Rogow 1989: 136). The major advantage associated with formal bargaining structures is that the parties are bound, often legally, to remain in the group covered by the agreement. This ensures the stability of these associations, that weaker unions or employers do not break away
to sign a separate agreement which the union or employer can then use to whipsaw the rest of the group (Rogow 1989).

Formal structures can be classified on three dimensions: the number of employers, establishments, and unions involved. Bargaining structures can be single or multi-employer. Multi-employer negotiations can be industry wide, local area wide (e.g. provincial or municipal), comprised of small employers only, large employers only, a mixture of both large and small employers, or any combination of the above.

Bargaining structures can also be defined as either single or multi-establishment. Single-establishment bargaining usually involves only a single employer but can also be undertaken by an employer who has more than one establishment but, for whatever reason, chooses to bargain on a plant by plant basis. Multi-establishment bargaining involves either a single employer or a number of different employers.

The final dimension used to define bargaining structure is the number of unions involved in each round of negotiations: either a single union or a multi-union association. However, single-union structures are the norm because the costs of intraorganizational bargaining which are associated with multi-union structures often exceed the benefits the participants receive.

The pairing of single or multi-union structures with the dimensions discussed earlier leads to six basic bargaining structure configurations:

Single establishment - Single union
II. Theoretical Determinants of Bargaining Structure

A. The Issue of Power

Perhaps the most important consideration in the establishment of a bargaining structure is the power advantage it will give to either one of the parties. Weber states that "each party will seek to devise a structure that will maximize its capacity for inflicting real or expected costs on the other party in the course of the bargaining process" (1967: 20). Livernash (1963), defines power in labour negotiations more explicitly as the ability and willingness of each party to withstand a strike, and further states that bargaining structure is an important determinant of that power.

B. Environmental Determinants of Bargaining Structure

Just as bargaining structure can, in part, determine the parties' relative bargaining power, environmental and organizational factors interact to determine the parties' desired bargaining structure. Conversely, these factors can also act as constraints on the achievement of the parties' desired structures. Environmental factors, however, impact the two
parties in different ways. In this section the effects of various environmental factors will be studied from the perspective of the union and the employer, including both the single employer and the employer bargaining in an association.

1. Union Considerations

Unions are political organizations. Levinson (1966) classifies political variables as ancillary rather than primary determinants of bargaining structure. Political variables, such as union rivalry or the search for added prestige, provide the motivation for union leaders to seek large wage and fringe benefit increases. In order to do so, the union needs to maximize its bargaining power and requires the bargaining structure that allows it to do so. Without being able to achieve this, the union is often unable to win the outcomes it prefers. However, Levinson also points out that the union, even with a favourable power position, may not achieve settlements out of the normal range when these political motivations are absent.

Characteristics of the product and labour markets will in part determine the bargaining structure the union prefers. Unions generally look for bargaining structures that encompass the market within their jurisdiction (Weber 1967).

Levinson (1966) states that the union's power is greatest when it can prevent new industry entrants from operating outside the union's jurisdiction. Industries having high concentration ratios usually have prohibitive barriers to entry so that the union, once established in the firms in the industry, need not
concern itself with further organizing. These situations tend to involve multi-employer structures. There is an additional advantage to the union in maintaining a multi-employer bargaining structure. When all competitors in a market are involved, the cost of a concession that all employers make is reduced when compared to the option of all competitors taking a strike where there is the threat of one eventually breaking away to settle before the others.

The union is also able to maintain control of a more competitive industry where there are very low barriers to entry if the industry is geographically concentrated (Levinson 1966). If the union can achieve a high level of organizational strength in that area, it can prevent the undermining effects of nonunion competitors despite the ease of entry into that market. Levinson cites the over-the-road trucking industry as one which is highly competitive but which has traditionally been organized by a strong union because all competitors must be located in one of a few major hub cities. These situations generally involve more decentralized structures (Weber 1967).

2. Employer Considerations

An employer's bargaining power is determined by its ability to withstand a strike mounted by the union (Livernash 1963). Livernash points out that employers generally do not win the short strike and therefore must be prepared, if they decide to take a strike, to outlast the union. Employers therefore, will
seek the bargaining structure that best enables them to win a long strike.

Employers will choose to conduct negotiations on a plant by plant basis if they have a large number of plants, widely dispersed, producing on a nonintegrated basis, which are represented by several different unions whose contracts all have different expiry dates (Livernash 1963). In these circumstances an employer's power is maximized by decentralized bargaining. However, if the employer is small, in a poor cash or inventory position, and faces a large national industrial union, the firm is better off to centralize its negotiations at the corporate level or to join an employer bargaining association.

3. Considerations of Employer Associations

The similarity of the goals and objectives of the employers involved in an employer's association will determine the group's bargaining power. To form a common front means relinquishing individual and/or small group goals. The trade off between fulfilling group as opposed to individual goals will continue as long as the gains received outweigh the losses incurred (Weber 1967). Generally, the more homogeneous the group's make-up in terms of size, region, the unions with which members negotiate, methods of production, market share, and profitability, the more highly centralized bargaining can become before the costs to individuals become prohibitive.

The formation of an employer bargaining association has two effects on collective bargaining. An employer association will
alter the costs and consequences of a strike to the employers and the union. It will also change the willingness of the employers to make concessions. Their willingness to concede certain issues will depend upon the relation of bargaining structure to the product market. If all members are willing to make the concession and if the added costs associated with it do not decrease sales volume, then the association will be more likely to make concessions than any employer individually. However, if these conditions are not met, and to make the concession would harm the profitability of the member firms, then an association is in a much stronger position to present a united front to the union and take a strike if necessary.

The degree of competition in the product market can also have an effect on the employer's bargaining power as well as upon the union's as was discussed above. Employers in a more concentrated industry will be able to withstand strike pressure better than employers in a competitive industry, given that they face the same degree of union power (Levinson 1966). Employers in more concentrated industries are generally larger, financially stronger, and because there are fewer of them, it is easier for them to coordinate their bargaining policies. A more competitive product market often contains smaller firms unable to withstand the pressure of a strike and firms will break away to settle separately with the union. Those settling first have the added incentive of capturing some of their competitors' market share while they remain on strike.
C. Organizational Determinants of Bargaining Structure

The organizational determinants of bargaining structure are more qualitative in nature. Despite being more subtle and less easily identifiable and measurable, the impact of these variables on the structure of collective bargaining can be significant. Organizational variables may include the laws regulating the actors' behaviour, the institutional forces to preserve conditions as they are or to change them, and the reluctance of the parties to institute change despite changes in the external environment (Bairstow 1979).

1. Legislative Context

One of the more easily identifiable organizational factors is the legislation regulating collective bargaining in a given jurisdiction. Legislation can be used as a policy tool to correct the power imbalances that have developed in a collective bargaining relationship and certain bargaining structures may be imposed on the parties by law.

Labour boards in North America tend to designate the appropriate bargaining unit as one in which a single union bargains with a single employer at a single establishment. This is intended to facilitate the spread of collective bargaining, making it easier for a union to win a recognition election and secure a first contract. However, this structure is resistant to change and tends to endure past the formative stage of the bargaining relationship (Weiler 1980). In an attempt to encourage more centralized bargaining where it would be
beneficial, the legislative environment in some areas provides for the accreditation of employer associations and trade union councils for the purpose of more centralized bargaining (Weiler 1980).

2. History and Past Practice

Despite environmental changes, history and past practices may continue to influence the structure of bargaining in an industry. The tradition of pattern bargaining often continues even after the environment has changed significantly since the pattern was first established and when it in fact would be advantageous to bargain differently. In other cases the benefits of centralized bargaining, such as the administrative ease in negotiating only one agreement to cover many companies in an industry, assume paramount importance and are difficult to change. Centralized structures also tend to persist in situations where the union has achieved parity among members of various locals and is loath to destroy this equity despite the possibility that some locals could achieve better settlements on their own.

3. Attitudes of the Parties

The attitudes or philosophies of the parties are also important determinants of bargaining structure. In order for multi-employer structures to be successful, the employers involved must be prepared to put the interests of the group ahead of their individual preferences. In some circumstances, such an
attitude runs counter to the entrepreneurial spirit of employers who do not wish to be restricted in any way from optimizing their individual outcomes. Broad based bargaining also requires certain attitudes from the union or unions involved to be successful. Union rivalry can discourage the formation of broad based bargaining structures. Conversely, if wage and benefit parity is a priority for the union or unions involved then they will put pressure on the employers in an industry to bargain centrally for a master agreement.

4. Interests of Third Parties

Collective bargaining affects more than just the two parties involved. When labour disputes occur third parties including suppliers, buyers, and the general public can all be affected. Depending upon their influence and power, these third parties can often significantly affect the structure of collective bargaining through pressure on the government to pass legislation regulating bargaining and by economic pressure put directly upon the offending union, employer, or employers.

III. Empirical Evidence

A. Statistical Analyses

Two studies have tested the ability of the theoretical determinants outlined above to correctly predict bargaining structures. These studies have used environmental factors as predictors of bargaining structure because of their quantifiable nature. Organizational factors are often difficult both to
determine and to quantify for use in statistical analyses. In both studies the environmental factors described above had, for the most part, the expected effects on the bargaining structures examined. The findings of these two studies, one by Hendricks and Kahn (1982) done in the U.S., the other by Deaton and Beaumont (1980) working with British data, are summarized below.

Both sets of researchers worked in two separate steps. They first tried to identify the factors that determined whether a given contract was multi- or single-employer, and second, given that a contract was single-employer, the factors which made it more likely to encompass more than one establishment. Both teams found similar factors to be significant predictors of single-employer structures: large plant size and high industrial concentration. Further, Deaton and Beaumont found that the major determinants for multi-employer bargaining structures were low industrial concentration, low product market dispersion, small plant size, high union density, and multi-unionism. Deaton and Beaumont (1980) also found that single-employer structures often resulted from foreign ownership and the presence of local IR specialists.

Hendricks and Kahn (1982), unlike Deaton and Beaumont before them, were successful in determining the probability that a contract, given that it was single-employer, was either single or multi-establishment. Large plant size and high industrial concentration, as well as indicating a single employer structure, also increased the probability that a contract would be multi-establishment given that it was single-employer. This
probability was further increased if the labour intensity of the company's business was high. However, contrary to the findings of Deaton and Beaumont, union rivalry at any location tended to decentralize bargaining to the single-establishment level. In North America, unlike in Great Britain, multi-unionism can be a sign of union weakness and can therefore lead to decentralized bargaining structures, while in Great Britain union rivalry tends to be a sign of union strength and contributes to centralized structures (Hendricks and Kahn 1982).

Empirical work like the kind described above has not been done to isolate and identify the determinants of bargaining structure in British Columbia. Instead of empirical studies, a number of case studies have been done on bargaining structure in various industries in British Columbia. In these case studies, the variables affecting a particular industry are examined in order to understand how they impact or determine that particular bargaining structure. Case studies, because they are descriptive rather than quantitative in nature, allow the researcher insight into the organizational forces at work in a particular bargaining relationship. Therefore, although these studies tend to be less generalizable than their statistical counterparts, they do provide the reader with an understanding of the way that organizational forces inhibit or encourage the selection of certain bargaining structures by the parties in a way that statistical analyses do not allow.

This section reviews three of these case studies which examine, respectively, municipal bargaining in the Okanagan,
construction labour relations throughout the province, and the determinants of bargaining structure in the Coast lumber industry. This section concludes by highlighting the factors and special circumstances which are responsible for the highly centralized multi-employer bargaining structures found in British Columbia.

B. British Columbia Case Studies

1. Okanagan Municipal Employers

Late in 1967, the Canadian Union of Public Employees, which represented thirteen municipalities in the Okanagan-Mainline region of the province, indicated its intention to commence bargaining on an area wide basis (McKelvey 1970). The union hoped to establish parity among the thirteen municipalities through centralized bargaining. Although the employers were not originally in favour of this method of contract negotiation, they reluctantly agreed.

However, the union and the employer bargaining committee could not agree upon the method by which parity for the employees of the thirteen municipalities would be established. The employers were willing to base municipal wage rates upon those earned by employees doing the same work locally in the private sector. The union, on the other hand, wished to establish parity on an item by item basis, taking the best clauses from each of the thirteen contracts to form a "super contract" which would then be the master agreement applied to all municipal employees in the thirteen municipalities (McKelvey 1970).
The employers refused this demand and set about to conduct a wage and salary study of private sector employees in their respective areas. However, the union was adamant in its demand. Eventually, the two parties became deadlocked and the three largest municipalities were struck by their CUPE locals.

After a protracted strike, the union approached each municipality separately to resume bargaining on an individual basis. The employers refused and in the end the union lost, concluding negotiations with the same contracts with which each local had started. The only changes made were to wage rates which were to be increased by 7% in the first year and 8% the following year. Thus, no type of parity was achieved, not with other municipal employees nor with private sector employees in the local area. However, the agreement was concluded on an area wide basis. The Okanagan-Mainline employers were now convinced of the benefits of multi-employer bargaining. Despite the long strike the agreement had finally been settled without union whipsawing and on the employers' terms. In 1972 the employers association for Okanagan-Mainline municipal employers was formally accredited and it still bargains on behalf of its members today.

2. The B.C. Construction Industry

The construction industry in B.C. had been represented by several employer associations (at one time as many as twenty-four), before the Construction Labour Relations Association was formed 1970 (Rose 1976). These previous associations had been
mixed associations which had provided both union and non-union employers a wide variety of services including education, training, and lobbying (Rose 1976). However, they had failed dismally in undertaking multi-employer bargaining. These associations could not prevent construction customers pressuring individual contractors to leave the association and conclude a separate agreement, thus being able to complete the customer's project with as little delay as possible. As the association had no control over individual members, the result was union whipsawing and, as a consequence, ever upward spiralling construction costs.

The centralization of bargaining was made even more difficult by the fragmentation of both employers and unions. Employers were fragmented both geographically and between general and trade contractors. On the other side of the table were myriad unions, each one representing a single local of a single craft.

In 1968 a particularly disastrous round of negotiations occurred when the association, attempting to hold wage increases to the 6% advocated by the federal government guidelines, ended up being forced to grant increases ranging from 18.5 to 38 percent. In the wake of this outcome, realizing that B.C. construction costs were becoming unrealistic and were discouraging further investment in the province, the Employers' Council of B.C. began a study to examine ways of improving negotiations in the industry (Rose 1976). The Council's findings pointed out the advantages a formally accredited association
could provide employers. As a result of the project's findings, the Council requested that the provincial government enact accreditation legislation.

Before such legislation could be passed, the Employers' Council of British Columbia and the labour relations committee of the then current employers' association, ACA, set about to form a new employers' association that would be dedicated entirely to labour relations. In 1970 the Construction Labour Relations Association (CLRA) was formed. Membership in CLRA was open to any contractor willing to assign its bargaining rights to the association. The Employers' Council assumed an active role in encouraging contractors to join and, in addition, published guidelines on how purchasers of construction could support CLRA members during negotiations. Purchasers of construction were asked not to pressure contractors to break with the association to sign a separate agreement but instead to remain united to conclude the agreement.

The association went through several rounds of turbulent negotiations before all CLRA members had joined. Then, in 1977, negotiations were completed for the first time without a work stoppage and the Construction Labour Relations Association finally could be considered a successful venture.

3. The Coast Lumber Industry

In contrast to the above mentioned employer associations, which were formed in the past twenty years, employers in the Coast lumber industry have had multi-employer bargaining on a
regional scale since the 1940s. Multi-employer bargaining commenced in the forest industry after the unionization of the majority of the employees of the dominant forest companies prior to and during the Second World War. Employers, concerned about the shift in the balance of power, reacted by forming R.V. Stuart Research Ltd. to undertake negotiations on their behalf.

The impetus to form an employers' association was mainly a result of the strength of the union, the International Woodworkers of America and the threat it posed to the employers' power (Saunders 1979). The IWA has been characterized by a militant history and by radical leadership. The industrial relations climate of the Coast lumber industry has been marked by an inordinately high degree of labour unrest. Several long strikes and hundreds of much smaller wildcat strikes have plagued the industry since the 1940s.

The success of the employer association, now called Forest Industrial Relations, has been the result of organizational factors. The Coast lumber industry is dominated by relatively few employers and has been so since the 1940s and 1950s. These few employers, notably the CEO's of the top handful of firms, have been committed to association bargaining as a way of counteracting union power (Saunders 1979). These employers are able to coordinate their actions relatively easily because there are relatively few of them and they share similar views and values. They then in turn have the power in the industry to influence and support the many small employers who make up the balance of the industry. Thus, unlike the construction industry
where there are hundreds of employers (over 800 at the time CLRA was first formed), each wanting to do what is best for themselves without a strong sense of the common good, the Coast lumber employers have found it much easier to coordinate bargaining demands and to present a common front during strikes or when locking out their employees.

4. Conclusions From the Case Studies

Environmental factors alone do not account for the high degree of broad based bargaining found in British Columbia. However, a number of organizational forces identified in the above case studies help to explain the extent of broad based bargaining found in this province.

Saunders (1979) argues that rather than environmental factors being the sole determinants of bargaining structure in B.C. that organizational factors have had a large impact in shaping bargaining structures there. The evidence from these three case studies supports this argument. In all three cases outlined above, in addition to the environmental factors which encouraged the formation of multi-employer structures, there were also organizational forces at work, which made the multi-employer structures lasting arrangements.

Employer associations in B.C. have felt the pressures of third parties including unions, customers, the provincial government, and the B.C. Employers' Council all of whom insisted on association wide bargaining structures. In part it is the strength of these third party pressures that can explain the high
degree of broad based bargaining found in British Columbia. In addition, there has been strong internal commitment to association bargaining by the employers themselves which has been demonstrated by their willingness to put the group's interests before those of the individuals. Finally, the government's demonstrated commitment to broad based bargaining is reflected in the accreditation legislation it enacted in 1970 and which it actively encouraged employers to use after the enactment of the 1973 Labour Code.

In McKelvey's (1970) study of municipal bargaining in Okanagan-Mainline, the initial impetus to bargain on an area wide basis came from the union. The union had hoped that centralized bargaining would accomplish its objective of parity for its members in all thirteen of the municipalities. However, rather than gaining the best clauses from the thirteen original contracts, the union was stymied by the cohesion of the employers' resistance and was then left without the opportunity to whipsaw the employers and leapfrog one settlement over the last. In this case, what the union hoped would be a bargaining structure to get what it wanted turned out instead to give the balance of power to the municipal employers. From that point, the employers have been convinced of the power advantage centralized bargaining gives them.

Rose's (1976) description of the formation of CLRA clearly attributes the association's successful formation to the driving force of a third party. The Employers' Council was pivotal in the formation of the association. Not only did the Council
investigate possible solutions to the industry's problems of labour unrest and increasing labour costs, but it also helped implement the chosen solution by encouraging contractors to join the new association and by educating consumers of construction work as to how to support contractors during construction negotiations.

Saunders (1979), writing about group bargaining in the forest products industry identifies the importance of high level corporate commitment from employers in the association as a determining factor as to whether the organization remains together in the long run. In the Coast lumber case study the commitment to form and remain in what was originally a voluntary association originated at the top, among the chief executive officers of the major forest product companies (Saunders 1979).

It is the combination of environmental and organizational factors both working to encourage the formation of multi-employer bargaining structures that can account for the high degree of broad based bargaining found in British Columbia. Without the presence of these special organizational pressures such as accreditation legislation, commitment from employers at the highest levels to make multi-employer bargaining work, and the encouragement of third parties affected by labour unrest to bargain in an association wide format, bargaining structure in British Columbian would likely be much more decentralized than it is today.
IV. Summary and Conclusion

There are two major difficulties with the study of bargaining structure which hinder the formulation of a general theory of the determinants and effects of bargaining structure. First, there are methodological problems which are not unique to the study of bargaining structure but which make further learning problematic. These are discussed in detail below. Second, the variable itself is more complex than originally thought. More research needs to be conducted on bargaining structure and its role as an intervening or mediating variable before we can confidently predict its determinants or the bargaining outcomes it elicits.

There are three major methodological problems which face researchers. First, there is a lack of sufficient qualitative information pertaining to bargaining structure (Deaton and Beaumont 1980). Deaton and Beaumont (1980) noted that a significant amount of explanatory power came from the industry dummy variables they used in their regression equations. These dummy variables were used as proxies for information that was unavailable to the researchers such as company level rather than plant level data on costs, number of employees, etc. This additional information might have increased the significance of their findings as to the choice between single or multi-establishment structures by employers. Furthermore, even if the information is available, the problem of how to incorporate what are often historical, qualitative, and intangible variables into quantitative analyses remains.
Another difficulty associated with the study of bargaining structure is the complexity of the relationships bargaining structure has with other variables. Environmental determinants of bargaining structure act in combination so that each new combination and permutation has a slightly different influence than the last. This prevents researchers from making clear theoretical predictions. For example, "a poor economy leads to decentralized bargaining" may not always be the case. One must also observe the industry, the union density, the union militancy, the degree of competition in the product market, and so forth.

Perry and Angle (1981) comment that it is likely that too many variables intervene in the relationship between the environment, bargaining structure, and outcomes for the relationships to be conceptualized as simply as they often are. Identifying all of the possible intervening variables does not completely solve the problem. Something then must be done to control for their effects while studying bargaining structure. This has proven to be the more difficult part of the solution. Too many important variables, including organizational forces, are difficult to measure reliably. Organizational variables such as the size and cohesiveness of the employers, the degree to which government encourages centralized bargaining structures and other qualitative variables such as the degree of union political rivalry, and the importance of patterns negotiated elsewhere often cannot be readily observed by the researcher (Levinson 1966).
The next two chapters attempt to overcome some of the difficulties outlined above. They describe the B.C. forest products industry and present qualitative information about the unions, employers, and employer associations working in it as well as describe the parties' interrelationships. With this information it is hoped that a more complete understanding of the structure of collective bargaining in the forest products industry of British Columbia can be had.
CHAPTER THREE: THE FOREST PRODUCTS INDUSTRY OF B.C. AND ITS INDUSTRIAL RELATIONS ENVIRONMENT

I. Introduction

As stated in the introduction to this paper, the objective of this research is to determine whether the environmental and organizational changes prevalent in the industrial relations environment of the 1980s brought about significant changes in the bargaining structure of B.C.'s forest products industry. The previous chapter outlined the various types of bargaining structures, their theoretical determinants, and how bargaining structure can affect the balance of power between the negotiating parties. The purpose of this chapter is to describe the forest products industry of British Columbia in order to understand how these theoretical determinants may be expected to affect the bargaining structure choices of the parties involved.

The chapter begins with a description of the economic environment of the forest products industry of British Columbia and includes a description of the industry and a discussion of its importance to the province. The second section deals with the competitive environment of the forest products industry. It contains a description of the structures of each of the component industries: logging, sawmilling, and pulp and paper production; and a discussion of
the competitiveness of both the timber and product markets. Third, the political environment affecting the industry is described focusing in particular on the government's intervention in the industry's labour relations. The chapter concludes with a discussion of the legal environment and highlights recent changes in both accreditation and picketing legislation.

II. The Economic Environment

A. Description of The Industry

The forest products industry of British Columbia is comprised of three separate industries (logging, pulp and paper, and wood products — the largest component of the latter being sawmilling), and can be physically divided into two distinct regions: the Coast and the Interior. These two regions differ to such an extent that production and other statistics collected by provincial and federal governments are collected separately for the two areas. The Coast region includes Vancouver Island and the area west of the Coast mountain range, from Vancouver to the Alaskan border. The Interior is the rest of the province and it is divided roughly in thirds: the south, central, and northern interior regions.

The separation of the two regions can be attributed to several factors. First, the Coast and the Interior are two distinct climatic zones which creates differences in a number of areas. Different tree species dominate in each region (hemlock, cedar and fir on the Coast and spruce, pine and fir
in the Interior). Longer, harsher winters in the Interior also mean harvesting seasons differ between the two regions. Coast logging can proceed uninterrupted for most of the year because of the milder winters there. In the Interior however, heavy snowfall can mean weeks or months of layoff for loggers. Harsher climatic conditions and a shorter growing season also mean that trees of the same age are smaller in the Interior than on the Coast and this, as well as differences in terrain, entails the use of different harvesting strategies and different sawmilling facilities and equipment.

Second, up until the mid 1950s, the Interior was isolated from the Coast due to the lack of a completed rail link (Bernsohn 1981). As a result, the markets for interior wood products differed from the markets to which coastal producers sold. Employers on the Coast used water transportation to take their finished product to the American market. Interior employers, who were effectively cut off from the Coast and its cheap water transportation, instead transported much of their product by rail to the Canadian prairie provinces (Bernsohn 1981).

Third, the number and size of logging and sawmilling operations differs between the two regions. Today there are approximately two logging and sawmilling operations in the Interior for every one on the Coast. However, coastal operations are about twice the average size of those in the Interior. Coastal operations have also been integrated with pulp and paper operations for longer than have interior
operations. Pulp and paper production only began in the Interior in the late 1950s.

B. Dependence of B.C. on the Forest Products Industry

Canada is the world's largest producer of newsprint, second largest producer of wood pulp, and the third largest producer of sawn lumber (Statistics Canada 1986). British Columbia plays a major role in this accomplishment. In 1986 B.C. forests accounted for 48% of all logs harvested in Canada. The province's lumber mills produced nearly 60% of all lumber sawn in Canada and accounted for 64% of all lumber exports. British Columbia produced 30% and exported 45% of all Canadian wood pulp. The largest markets for B.C. forest products are the United States, Japan, and the European Economic Community where respectively 77%, 11%, and 9% of exports were sent in 1986 (Percy 1986).

Forestry is the number one primary industry in the province. In 1987 it was estimated that a minimum of one fifth of all jobs in British Columbia owed their existence to the forest industry either directly or indirectly. (MacMillan-Bloedel Annual Report 1988) Employment can be divided into three sectors: direct, indirect, and induced. Direct employment is that which is in the forest products industry, extracting or refining forest products. Indirect employment is defined as employment that is created by the purchase of goods and services to support forest industry operations. Employees of the B.C. Forest Service, those employed in the
transportation of logs, lumber, or pulp, and those involved in the construction of mills, logging camps, or logging roads are all considered to be employed indirectly in the forest industry. Induced employment results from the demand by those employed directly or indirectly in the forest industry for consumer goods and services. The ratio in most small to medium sized towns between direct and indirect employment to induced employment is approximately one to one (Reed 1975).

The rough estimate that twenty percent of all jobs in B.C. rely upon the forest industry for their existence however, promotes a somewhat misleading image of the impact of the forest industry upon the economic health of British Columbia. Forest industry occupations are not evenly distributed throughout the province. A much greater proportion of jobs dependent upon this industry are located in the smaller centres of B.C. where entire towns often rely on logging or milling for their livelihood. For this reason, cyclical downturns or protracted labour disputes can have a devastating effect upon many of the smaller communities of British Columbia. Port Alberni on Vancouver Island and Prince George in the Interior of the province are two examples of communities in which more than half the residents rely upon employment in the forest products industry (Percy 1986).
III. The Competitive Environment

A. Industry Structure

The first logging and sawmilling operations were established in the latter half of the nineteenth century around what is today Vancouver and on the southern tip of Vancouver Island. It was here too that the first pulp and paper mills were built. The lumber industry was established in the Interior in the 1920s.

The number of logging operations and sawmills in British Columbia grew sporadically during the early years, the number of mills growing rapidly when lumber prices rose, and many mills closing when prices fell. After the end of the Second World War there was a sharp increase in the number of operating sawmills, notably in the Interior where the completion of the rail link between Prince George in the central Interior and Vancouver on the Coast in 1952 gave operators in the Interior cost effective access to the large American market (Bernsohn 1981).

[insert Table IV about here]
Table IV  
Lumber Production

B.C. Coast

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Establishments</th>
<th>Number of Employees</th>
<th>Output (in Mfbm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>*</td>
<td>*</td>
<td>2,519,528</td>
</tr>
<tr>
<td>1955*</td>
<td>*</td>
<td>*</td>
<td>2,756,096</td>
</tr>
<tr>
<td>1960*</td>
<td>*</td>
<td>*</td>
<td>2,849,803</td>
</tr>
<tr>
<td>1965</td>
<td>103</td>
<td>12,021</td>
<td>3,649,485</td>
</tr>
<tr>
<td>1970</td>
<td>86</td>
<td>11,727</td>
<td>3,789,609</td>
</tr>
<tr>
<td>1975</td>
<td>92</td>
<td>9,122</td>
<td>2,500,600</td>
</tr>
<tr>
<td>1980</td>
<td>119</td>
<td>12,963</td>
<td>4,247,000</td>
</tr>
<tr>
<td>1985</td>
<td>120</td>
<td>9,119</td>
<td>3,641,825</td>
</tr>
</tbody>
</table>

B.C. Interior

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Establishments</th>
<th>Number of Employees</th>
<th>Output (in Mfbm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>*</td>
<td>*</td>
<td>1,294,349</td>
</tr>
<tr>
<td>1955</td>
<td>*</td>
<td>*</td>
<td>2,158,189</td>
</tr>
<tr>
<td>1960</td>
<td>*</td>
<td>*</td>
<td>2,455,315</td>
</tr>
<tr>
<td>1965</td>
<td>563</td>
<td>13,139</td>
<td>3,800,000</td>
</tr>
<tr>
<td>1970</td>
<td>308</td>
<td>11,864</td>
<td>3,867,078</td>
</tr>
<tr>
<td>1975</td>
<td>228</td>
<td>12,467</td>
<td>4,944,695</td>
</tr>
<tr>
<td>1980</td>
<td>236</td>
<td>18,007</td>
<td>7,704,600</td>
</tr>
<tr>
<td>1985</td>
<td>229</td>
<td>15,683</td>
<td>9,969,523</td>
</tr>
</tbody>
</table>

* data not available for these years

Source: Statistics Canada, Canadian Forestry Statistics, Minister of Supply and Services, various years.
Most of these mills were small, many employing no more than ten or fifteen men and producing only a few thousand board feet of lumber per day (Bernsohn 1981). Centralization began as the industry entered the 1960s and competition for timber rights became fierce. At this time the government established a complicated quota system which encouraged larger, more efficient operations.

During this period the pulp and paper industry was being established in the Interior. In order to ensure adequate raw material for the new pulp mills without resorting to logs that could be otherwise used for lumber, the government established a granting system that favoured efficient utilization of forest resources. Each sawmill was allocated a percentage of the annual allowable cut, established each year by the B.C. Forest Service. Extra amounts were also available as a bonus or reward if the sawmill installed barkers and chippers (to debark logs and turn waste products into chips ready for use in pulp production) and could produce 25,000 board feet in an eight hour shift.

If a sawmill owner agreed to meet this production goal and installed barkers and chippers to make effective use of even the smallest trees in his original timber grant by grinding them up to be used as raw material for pulp and paper production, his allowable harvest could be up to one third more than the regular quota. However, an operator's quota remained a fixed percent of the annual allowable harvest. In order to expand, an operator needed access to more timber and
since each operator's percentage was fixed, the only alternative was to acquire another sawmill and assume control of its quota as well.

As a result of this government pressure for close utilization of the forest resource, farseeing operators began to integrate their operations. Increasingly smaller trees were being used in the production of lumber and many more were being chipped and the chips sold to pulp and paper mills. In this way the government encouraged the investment in pulp and paper mills and encouraged the centralization as well as the diversification and integration of the industry.

Most of the large forest products companies operating in British Columbia today, MacMillan Bloedel, CANFOR, Fletcher Challenge Canada, Weldwood, and Crestwood, are horizontally and vertically integrated. These companies possess large timber reserves which they harvest and from which they produce finished lumber and pulp and/or newsprint. Several advantages accrue to these integrated companies. First, as discussed above, integrated companies can put the government's close utilization policies into practice and make more efficient use of the resources available to them. Smaller logs, not fit for lumber production are used in pulp production. In addition, much of the waste product from lumber production can be used as raw material in the production of pulp and newsprint. As less than 50% of a raw log can be turned into lumber this cost effective use of waste products adds much to a company's efficiency. Second, diversified companies are less exposed to
financial risk due to the downturn in one commodity market. The market prices of lumber and pulp are generally not related (Forest Products Group 1978).

The growth of these large integrated firms which have invested in and built pulp and paper mills has also helped many smaller sawmills stay in business. The sale of their waste products in the form of chips can make the difference between failure and survival when lumber markets are soft. Sales of chips from wood waste can represent 20-30% of a mill's revenue (Forest Products Group 1978). Despite this added source of potential revenue, fewer small sawmills exist today than two decades ago. The total share of industry shipments by sawmills with fewer than fifty employees has fallen from 35% in 1963 to 12% in 1976 (Forest Products Group 1978). The number of sawmills operating in B.C. has declined continuously since the 1950s. In 1962 there were 1627 mills in operation, in 1971 there were 627, and in 1988 only 216 mills remained (Statistics Canada, various years). Despite the decline in the number of mills, output more than doubled between 1965 and 1987 from 7,449 million board feet per year to 15,888 million board feet.

Although the number of lumber mills has decreased over time and average production figures have climbed dramatically, the lumber industry is not an oligopoly in which a few very large firms control the entire market. Instead, the industry is fragmented: a small minority of companies control one half of the market while a great many small companies produce the
other half of B.C.'s total lumber. As can be seen in Table V, the three largest B.C. lumber producers, operating 20 mills, accounted for 30% of total lumber capacity in 1988. The top ten producers' 58 mills represent 58% of all British Columbia's lumber production capacity (Madison's Canadian Lumber Directory 1989). The remaining 42% of the market is supplied by 159 companies operating 163 mills.

[insert Table V about here]

In contrast, the pulp and paper industry has far fewer participants and a much more even division of production capacity. Whereas lumber mills vary in production capacity more than a hundred fold from largest to smallest, the largest pulp mill is less than three times the size of its smallest competitor (see Table VI).

Before World War II there were only three companies operating a total of four pulp and paper mills. The number of pulp and paper mills has grown steadily over time, first on the Coast and later, in the 1960s, in the Interior where the pulp and paper industry is dominant today. There are now twenty five pulp and paper mills operating in British Columbia.

[insert Table VI about here]
Table V
British Columbia's Top Ten Lumber Producers

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Number of Mills</th>
<th>Output Mfbm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fletcher Challenge Canada</td>
<td>7</td>
<td>4941</td>
</tr>
<tr>
<td>Weldwood of Canada Ltd.</td>
<td>7</td>
<td>4375</td>
</tr>
<tr>
<td>West Fraser Mills Ltd.</td>
<td>6</td>
<td>3098</td>
</tr>
<tr>
<td>MacMillan Bloedel Ltd.</td>
<td>7</td>
<td>2773</td>
</tr>
<tr>
<td>Northwood Pulp and Timber Ltd.</td>
<td>4</td>
<td>1750</td>
</tr>
<tr>
<td>International Forest Products Ltd.</td>
<td>7</td>
<td>1515</td>
</tr>
<tr>
<td>Slocan Forest Products</td>
<td>5</td>
<td>1475</td>
</tr>
<tr>
<td>Westar Timber Ltd.</td>
<td>5</td>
<td>1465</td>
</tr>
<tr>
<td>CANFOR Ltd.</td>
<td>4</td>
<td>1230</td>
</tr>
<tr>
<td>Weyerhauser Canada Ltd.</td>
<td>6</td>
<td>1200</td>
</tr>
</tbody>
</table>

Note: The mills of these ten firms represent 59% of total B.C. sawmill capacity.

### Table VI
British Columbia's Pulp and Paper Producers

<table>
<thead>
<tr>
<th>Primary Pulp Producers</th>
<th>Output in Tons Per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fletcher Challenge Canada - Crofton</td>
<td>800</td>
</tr>
<tr>
<td>- Campbell River</td>
<td>510</td>
</tr>
<tr>
<td>- MacKenzie</td>
<td>500</td>
</tr>
<tr>
<td>Northwood Pulp and Timber Ltd.</td>
<td>1450</td>
</tr>
<tr>
<td>CANFOR - Prince George</td>
<td></td>
</tr>
<tr>
<td>- Port Mellon</td>
<td>750</td>
</tr>
<tr>
<td>MacMillan Bloedel - Harmac</td>
<td>1100</td>
</tr>
<tr>
<td>- Alberni</td>
<td>200</td>
</tr>
<tr>
<td>Weyerhauser Canada Ltd.</td>
<td>1200</td>
</tr>
<tr>
<td>Skeena Cellulose Inc. (Westar)</td>
<td>1130</td>
</tr>
<tr>
<td>Western Pulp Ltd. Partnership - Squamish</td>
<td>670</td>
</tr>
<tr>
<td>- Port Alice</td>
<td>450</td>
</tr>
<tr>
<td>Cariboo Pulp and Paper Co. (Weldwood)</td>
<td>900</td>
</tr>
<tr>
<td>Eurocan Pulp and Paper Co.</td>
<td>900</td>
</tr>
<tr>
<td>Canadian Pacific Forest Products Ltd.</td>
<td>700</td>
</tr>
<tr>
<td>Crestbrook Forest Industries Ltd.</td>
<td>580</td>
</tr>
<tr>
<td>Celgar Pulp Co. (Westar)</td>
<td>560</td>
</tr>
<tr>
<td>Quesnel River Pulp Co.</td>
<td>525</td>
</tr>
<tr>
<td>Finlay Forest Industries Ltd.</td>
<td>400</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Newsprint Producers</th>
<th>Output in Tons Per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>MacMillan Bloedel - Powell River</td>
<td>2010</td>
</tr>
<tr>
<td>- Alberni</td>
<td>1050</td>
</tr>
<tr>
<td>Fletcher Challenge Canada - Campbell River</td>
<td>1250</td>
</tr>
<tr>
<td>- Crofton</td>
<td>1200</td>
</tr>
</tbody>
</table>


The pulp and paper mills in the Interior of British Columbia are among the most efficient in the country. These mills are modern and have some of the largest capacities. Those on the Coast, built nearly fifty years earlier than their counterparts in the Interior, are now beginning to age. However, the current buoyant market for pulp and newsprint is ensuring that several of these mills undergo refurbishing and new capital investment.
The construction of a new mill today is a major financial undertaking. Mills are being built for maximum efficiency and this translates into huge production capacities, hence the name, "mega-mills". Very few companies have the capital resources to undertake these kinds of projects. The other criteria preventing the wide scale construction of new pulp and paper mills during the current boom market is that the timber reserves needed to feed a large modern pulp mill are no longer readily accessible in B.C.. As a result of these barriers to entry, it is unlikely that the number of pulp and paper mills operating in B.C. will increase substantially in the near future. Instead, the number may eventually decline as the older, less efficient mills on the Coast are closed once the current market boom cycle is over.

B. Degree of Competition-Timber and Product Markets

Studying the forest industry of the Pacific Northwest, W.J. Mead (1966) stated that collusion was the norm in the bidding for timber rights. B.C. is much the same with the bidding on timber rights being conducted for the most part under regulation by "gentlemen's agreements" (Bernsohn 1981). Occasionally there are small outbreaks of competition among competitors of similar size and financial resources. However, when this happens, the price of timber becomes much higher and competition only lasts until another set of agreements can be forged. There are laws in place prohibiting collusion and bid fixing but there has never been a case prosecuted for the
breaking of these laws (Bernsohn 1981). It seems that market participants and government alike are willing to ignore signs of illegal behaviour in favour of maintaining a smooth running oligopsony (Mead 1966, Bernsohn 1981).

Competition in the product market however is quite different. The markets for raw logs, finished lumber, newsprint, and wood pulp are all examples of an economist's theoretical ideal of a competitive market. These products trade on world commodity markets in which there are many buyers and sellers, none of whom is large enough to affect prices. Prices of these nearly undifferentiated products are determined solely by supply and demand. The prices of these commodities tend to vary cyclically. Prices of raw logs and sawn lumber are especially prone to this cyclical pattern since the demand for these products is heavily influenced by the number of residential housing starts which in turn is affected by interest rates and, further, by the overall health of the economy. Prices of all three commodities can also be adversely affected by swings in foreign exchange rates, especially changes in the value of the Canadian dollar vis a vis the American.

IV. The Political Environment

A. Labour Relations Climate

The labour relations climate in B.C.'s forest products industry is turbulent, characterized by frequent and bitter strikes. Person days lost in the logging, lumber, and pulp
and paper industries often account for a sizeable proportion of total days lost in the province in a given year. During years in which there is a major forestry dispute the total person days lost can be well over half the provincial total.

When a portion of the province's workforce in one of these industries is on strike, the effect of these long and protracted wars of attrition can quickly spread throughout the province. This is due to the fact that the pulp and paper and lumber sectors are linked by a common raw material - logs. When loggers strike or are locked out, both lumber and pulp and paper mills' supply of raw materials is cut off. The two industries are also linked by their interdependence on the sale of wood chips. If pulp and paper mills are shut down, a large portion of sawmill revenue is cut off because the pulp mills no longer have a need for chips. Conversely, when sawmills are on strike, pulp and paper mills are without their supply of chips, which now represent nearly half the raw material for these mills (Percy 1986).

Labour disputes in one sector can spread into others because many of the firms in B.C.'s forest products industry operate in more than one segment of it. Thus, two operations in different segments of the forest products industry are often linked by a common owner and employer. Thus, it is likely that the employer against whom the strike is mounted owns and operates both a pulp and paper mill as well as
### Table VII
Labour Disputes in British Columbia 1958-1985

<table>
<thead>
<tr>
<th>Year</th>
<th>Logging</th>
<th>Wood</th>
<th>Pulp &amp; Paper</th>
<th>B.C. Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958</td>
<td>1 075</td>
<td>33 747</td>
<td>128 248</td>
<td>325 211</td>
<td>50.1</td>
</tr>
<tr>
<td>1959</td>
<td>2 245</td>
<td>1 363 242</td>
<td>0</td>
<td>1 423 268</td>
<td>95.8</td>
</tr>
<tr>
<td>1960</td>
<td>1 128</td>
<td>405</td>
<td>0</td>
<td>35 848</td>
<td>4.3</td>
</tr>
<tr>
<td>1961</td>
<td>75</td>
<td>718</td>
<td>0</td>
<td>34 659</td>
<td>2.1</td>
</tr>
<tr>
<td>1962</td>
<td>0</td>
<td>9 551</td>
<td>0</td>
<td>32 987</td>
<td>29.0</td>
</tr>
<tr>
<td>1963</td>
<td>0</td>
<td>2 200</td>
<td>0</td>
<td>24 056</td>
<td>9.1</td>
</tr>
<tr>
<td>1964</td>
<td>322</td>
<td>1 504</td>
<td>0</td>
<td>181 784</td>
<td>1.0</td>
</tr>
<tr>
<td>1965</td>
<td>190</td>
<td>950</td>
<td>450</td>
<td>104 430</td>
<td>1.5</td>
</tr>
<tr>
<td>1966</td>
<td>1 849</td>
<td>86 624</td>
<td>15 522</td>
<td>272 922</td>
<td>38.1</td>
</tr>
<tr>
<td>1967</td>
<td>218</td>
<td>268 709</td>
<td>0</td>
<td>270 894</td>
<td>82.8</td>
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<tr>
<td>1968</td>
<td>4 005</td>
<td>298 840</td>
<td>472</td>
<td>303 317</td>
<td>74.6</td>
</tr>
<tr>
<td>1969</td>
<td>6 909</td>
<td>18 737</td>
<td>4 478</td>
<td>406 645</td>
<td>7.4</td>
</tr>
<tr>
<td>1970</td>
<td>1 837</td>
<td>42 143</td>
<td>222 568</td>
<td>1 684 463</td>
<td>15.8</td>
</tr>
<tr>
<td>1971</td>
<td>14 488</td>
<td>2 085</td>
<td>866</td>
<td>276 030</td>
<td>6.3</td>
</tr>
<tr>
<td>1972</td>
<td>117 142</td>
<td>547 314</td>
<td>18 902</td>
<td>2 120 848</td>
<td>32.2</td>
</tr>
<tr>
<td>1973</td>
<td>*</td>
<td>*</td>
<td>63 625</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>1974</td>
<td>*</td>
<td>*</td>
<td>90 500</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>1975</td>
<td>*</td>
<td>*</td>
<td>1 026 625</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>1976</td>
<td>*</td>
<td>*</td>
<td>11 375</td>
<td>*</td>
<td>*</td>
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<td>*</td>
<td>*</td>
<td>125 000</td>
<td>*</td>
<td>*</td>
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<tr>
<td>1978</td>
<td>*</td>
<td>*</td>
<td>7 125</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>1979</td>
<td>3 460</td>
<td>97 720</td>
<td>89 950</td>
<td>645 780</td>
<td>29.6</td>
</tr>
<tr>
<td>1980</td>
<td>610</td>
<td>4 730</td>
<td>1 280</td>
<td>389 610</td>
<td>1.7</td>
</tr>
<tr>
<td>1981</td>
<td>1 000</td>
<td>1 171 280</td>
<td>395 910</td>
<td>2 787 130</td>
<td>56.3</td>
</tr>
<tr>
<td>1982</td>
<td>0</td>
<td>0</td>
<td>117 460</td>
<td>987 510</td>
<td>11.9</td>
</tr>
<tr>
<td>1983</td>
<td>7 750</td>
<td>1 530</td>
<td>29 260</td>
<td>769 390</td>
<td>5.0</td>
</tr>
<tr>
<td>1984</td>
<td>1 030</td>
<td>15 270</td>
<td>379 330</td>
<td>395 630</td>
<td>47.9</td>
</tr>
<tr>
<td>1985</td>
<td>2 550</td>
<td>6 850</td>
<td>4 600</td>
<td>125 910</td>
<td>11.1</td>
</tr>
</tbody>
</table>

* data for these years unavailable.

**Sources:**
sawmills. In such a case a strike at one location could mean (until very recently) that picketing could legally take place at any of the employer's sites. It was because of the prevalence of secondary picketing by both the IWA and the pulp and paper unions which could effectively bring the entire industry to a standstill that the picketing legislation was changed to eliminate this practice. The details of these changes and their effects will be discussed later in this chapter.

B. Government Intervention in Forest Product Industry
Industrial Relations

Because of the serious impact of labour disputes in the forest products industry on the province's economic health, the provincial government has a history of intervention in these disputes. Government appointed mediators and government sponsored inquiry commissions are two methods by which many forest industry labour disputes are resolved. A brief summary of their use on both the pulp and the solid wood sides of the industry follows.

In 1967, the Southern Interior IWA locals struck for wage parity with the Coast. As the strike dragged on into 1968 the effects on those communities began to be felt. After several requests by the people of these communities to have the government intervene, a government conciliation officer was appointed. His proposed settlement was eventually accepted by the parties.
The next major IWA dispute occurred in 1972. The then Labour Minister James Chabot was called in to mediate a settlement. His attempts failed and eventually the parties settled on their own. The next time a mediator was appointed to settle a forest industry dispute, the parties could not settle their differences on their own and after a six week industry wide strike in 1974 the parties were legislated back to work by the provincial government. Again a mediator was used to get a settlement in 1975 although there was no work stoppage involved.

The 1981 strike, lasting nearly six weeks, was finally settled by the parties themselves. However, the threat of government intervention and eventual back to work legislation was a determining factor in the final settlement being reached when it was.

Once again a government appointed mediator helped the parties reach a settlement after forest industry negotiations had dragged on nearly six months in 1983. Although there had been no time lost to a work stoppage, the settlement came just as the employers had concluded a lockout vote giving FIR the power to shut down the Coastal portion of the industry.

The most recent forest industry dispute involving the IWA was what has been termed by the industry the "Two Billion Dollar Strike". The IWA struck on July 22, 1986 over several unresolved issues, the most salient one being contracting out. By the middle of August the premier threatened to intervene in the dispute and moved to bring the two sides together. The
premier appointed a mediator but FIR refused to meet with him. In early October the premier suggested a second mediator, but this time the IWA would not agree to a meeting. In mid November the premier appointed a special three person commission to find a way to end the strike. In late November IWA members voted to reject the recommendations of the commission. Finally, in early December, the premier began drafting back to work legislation. On December 5, 1986 the parties reached a tentative agreement in which an independent inquiry commission was to examine the issues in dispute, specifically the issues of contracting out, flexible scheduling, and add-on compensation systems. The commission released its report in January 1988.

The record of government intervention into labour disputes on the pulp and paper side of the industry is very similar to that on the solid wood side.

In 1970 and in 1974 labour disputes in the pulp and paper industry were settled with the aid of government appointed mediators. The 1974 settlement also led to the appointment of an industrial inquiry commission into the outstanding issue of shift differentials.

The two pulp unions struck in 1975 over the issue of pensions. After three months of strike action the government issued a back to work order which the two unions chose to ignore. Six weeks later, after nearly five months off the job, the parties reached a negotiated settlement.
The next three rounds of pulp negotiations were concluded without work stoppages (excluding wildcat strikes at various locations over local issues) or government intervention. However, in 1984 the pulp industry became emeshed in a long and turbulent dispute in which the central issue was cost of living increases to pension income. The lockout began February 2, 1984 in a move to get stalled talks, which had begun in mid 1983, moving again. Seven weeks later, the then premier Bill Bennett made a mediator available to the parties with the understanding that if a settlement could not be reached in this way that he would introduce legislation to end the strike. This legislation was introduced April 9 and the lockout ended. However, pulp workers unhappy with the last settlement offered them by the industry went on strike. The Labour Relations Board ruled this to be an illegal strike and ordered striking pulp workers back to work. The unions refused to comply and continued the strike another two weeks. The government threatened to impose an agreement on the parties, something it was empowered to do under the Pulp and Paper Collective Bargaining Assistance Act, the legislation it used to end the lockout on April 9. Eventually, the dispute was settled by the parties at the end of April.

The last two rounds of negotiations, in 1986 and 1988 were concluded by the parties themselves in a timely manner without a labour dispute.
V. The Legal Environment

A. Labour Legislation in British Columbia

This final section outlines changes in B.C. labour legislation that have occurred over the past decade with respect to both the accreditation of employer bargaining associations and the scope of lawful picketing. In general, amendments to accreditation legislation have eased the exit of employers from their associations. Changes to picketing legislation have been enacted to curtail union power. This research is interested in the effects these changes may have had on bargaining structure.

B. Regarding Accreditation of Employer Associations

The accreditation of an employers association is much like the certification of a union to represent individual employees. It involves the assigning of individual employer rights to a central negotiating body. This body negotiates a collective agreement on behalf of all member employers and, in turn, each member is then bound by the terms of that agreement.

Without association bargaining, individual employers can be forced to meet the union's demands and then each employer in turn is subjected to the same pressure to meet or exceed the standard granted by the first (and often the weakest) employer. In British Columbia, in the period preceding the enactment of accreditation legislation this whipsawing of
individual employers resulted in a large degree of labour unrest and led to soaring wage and benefit costs.

Voluntary associations, although an improvement upon individual negotiations, are only as effective as their weakest link (Rose 1983). Individual employers can be pressured by the union to break away from the association to sign a separate contract with the union. In these cases, the union is then able to whipsaw the remaining employers with the concessions granted by the single employer under pressure.

Accredited employer associations solve this problem of maintaining employer cohesion. An accredited employer association has the sole right to conclude a collective agreement on behalf of its members. Any contract reached by a member individually with the union is considered null and void. In other words, an employer cannot reach an agreement on its own. And, in most jurisdictions, once an employer is a member of an accredited association it cannot remove itself from membership at will.

Arthurs and Crispo, in their 1968 report on the accreditation of contractor associations, enumerated three models of employer associations: the realistic, the compulsory, and the conservative. Seven provinces have subsequently adopted the realistic model in which all unionized contractors are represented at the bargaining table by the accredited association regardless of whether or not the employer is a member of the association (Rose 1983). Quebec adopted the compulsory model in which all contractors, whether
unionized or not, must join the association and allow it to act as their bargaining agent. British Columbia chose to enact legislation based on the conservative model. In B.C. only those unionized employers who elect to join the accredited association are bound by the collective agreement the association negotiates on their behalf.

Accreditation legislation in British Columbia also differs from other such legislation across Canada in that it applies to any employer in the province and is not restricted to the construction industry. Consequently, employer associations now represent employers in both private and public sectors: in the health care, brewing, construction, transportation and forestry industries among others. As a result, collective bargaining in British Columbia is highly centralized with half the province's bargaining units over 200 employees covered by a multi-employer agreement (Rogow 1989). This is almost double the Canadian average.

1. Early Accreditation Legislation

In 1970, British Columbia enacted its first accreditation legislation. Shortly thereafter a number of previously voluntary associations became accredited. Associations of road builders, contractors, forestry, pulp and paper, and transportation employers all became accredited in that first year.

In 1973, the newly elected New Democratic Party government enacted the province's Labour Code. After several years of turbulent labour unrest, a labour court that was effectively boycotted by the labour movement, and the issue of a series of injunctions, the new government set out to restore order to labour-management relations in the province.

The creators of the Code saw broad based bargaining as a solution to B.C.'s labour relations problem (Weiler 1980). They believed that centralized bargaining between employer associations and councils of trade unions would be the key to labour peace. First, broad based bargaining would eliminate whipsawing by having a common expiry date for an entire industry. This would eliminate the possibility of union pressure tactics being used against weak employers. Second, fewer negotiations would mean fewer opportunities for strike action. In addition, the damage caused by shutting down an entire industry would instill in the negotiating parties a greater sense of responsibility to reach a settlement without a work stoppage. Third, negotiating a master agreement would be more efficient than having to conclude a separate contract with each individual employer. In this way common provisions would be in place across the province. This, it was hoped, would create an atmosphere of predictability in the workplace and thus minimize illegal work stoppages, grievances, and arbitrations (Chafetz 1985). Finally, an industry master agreement would increase equity in terms of wages and benefits
in the industry. Employees doing the same job would receive the same compensation throughout the province while employers were assured that all competitors had the same labour costs.

The legislation enacted in 1973 made it relatively easy for employer associations to become accredited. Section 59 stated that any association could apply and employers who were not members of the association could also add their names to the application if they too wished to be part of the accredited association. The Labour Relations Board then constituted the association as the accredited bargaining association if it felt that the employers named in the application constituted a group appropriate for collective bargaining in that they were involved in the same business and that their interests could be adequately represented by one overall body.

However, leaving an accredited employer bargaining association proved to be much more difficult. The Labour Relations Board guarded the back door very carefully (Rose 1983). The Labour Code provided that during the fourth and fifth months following the execution of a collective agreement by the employers' association, an employer could apply to the Board to have its name deleted from the accreditation order. The Board then had full discretion as to whether or not it would grant this application.

The Board explained its approach to deletions from an accreditation order in the first deaccreditation case it decided (Ocean Construction Supplies Northern Ltd. and
Transport Labour Relations et al., (1976), (1 Can LRBR 175). The B.C. Labour Relations Board made it clear that not only did the application need to be timely as was stated explicitly in the Code, but the deletion also required "much more than simply the individual employer's expression of genuine feelings that it prefers to bargain with the union alone" (p. 181). Rather, the employer had to present a "strongly persuasive case that its interests can no longer be adequately served by what has been an ongoing bargaining structure." (p. 181). The Board further stated that there would be a need to balance competing interests: those of the employer applying to remove itself from the accreditation order and those wishing to remain in the association.

"If the withdrawal of a key member of the association would cause the employer group to become unravelled, the Board would be loath to permit deaccreditation, even while recognizing that the individual employer would suffer some discomfort from continued membership." (p. 183)

As a result of this stringent regulation of the deaccreditation process, few employers have been granted exemption from their accredited associations. It has been easier for employers to remove themselves from the accredited association by getting majority support from the association to disband the entire organization. Up until recent changes were made to the deaccreditation provisions, only five employer bargaining associations have done this (refer again to Table III in Chapter One). In three of these cases the
association ceased to exist and, in the other two, the associations remained together on a voluntary basis and continue to bargain on behalf of their members.

3. Industrial Relations Reform Act 1987 (Bill 19)

The 1987 Industrial Relations Reform Act made important changes to Section 59. It is now no longer necessary for employers to force total deaccreditation of their association in order to separate themselves from it (Employers' Council 1988). The Industrial Relations Reform Act, also known as Bill 19, repealed section 59(6) of the B.C. Labour Code and substituted the following:

(6) Where an employer named in an accreditation applies to the council to amend the accreditation by deleting his name from it, and
   (a) the employer has been included in the accreditation for 2 years, and
   (b) the employer makes the application not less than 9 months before the expiry date of all collective agreements entered into by the employers' organization on the employer's behalf, the council shall grant the application.

Thus it is no longer necessary for the Industrial Relations Council to rule upon the propriety of an employer's withdrawal nor the effects of it upon the bargaining outcomes in that industry. This reflects the legislation's philosophical emphasis on the rights of the individual (Employers' Council 1988). As long as the employer's application is timely, the deaccreditation must be granted. As a result of these changes a number of recent deaccreditations have occurred. The B.C.
Hotels Association, B.C. Road Builders Association, and Construction Labour Relations Association have all deaccredited since January of 1988. However, each of these associations has continued to act for its members on a voluntary basis. More time is needed before a complete assessment of the effects of this legislative change can be made.

C. Regarding Picketing

The collective withdrawal of its members' labour is the union's ultimate weapon. The intent of picketing is to persuade employees not to go to work and customers not to do business with that employer until he has settled the labour dispute with his employees (Weiler 1980). It is through picketing that the union hopes to inflict as much economic harm on the employer as the union members themselves are suffering by withdrawing their services and foregoing their pay.

In British Columbia a picket line is an effective method of bringing economic pressure to bear upon an employer since many people, union members and nonmembers alike, have strongly held beliefs about the sanctity of a picket line. This stems in part from British Columbia's ideological history referred to in Chapter One. In addition, many unions have made the crossing of a picket line a punishable offense, further ensuring that most picket lines in this province are respected (Weiler 1980).
Because picketing in British Columbia invokes this response from the working population and the community at large, care must be taken that this power is not abused. Picketing may occur at any of a number of possible sites. A series of amendments to the B.C. Labour Code of 1973 have been passed to restrict picketing to the site of the lawful strike or lockout, known as the primary site. Secondary sites have been defined differently over time, and various definitions of secondary picketing have altered the power of this union weapon. The third category of allowable picketing is at sites of "allies", those who are aiding a struck employer in lessening the impact of the labour dispute. Laws are also in place to protect the rights of other employers, who, by coincidence, are located on the same site as the struck employer and whose businesses are affected by the pickets of that employer.


Prior to the enactment of the B.C. Labour Code in 1973, strikes, lockouts, and picketing were regulated by the Labour Relations Act and the Trade-Unions Act (Germaine 1983). Disputes were settled and rulings were made in the province's courts.


However, the 1973 Labour Code gave jurisdiction to the Labour Relations Board to decide upon the scope of allowable picketing. Section 85 of the B.C. Labour Code outlined the
extent of allowable picketing, stating that picketing was allowed at the site of the lawful strike or lockout (the primary site), all other places of operations of the employer (secondary sites), and the place of business of an ally of the employer. Section 86 however, gave directions to the Board to reasonably restrict common site picketing to the employer involved in the labour dispute.

3. 1982 Amendments

The original section 85 of the Labour Code was liberal in allowing secondary and ally picketing but, despite this, the union movement was accused of abusing these provisions. Former labour minister Jack Heinrich estimated that half the secondary and ally picketing undertaken by unions between 1973 and 1982 was illegal even under these provisions (Employers' Council 1982). In 1982 changes were made to section 85 requiring that the Labour Relations Board first designate ally status before a union was able to picket the site of that ally.

4. 1984 Amendments

In 1984 sections 85 and 86 were repealed and replaced by a new section 85. The amendments to picketing legislation resulted in an outcry from the labour movement as these amendments sought to severely restrict what had been relatively liberal picketing provisions. However, the intention of the new section 85 was not fulfilled because of
the wide interpretation given to section 85(3) by the Labour Relations Board.

The intention of the amendments was to severely restrict secondary picketing. Secondary picketing in British Columbia has taken on a different meaning than it has in other jurisdictions (Germaine 1983). The usual interpretation of secondary picketing was the picketing of an employer's suppliers or customers. In B.C. secondary picketing has come to mean the picketing of the employer involved in the dispute at operations separate from the site of the strike. The new legislation required the prior approval of the Board before secondary or ally picketing could be undertaken. In addition to this change the Board was also required to reasonably restrict picketing at a common site to the employer causing the lockout or whose employees were on strike.

However, the interpretation of this legislation by the Board did not reflect the intention of these changes. The Board's first decision concerning the scope of allowable picketing under section 85(3) was made in Slade & Stewart Ltd. -and- Retail Wholesale Union, Local No. 580 et al BCLR No. 317/84, (1984), 7 CLRBR (NS) 258.

"Considering the words used in the new 85(3) of the Labour Code in the context of the statute as a whole, we have concluded that that provision limits picketing by members of a trade union to sites or places where the employees performed work on behalf of their employer and where now as a result of the strike or lockout they have ceased to work. The focus for permissible picketing of an employer is no longer on the employer and those places where he carries on his business. The focus now is on the employees and the locations where they perform work for their employer. If they cease to perform work at
those locations as a result of the lawful strike or
lockout, and those locations constitute sites or places
within the meaning of Section 85(3) of the Labour Code,
they will be entitled to picket at those locations,
subject to 85(5) of the Labour Code."
(at p. 265) (emphasis added)

In this ruling the Board also specifically rejected the
argument that a significant or substantial amount of work be
performed at the location in order for it to be found to be a
site within the meaning of Section 85(3). To require this
would make rulings difficult and the result would be
uncertainty and an uneven regulation of picketing. Thus the
presence of even a minimal amount of work at a location
rendered it a primary site and allowed picketing there without
the prior approval of the Board. As a result of the Board's
approach certain locations were viewed as primary sites that
under previous legislation would not have been classified as
either primary or even secondary sites. For example, in cases
such as 7-Eleven Food Stores, BCLR No.65/81 and Webb Press
Publications Ltd., BCLR No. 47/80, [1980] 3 CLRBR 186 it was
ruled that the pure delivery or supply of goods would not
attract picketing under the old Section 85(1). Those same
locations under the 1984 amendments however, would be
classified, not as secondary picketing sites, but as primary
places of the strike or lockout under Section 85(3).

5. 1987 Industrial Relations Reform Act - Bill 19

In 1987 the provincial government announced its
controversial package of changes to the Labour Code. After a
crippling forest industry dispute which shut down large portions of the province and in which secondary picketing halted operations in many other locations, the Social Credit government enacted new legislation. The thrust of the legislation was in "minimizing the harmful effects of labour disputes on persons who are not involved in the disputes" (Sec. 27 of Bill 19). The labour movement was incensed, but despite strong protests the changes were put into law.

The picketing amendments of Bill 19 did not repeal the previous Section 85 but merely repealed portions of it and replaced them with significant amendments (Burke 1987). The amendments affect the following: the definitions of primary and secondary sites, ally status, and employer.

In order for ally status to be found under the Section 85 amendments of 1987 an ally must be acting for the benefit of the struck employer. Prior to Bill 19 the act of assistance was enough to allow picketing. Now in order for ally status to be found the employer must be found to be receiving a tangible benefit from the aid given to it by the ally.

Picketing of either a primary or a secondary site would now only be allowed provided that the work done at the site was an integral and substantial part of the employer's operation. In dealing with the 1984 amendments the Labour Relations Board had ruled that to determine "integral and substantial" would be open to too much subjective interpretation and would therefore become confusing. Thus,
the Board ruled that any work done would be subject to picketing. That is no longer the case.

The last major change to picketing legislation to be included in Bill 19 is the definition of employer. For the purposes of Section 85 as amended in 1987, an employer is now defined so that "divisions or other parts of a corporation or firm shall, if they are separate and distinct operations, be treated as separate and distinct operations, be treated as separate employers" (Section 85). This now prohibits the picketing of related enterprises or divisions of the same firm.

VI. Summary and Conclusion

This chapter has sought to highlight the major features of the B.C. forest products industry and the environment in which it exists.

The B.C. forest products industry is made up of three distinct industries, logging, pulp and paper, and sawmilling. Industry participants are comprised of both large fully integrated firms as well as many small operators owning logging equipment or a small sawmill. The industry's product markets can be described as predominantly cyclical in nature relying on the ups and downs of world commodity markets. The generally high degree of competition in the product market, however is in contrast to the system of near oligopoly which exists in provincial timber markets. Finally, there exist regional differences between the Coast and the Interior of the
province in terms of tree species, harvesting techniques, and product markets.

The labour relations history of the industry is characterized by long, tumultuous strikes which have elicited government intervention in the form of forced mediation and back to work orders. After nearly every major dispute the government enacts new labour legislation to prevent in the future the damage inflicted upon the province that has just occurred. As a result, the basic thrust of B.C.'s labour legislation has changed substantially since the enactment of the B.C. Labour Code in 1973. Deaccreditation provisions have become looser while the scope of lawful picketing has become more restricted.

The nature of the industry and the composition of employers in each region and sector have determined the bargaining structure choices of employers to date. The strength of the industry's unions is responsible for the centralization of bargaining into employer associations. FIR, the largest employer association and the one traditionally responsible for negotiating the province wide industry agreement, has used accreditation to ensure its diverse membership stays together under pressure. CONIFER signs the agreement that FIR has negotiated and therefore has not needed accreditation as it has not been in a position to be pressured by the union for a settlement (until 1986). Another reason that accreditation has not been as important to CONIFER is that its membership is smaller and less diverse than FIR's.
PPIRB is no longer accredited although it was for fifteen years. As an association of large, equally strong, and sophisticated employers it has little need for accreditation as traditionally there has been little diversity among member interests. The final reason for the highly centralized structure of bargaining found in the forest products industry is the highly interrelated nature of the industry. A labour dispute in any sector of the industry can inflict economic damage upon other regions and sectors. Secondary picketing has closed down plants throughout the province whenever there has been a dispute in either sector or region. In addition, the link between inputs and outputs of the various sectors has meant that a dispute in one area can bring other plants to a standstill eventually without secondary pickets.

This chapter has described the economic, competitive, political and legal environments impacting the forest products industry of British Columbia. The focus of the next chapter will be on the parties who interact in this environment, the unions and the employer associations.
CHAPTER FOUR: THE INDUSTRIAL RELATIONS ACTORS AND THEIR BARGAINING STRUCTURE PREFERENCES IN THE PRE 1980S ENVIRONMENT

I. Introduction

The purpose of this research is to determine what changes, if any, have occurred in the structure of collective bargaining in British Columbia's forest products industry. The previous chapter described the nature of the B.C. forest products industry and the environment in which it operates. The purpose of this chapter is to identify the parties that work in the industry, to describe their bargaining relationships, and to outline the advantages that the established structure of bargaining gave to each of them. The latter point is the most important. For, when the advantages that the traditional structure of bargaining gave to the parties no longer exist for one or both of them, there will be pressure on the structure of bargaining to change. Any changes in the parties' preferences for the established structure of bargaining in the industry are covered in the next chapter.

Information for this chapter was gathered from both published data and from extensive interviews with the representatives of the three unions and the presidents of the three employer associations under study. The chapter begins by describing the three unions representing employees
in B.C.'s forest products industry: the IWA-Canada, the Pulp, Paper, and Woodworkers of Canada, and the Canadian Paperworkers' Union. The second section focuses on the three employer associations under study: Forest Industrial Relations, the Pulp and Paper Industrial Relations Bureau, and the Council on Northern Interior Forest Employee Relations. The relationships among both the unions and the employer associations are also described. The chapter concludes with a description of the development of industry wide bargaining in the B.C. forest products industry and discusses the advantages this structure of bargaining has given each of the parties.

II. The Unions

A. The IWA

Unionization came relatively late to the forest products industry of B.C. Until the early 1930s most forestry workers remained unorganized while their counterparts working in B.C.'s mines, in the building trades or as printers had been unionized for at least a decade (Bergren 1966).

Many factors were responsible for this. Logging camps were isolated and portable sawmills often accompanied logging crews into the bush so that those producing lumber were also isolated. At this time most operations were small and camps were often separated by hundreds of miles often only accessible by water, making organizing difficult (Gould
Loggers were also a transient group. Faced with poor living and working conditions the worker's only defence was quitting and moving from camp to camp, which many did (Bergren 1966).

In addition to the physical and geographic obstacles to organizing forestry workers there was also committed employer resistance to the unionization of their workforces. Union activity was forbidden and men were fired for it. Simply reading the union newsletter, B.C. Lumber Worker, was enough to cost a man his job (Gould 1975).

Gould (1975) points out that the first serious and successful organizers were deeply committed to socialist-communist ideals and could not imagine achieving better working conditions without changing the existing capitalist system. Many of these men and women had been deeply influenced by the Industrial Workers of the World (IWW) and the radical ideas spawned from this movement stayed alive in B.C.'s earliest forest workers' union, the Lumber Workers' Industrial Union.

By the 1940s the International Woodworkers of America gained strength on B.C.'s coast. However, it was not until the 1950s that workers in the Interior of the province were organized by the IWA on a large scale (Bersohn 1981).

In its formative years the IWA was plagued by internal strife and in 1948, upon orders from the International to purge communist leaders, a group of dissidents separated from the IWA to form the Woodworkers' Industrial Union of
Canada. Despite its earlier, more radical heritage and some vestiges of radicalism that remain today, the IWA-Canada is generally viewed as being on the right-wing of the Canadian labour movement. Especially over the past two decades, during periods of enormous technological change which other unions have refused to accept or participate in, the IWA has in fact encouraged the industry to undertake these changes. The IWA-Canada has proven itself to be willing to work with management on occasion and to be a cooperative partner in the implementation of new technology.

Today, the IWA-Canada (as it is now known since it has formally separated from the international union of the same name) is the dominant union in B.C.'s logging and sawmilling operations. Close to 100% of Coast loggers are represented by the IWA-Canada whereas, in contrast, very few of their Interior counterparts are. Approximately 80% of the province's sawmill workers are unionized and represented by the IWA.

B. The Pulp Unions: the PPWC and the CPU

Pulp and paper workers in British Columbia are nearly 100% unionized by one of two unions: the Pulp, Paper and Woodworkers of Canada and the Canadian Paperworkers' Union. The CPU represents about 8500 workers, the PPWC 6500 workers, while approximately 150 workers at two small Interior mills remain non-union. Both these unions are the offspring of the original international unions that first

In the early 1960s, the forerunner of today's PPWC, the Pulp and Paper Workers' Union of Canada, broke away from the International Brotherhood of Pulp, Sulfite, and Paper Mill Workers in protest against what it perceived to be the undemocratic principles of the international union. The new Canadian union stressed the importance of grass roots, bottom up participation by the membership and its constitution effectively placed control of the union in the hands of the rank and file.

Raiding of the other two pulp and paper unions in the province followed (Vancouver Sun May 28, 1975). Bitter infighting between these unions continued for years. The newly formed union, on a crusade against the evils of international unionism, turned its attention to attracting members from B.C.'s sawmills too, raiding IWA locals. Bitter feelings about these early raiding attempts and successes remain today.

In the early 1970s several more changes occurred in the organization of the pulp and paper unions in British Columbia. In 1972 the United Papermakers and Paperworkers' Union merged with the International Brotherhood of Pulp, Sulfite, and Paper Mill Workers to form the United Paperworkers' International Union. Then in 1973, the break-
away Pulp and Paper Workers' Union changed its name to the Pulp, Paper and Woodworkers' Union of Canada in order to reflect its wood working membership (the result of several successful raids of IWA bargaining units) and the breadth of its organizing scope. The final change came in 1974 when the Canadian Paperworkers' Union was formed when the Canadian portion of the United Paperworkers' International Union broke away to form its own national union. The separation of the Canadian members allowed them to write a new constitution and to change the union's structure making it more responsive to local union concerns. The Canadian Paperworkers' Union put maximum control in the hands of the rank and file and opened the channels of participation in the running of the union to the membership (Province June 12, 1974).

Raiding between the two national unions continued into the mid 1970s. In 1975, despite continued infighting and raiding, President Art Gruntman of the Canadian Paperworkers' Union suggested the possibility of a merger between the two unions (Vancouver Sun May 28, 1975). Despite the merger never being achieved, joint bargaining between the unions with the Pulp and Paper Industrial Relations Bureau eventually became a reality although the two have continued to sign separate master agreements with the employers' association.
C. The Unions' Bargaining Relationships

Traditionally, the IWA has set the pattern for settlements in the industry. In practice, the Coast master agreement has been the agreement that sets the pace for both the Southern and Northern Interior IWA contracts as well as for the PPIRB and CPU/PPWC agreements. The IWA is the oldest and numerically the largest union in the province. It is also thought that the IWA's local structure, being based on geographical areas rather than by plants, gives it greater inherent power to conclude contracts more favourable to the industry's union members (Clarke 1989).

This tradition of IWA pattern setting however, has created some animosity between the unions on the two sides of the industry. As the pattern setter, the IWA invariably settles before the pulp unions. If pulp markets are more buoyant than lumber markets in a given year, or if different issues are outstanding in pulp negotiations that were not of concern to the Woodworkers, the pulp unions may strike after the IWA has settled. A strike by the pulp unions has often meant secondary picketing of IWA mills. This practice has created bitterness between the two sides.

Animosity between the three unions is further compounded by their philosophical differences. The PPWC is the most highly democratic and grass roots oriented of the three unions and views itself as distinctive in its philosophy from the other two unions. It is not a member of the Canadian Labour Congress or the B.C. Federation of
Labour, scorning these bodies as federations of large, foreign controlled, often corrupt unions. The other two unions are members of these two labour federations. The two pulp unions are further divided by a past period of intense rivalry during the late 1960s and early 1970s. The IWA, too, has been raided by the PPWC and this has marked the relationship between these two unions.

In recent years, it appeared that this deep seated animosity might lift. In 1983, when the three unions were being pressured by both sides of the industry for concessions in contract language and were being offered little or no wage increases, the unions formed a loose coalition. The two pulp unions negotiated at the same table with the Pulp Bureau while Jack Munro, as a representative of the IWA, joined them at the table as an observer. However, the IWA settled with the industry in 1983 on terms that the pulp unions could not agree to. The IWA subsequently returned to work only to have their workplaces picketed by striking pulp and paper workers. This action ensured the return of bitterness between the unions in the two sectors of the forest products industry.

However, making the IWA the common enemy has improved the relationship between the two pulp unions. Both in 1986 and in 1988 the two pulp unions undertook joint negotiations with the now deaccredited Pulp Bureau.
III. The Employer Associations

The cycles of boom and bust to which B.C.'s most important primary industry is exposed affect employers, employees, and the government of the province. Employees are often subject to long and widespread layoffs during downturns and are often called out on strike when booms follow in order to make up for wages lost while on layoff. In smaller centres it is not just those directly employed in the forest industry who are affected, but the business owners in these centres can also be directly affected when a large proportion of the town is on strike or layoff.

Employers are harmed not only by labour disputes but also by swings in market prices. Most cannot afford to withstand strikes during boom phases when competitors can easily swallow their market share nor can they afford to continue to pay high wages when the market again becomes depressed and profit margins become razor thin.

Finally, government too, is adversely affected by these cycles. It would like to be able to rely upon a steady income stream to finance government expenditures and social programs (Bennett 1989). However, in times of price downturns or labour disputes, increased pressure is put on unemployment programs and a decrease in tax revenues strains provincial budgets.

Because of the deep and widespread impact the forest industry has on the economy of British Columbia it has long been a priority for all concerned to minimize disruptions
and smooth the boom and bust cycles to which this industry is subjected. Attempts to eliminate labour unrest have been the focus of governments and employers alike. The first voluntary employer associations sought to prevent successive waves of selective strikes by their unions. Later, the government enacted legislation to formalize these associations and to make them more permanent and more difficult to leave. For the most part, the unions involved have not protested these moves towards centralization but rather have welcomed them as a way of making negotiations more efficient and achieving parity among locals throughout the province.

A. FIR

Forest Industrial Relations Ltd., known as FIR, was established in 1942 under the name R.V. Stuart Research Limited. The employer association, the first in British Columbia, was organized by six logging employers operating on the Queen Charlotte Islands whose workforces were suddenly unionized by the IWA (Bennett 1989). The need to negotiate with what the employers perceived to be a radical union drove them together in order to counter the union's power. During the next decade as the union organized more and more of the Coast lumber industry, newly unionized employers joined the ranks of R.V. Stuart Research. In 1949 the association's name was changed to Forest Industrial Relations Limited.
In 1970, after twenty-eight years of successful negotiation as a voluntary association, FIR became the first employer association to become accredited. Accreditation did not change the way in which the association conducted its business; its main reason for accrediting was to indicate its leadership role in the employer association community and to show its approval of the government's newly enacted accreditation legislation.

Currently, FIR negotiates on behalf of eighty Coastal employers who control approximately 180 operations, which include sawmills, logging operations, and plywood mills.

The policies and directions of FIR are largely determined by its Board of Directors. The Board is comprised of sixteen members, six of whom are representatives of FIR's six integrated members. The other ten members represent independent mill owners and independent loggers. Needless to say, the integrated firms are very influential members of the association. However, this is not to say that the concerns of smaller members are ignored. All decisions are made by consensus in which the small companies are prepared to accommodate the interests of the large firms and in return the large companies are willing to compromise for the smaller independents. All members are very aware of the fact that it takes cooperation for an association as large and as diverse as FIR to work.
B. CONIFER

The other employer association representing logging companies and lumber producers under study here is the Council on Northern Interior Forest Employment Relations, known more simply by its acronym, CONIFER. Unionization of forestry workers in the Interior of the province came nearly a decade after forestry workers on the Coast were organized. As a result, there was no employer organization in the Northern Interior until 1950. In that year the Northern Interior Lumbermen's Association was formed. NILA provided Interior employers with both trade association benefits and information and industrial relations services. In 1972, NILA ceased to exist as its two roles were taken over by two new associations, the Council of Forest Industries, the provincial trade association, and North Cariboo Forest Labour Relations Association, its industrial relations counterpart. In 1985 NCFLRA became CONIFER. The organization's constitution was changed, its name became easier to remember, and employers in the Cariboo and the far North were encouraged to join. Presently, CONIFER has twenty-five corporate members, both union and non-union, operating thirty-two mills between Williams Lake and Fort Nelson, as far west as Decker Lake and east to the B.C.-Alberta border (Gunderson 1989).

A number of significant firms operating in the Northern Interior are not members of CONIFER. Some, such as Carrier Lumber, sign memoranda of agreement at the conclusion of
each CONIFER-IWA contract. Others such as the large firms of Weldwood and Northwood, negotiate after CONIFER but again end with much the same contract language.

Accreditation has always been rejected by these Northern Interior firms. Most Interior producers are small, fiercely independent entrepreneurs who have felt that accreditation would constrain their business and would force them to give up their individual rights. A new constitution for CONIFER members was recently drafted in which the direction of the association is moving even further away from accreditation and more towards individual level bargaining. The sentiment among CONIFER members is that bargaining must be moved back down to the lowest level. Settlements which some smaller members cannot afford can no longer be tolerated. Accepting them is viewed as a short range crisis solution, not a long term sensible way to conduct business (Gunderson 1989).

C. PPIRB

The Pulp and Paper Industrial Relations Bureau was formed as a loosely knit association in 1946 at the time that employees in the province's pulp and paper mills were unionizing. Formal joint bargaining by the association on behalf of its members began in 1951. The Pulp Bureau, as it is known more informally, accredited shortly after the provincial government enacted accreditation legislation in 1970.
The PPIRB is one of the employer associations in British Columbia to have recently deaccredited. In 1985, in the wake of a long and bitter lock-out and strike, the association applied for and received permission to deaccredit. Despite its return to voluntary status, the last two rounds of negotiations have resulted in association forged agreements with all employers but one or two included at the negotiating table. However, on both occasions, even those not present at the table during negotiations subsequently signed the industry negotiated collective agreement.

Up until its deaccreditation, the Bureau represented all unionized primary pulp producers in the province. Membership is small - generally between twelve and fourteen employers who own the nineteen or twenty mills operating in the province. As a consequence every member has a seat on the Bureau's Board of Directors. In this way decisions are reached as between equals and the move to a voluntary association was easily accomplished without worries of member defection during negotiations.

D. Their Bargaining Relationships

The relationship between the three employer associations is somewhat simpler than that among the three unions as described above.

The relationship between FIR and CONIFER is one of pattern setting and following. The traditional approach to
a round of collective bargaining in the B.C. forestry industry has been for FIR to negotiate the Coast master agreement which then becomes the benchmark for both the Southern and the Northern Interior agreements. Formerly, the Coast agreement expired before the Interior agreements and consequently was renewed first. In the past the Coast master agreement has been accepted with little or no modifications by the Interior employer associations. Although today all three agreements expire on the same date and negotiations proceed concurrently between the IWA and the three employer associations, FIR still sets the pattern and negotiates what is in fact the province wide forest industry agreement.

FIR has taken this leadership role mainly because it is the representative of the large, integrated companies operating in the province. As these companies play such an important role in the provincial economy and control such a sizeable portion of the province's timber resource, they want to ensure that the terms negotiated are ones with which they can live. CONIFER, in contrast, is made up of mainly smaller firms who, alone, would probably not be able to negotiate as strong an agreement without the power of the large integrated companies of the Coast behind them. In the past, CONIFER has been more than willing for the Coast to set the standard and to simply sign a "me too" agreement once the Coast master agreement is concluded.
The relationship between the PPIRB and the solid wood employer associations is also one that has a long history. For many years pulp settlements have mirrored those won by the solid wood employers. In fact, up until very recently the Pulp Bureau and FIR were overseen by a common CEO. The two organizations are housed on the same floor of a downtown office tower which allows them to communicate frequently. There has been a long understanding between the two associations who represent many of the same large integrated forest products companies that employees of the same company no matter which side of the industry they work on should have identical pay, benefits, and conditions of work. This has been a policy of the associations for many years in order to reduce the possibility of union leapfrogging of settlements in one industry over that won in the other.

The pulp employers and the Interior solid wood employers have had input into the FIR-IWA Coastal negotiations in the past and communication among all parties has been the norm during industry negotiations. This has been to ensure that employers throughout the province are able to afford the same settlement on both sides of their operations. Traditionally, the industry's final offer is made to both the IWA by FIR and to the pulp unions by the PPIRB at the same time. Once the Coastal IWA contract is completed, the pulp industry settles soon after.
IV. The Traditional Structure of Bargaining in B.C.'s Forest Products Industry and the Advantages to the Parties

Bargaining in B.C.'s forest products industry has traditionally been highly centralized and marked by strong pattern bargaining between the pulp and the solid wood sides of the industry. The development of this system and the advantages this structure of bargaining has given to each of the parties are discussed in turn below.

A. The Move from Association Wide to Industry Wide Bargaining

The centralization of bargaining from employer association bargaining to province wide negotiations has been the long time goal of the IWA and it is the union that has pressed for it successfully since the mid 1960s.

The IWA began in the 1964 round of negotiations to move the province's three agreements towards a common expiry date and to narrow and close the wage gap that existed between Coastal and Interior members. Interior IWA members struck for 224 days in 1967 to narrow the differential from fifty to fourteen cents an hour and to move the expiration date from August 31 to June 30 (the Coast agreement expires historically on June 15). In 1972 only a four day strike was needed to remove the final fourteen cent differential in wages. However, the union failed to get a common pension plan. The union asked for province wide negotiations resulting in a master agreement for the first time in 1977.
The IWA was not successful in this regard but it did successfully negotiate a province wide pension plan.

The issue of province wide negotiations came to a head in 1981. The IWA felt the three separate rounds of negotiation going on at the same time, arguing the same points often with the same people but down the hall in a different room was simply a waste of time. For six weeks talks were stalled as FIR and the union argued this point. None of the employer associations however, wished to change the format of bargaining. FIR stated that the three regions were too diverse in conditions, products, and markets to be dealt with at the same time. Eventually the deadlock was broken by the employers' agreement to negotiate three master contracts to be signed at the same time in the same room and to record their commitment to one set of negotiations in 1983.

In 1983 the Forest Labour Relations Council (FLRC) was formed as the negotiating committee representing employers from all regions of the province. For the first time the IWA had achieved its goal. However, the experience was not to be repeated. The employers' group was plagued by internal conflict and had to deal as a group with several issues that related only to one segment of the province. Subsequent rounds of negotiation have found the employer associations once again bargaining separately, with FIR taking the lead and setting the industry pattern.
Despite the fact that the province's employer associations do not negotiate as a team across the table from the union, bargaining in the B.C. forest products industry is essentially industry wide. The strength of the pattern between pulp and lumber sectors and between the regional solid wood employer associations has made this so.

B. Advantages to Employers

Association bargaining has worked to the advantage of employers in both the pulp and paper and the lumber industries. A number of the large integrated firms are represented in the ranks of both the PPIRB and at least one of the forest industry employer associations. Association bargaining has been to their advantage in that it has reduced the number of potential strikes to which their firms have been exposed.

In any of the large integrated companies, such as MacMillan Bloedel, CANFOR, or Fletcher Challenge, a strike in any sector be it logging, sawmilling, or the pulp industry, can have damaging effects on the rest of the firm's business. Not only is that part of the firm's business down, which in itself is financially damaging, but an industry as closely integrated as the forest products industry relies upon the interaction of all sectors: raw logs are used in both sawmills and pulp mills, sawmills use logs and produce chips, and pulp mills use chips and logs.
When one sector is down for any length of time it means the other sectors eventually grind to a halt.

Not only can a strike in one sector be damaging because of the interaction between the firm's businesses, but a strike in one sector could, prior to 1987, also lead to secondary picketing of all the employer's other locations. Thus, a strike at one sawmill had the potential of bringing a large integrated firm immediately to a complete standstill thereby imposing huge costs on the employer. Negotiating contracts for all three sectors at one time clearly reduces the opportunities at which any of the individual sectors can be struck.

Another advantage of association bargaining for both solid wood and pulp employers has been the standardization of industry labour costs. No one firm, because of its superior bargaining power, or for whatever reason, has an advantage over any other firm in the industry.

The final advantage association bargaining has given to employers in both sectors of the forest products industry, but most notably to small non-integrated lumber producers, has been to increase their bargaining power vis-à-vis the unions. When employers bargain jointly the unions do not have the opportunity to single out economically weaker firms for strike action. In either sector of the industry this could result in disaster if a firm were struck and its competitors were successful in supplying its market while its financial obligations mounted. In such a case the firm
would find itself at the end of the strike in financial ruin. The other major advantage to small, non-integrated forest companies is the benefit they receive from the association's industrial relations services. These small firms have access to professional negotiators to conclude their agreements, legal counsel to process grievances for them, and the ongoing assistance of the association in contract and pension administration.

C. Advantages to the Unions

The unions in the forest products industry of British Columbia have also been satisfied with the format of industry bargaining. The negotiation of a master agreement in both industries saves the unions a great deal of administrative cost. Having to negotiate on a firm by firm or a plant by plant basis would be expensive and extremely time consuming. Industry wide negotiations allow the unions to appoint trained and skilled negotiators to the task. As well, this format of bargaining means that these committees need to concentrate on negotiations only once every two or three years rather than year round. Province wide negotiations also allow for the standardization of work rules, wages, and benefits across the province, all of which have been long time union objectives. Perhaps the most significant of these issues has been the development of industry pension plans for union members in the both the pulp and solid wood sectors. These plans allow for the
complete portability of pensions within the industry which is important in an industry characterized by mobile crews and the displacement and transfer of people through technological change.

The pulp unions also recognize the strength that industry wide bargaining gives them in particular. The pulp unions must face large sophisticated companies all of which possess their own industrial relations departments. Should the industry instead choose to bargain on a firm by firm basis there is a strong possibility that the pulp unions could be whipsawed. In a centralized bargaining structure this is not possible. As it is the pulp unions can inflict a great deal of damage by threatening to shut down the whole industry. The employers know that although it will not be other B.C. producers supplying their markets it will be American, Swedish, or Finnish producers instead. The impact on B.C.'s industry remains the same in either case.

D. Reasons for the Success of Association Bargaining

Association bargaining has been so successful in the B.C. forest products industry for a number of reasons. On the pulp side, there is only a small group of employers - between twelve and fourteen over the past decade. This small group of employers are all integrated forest companies of approximately the same size. Their markets for pulp and newsprint have been basically identical as have been their production processes, and the unions with which they
negotiate. It has not been difficult for this group of employers, who share these great similarities, to coordinate their bargaining demands and to support the group's objectives throughout negotiations.

The solid wood sector has been somewhat different in that it has not had one employer association to represent employers all across the province, but rather has had three separate associations that reflect the different environments that employers in this sector face in the various regions of the province. However, within each of the associations much of what is true of the pulp employer association remains the same. The employers within a region have been similar enough in terms of markets, production processes, and costs that they have been able to successfully coordinate their bargaining.

V. Summary and Conclusions

Bargaining in British Columbia's forest products industry has been governed by two sets of structures: one determined by the existence of the employer associations and the other by the pattern setting and following between settlements reached by FIR and the other employer associations.

In attempting to discern significant changes in the structure of collective bargaining in the B.C. forest products industry over the past decade it is necessary to observe both sets of bargaining structures: the formal,
based on who is included in the employer association negotiations and whether employer associations continue to be the preferred method for negotiating in B.C.'s forest products industry; and the informal, determined by which set of negotiations sets the pattern for the others to follow and, whether strong pattern bargaining among the parties continues. The next chapter first analyses the significant environmental changes that have affected the industry and then analyses the changes in the parties' preferences for the established structure of bargaining in the industry.
I. Introduction

During the past decade there have been a number of significant changes in the B.C. forest products industry brought about by shifts in the economic, competitive, and technological environments. These changes have created pressures for the break up of traditional bargaining patterns and for the decentralization of the employer associations found in this industry. The purpose of this chapter is to outline what these environmental changes have been and to describe what pressures they have created and how they have impacted the structure of collective bargaining in the forest products industry of B.C.

The chapter begins by addressing those factors which have not affected the forest products industry alone, but rather, have been forces impacting industry world wide: the globalization of markets, increased fluctuation in currency exchange rates, changing technology, and the recession of the early 1980s. The second section of the chapter concentrates on those forces which have been unique to the forest products industry of British Columbia: the increased differentiation of markets between regions and firms, and the effects of the decade's major labour disputes, the 1984
pulp industry lockout and the 1986 forest industry strike. The chapter concludes with a discussion of the different effects these changes have had upon the structure of bargaining preferred by both the unions and the employers in the industry.

II. World Wide Environmental Change

A. The Globalization of Markets and Increasing International Competition

Perhaps the most significant single force impacting North American trade and industry during the 1980s has been the increased pressure of foreign competition due to the globalization of markets. No longer do North American manufacturers have assured markets anywhere in the world, not even at home. The rapid development of information technology to handle currency exchanges and to transact business across international boundaries has been at the heart of this change process. As markets have become increasingly global, pressure has been applied to remove tariff and non-tariff barriers that have previously restricted trade to protect domestic markets. Suddenly North American manufacturers have been forced to compete in the world marketplace.

British Columbia's forest products industry has not been immune to these changes. Both pulp and paper and lumber producers have been adversely affected by them. The province's primary pulp producers have always had to compete
in world markets because of the commodity nature of their product. However, new entrants have made the marketplace even more competitive. One significant change has been the influx of South American pulp onto world markets. Of a lower grade than B.C.'s softwood pulp (generally regarded as the world's finest ground wood pulp) and priced accordingly, South American produced pulp has become a recent threat to B.C. producers. This pulp uses eucalyptus fibre which can be grown in just seven years and needs only 35,000 hectares of plantation land to supply a 1000 ton/day pulp mill. In contrast, fibre to be used in B.C. pulp needs seventy years to mature and the same 1000 ton/day pulp mill requires 1,000,000 hectares of timber to supply it. This cost alone, without considering the wage differential being paid to B.C. pulp workers, is substantial.

B.C.'s lumber producers have been adversely affected by increased stumpage fees now charged by the provincial government. Small, non-integrated sawmills in particular have been badly hurt. Late in 1986, American lumber producers claimed that Canadian stumpage rates were too low and that, in effect, Canadian lumber had an unfair advantage in world markets because it was subsidized through artificially low stumpage rates. To remove this unfair advantage, the U.S. applied a countervailing duty to Canadian softwood lumber entering the country. Rather than have the duty flow into American coffers, the B.C. government raised provincial stumpage rates, allowing the
tax to stay in the province. The U.S. duty was subsequently removed, but B.C. lumber producers now have higher costs, not only on the lumber that they ship to the U.S. market, but on all lumber produced regardless of its export destination.

B. Fluctuation in Exchange Rates

Further increasing the exposure of B.C. forest products producers in competitive world markets has been the volatility of foreign exchange rates during the past decade. Pulp and lumber products are sold internationally in U.S. dollars. The American dollar is the currency of exchange in nearly all foreign markets. Thus, even if prices in U.S. dollars remain constant over time, which is unlikely, changes in the value of the Canadian dollar vis à vis the U.S. dollar can make the difference between profit and loss.

Until the mid 1970s, the currency values of the major western democracies were relatively stable. Producers could be fairly confident of the exchange rate at which their product would be sold. Thus, exchange rates could be factored into the calculation of the producers' total costs.

Over the past fifteen years currency swings have become much larger. Products that were profitable before, at more favourable exchange rates, may not necessarily be so now. In addition, there is more variation not just between the Canadian and the U.S. dollar, but also between the U.S. dollar and other world currencies, most notably the Japanese
yen and the German mark. Firms in the forest products industry have responded by trying to minimize all other costs in order that the products can continue to be profitable over larger ranges of currency values.

C. Changes in Technology

Another characteristic of the 1980s has been the ever increasing rate of development and implementation of new technology in all aspects of business. This has come about because of the need for increased efficiency and competitiveness. The full adoption and implementation of new technology in B.C.'s forest products industry has been perhaps the single biggest reason for its sustained competitiveness in an increasingly dynamic marketplace.

The two main areas of technological development in the lumber industry have been in the automation of many previously labour intensive tasks in the province's sawmills and in the use of computer technology to maximize the return from a given raw log. These changes were brought about first by the government's close utilization policy governing timber licenses in which license holders were required to use increasingly smaller diametered trees. In order to ensure that they earned an adequate rate of return in processing these small logs, B.C.'s sawmill operators had to be able to process them quickly and with little waste product. The second reason for the adoption of the technology was to increase productivity in order to justify
the increasing cost of wages paid to logging and sawmill employees.

The result of the adoption of this technology has been the loss of thousands of IWA jobs. At the same time however, a dramatic growth in output has occurred so that today sawmills that have eight hour shift capacities of 500,000 board feet of lumber are not unusual. This is in marked contrast to conditions twenty years ago, at the time close utilization standards were set, when sawmills that could produce 25,000 foot board measure of lumber in an eight hour shift were considered adequately efficient.

Despite the loss of IWA jobs, the union has welcomed technological change, reasoning that those jobs that do remain will be well paid. The union has also negotiated collective agreement clauses that ease the transition of those who are displaced by changing technology, through attrition, early retirement, and retraining and transfer to other positions.

Today, because of the capital investment that has occurred in B.C. sawmills, they are the most productive in North America. The latest technology to be implemented in two Northern Interior mills, machinery known as the Linck mill, takes raw logs and converts them to chips and lumber so smooth planing is not needed in one line process. The whole process is controlled by one operator and spotted by a single trouble shooter along the line. This technology is likely to become the norm in the small log Northern mills
over the next decade (MacKenzie 1988). Not only are the
green chain positions that previously sorted finished lumber
gone, but the need for a planing mill is also eliminated.
It is in this way that B.C., with labour costs approaching
$23 per hour, can manufacture a thousand board feet of
lumber at the same cost as Southern U.S. producers who have
labour costs of $7.50 per hour (Vancouver Sun, April 7,
1988).

The pulp and paper side of the industry has also
undergone a period of heavy investment over the past twenty
years. The 1960s witnessed the building of a number of
large modern pulp and paper mills in the Interior of the
province. In the 1980s heavy investment was made in some of
the older Coastal pulp and paper mills which were
technologically outmoded.

There has also been a trend in the 1980s to forward
integration in B.C.'s pulp and paper industry. Newsprint
mills are now being built on the sites of older pulp mills
as producers attempt to remove themselves from the standard
kraft pulp market, a highly variable commodity market.
Crofton, Port Alberni, and MacKenzie all have newsprint
mills on site. Another newsprint mill is currently under
construction at Gold River (Mitterndorfer 1989).

These new newsprint mills use state of the art
technology. With faster and wider newsprint machines, they
have huge daily capacities. With the acquisition of this
new capital, productivity in the industry has improved
dramatically over the past two decades. Twenty years ago between four and five hours of labour were required in the manufacture of a ton of newsprint. Today only two hours of labour are required in the production of that same ton (Mitterndorfer 1989).

D. Recession in the Early 1980s

The economic downturn of the early 1980s was the worst recession since the Great Depression of the 1930s. Its effects were felt world wide in hundreds of industries and the B.C. forest products industry was no exception. The effects of this recession continued to be felt late into the decade.

By early 1980 lumber markets had gone soft in wake of increasing interest rates and a corresponding decrease in the number of housing starts. High interest rates were also damaging to the forest products industry companies themselves as many firms carried large debt burdens due to the heavy investment in new capital and machinery in the late 1970s. Despite these conditions, the industry's unions won sizeable wage increases of 15% and 13% in each of the two years of the 1981 contract. In 1982, with lumber markets still flat, and more than a third of the sawmill workforce on layoff, solid wood employers asked to postpone the 13% wage increase of the second year or to increase wages by only 6%. The IWA flatly refused each request (Vancouver Sun March 14, 1988).
In 1983, pulp markets declined but the American market for lumber had begun to recover somewhat, benefitting mainly the Interior lumber producers. Despite this small improvement in lumber markets, twenty-four per cent of IWA members remained on layoff (Vancouver Sun May 17, 1983).

As the recession continued and deepened, small firms became the first victims. This period saw a significant increase in the number of consolidations in the industry as several single plant firms were acquired by local multi-plant companies or by one of the large integrated firms. Even the large integrated companies were eventually hurt by the recession. The largest losses in the industry's history occurred during the early 1980s.

The 1983 round of negotiations was preceded by a province wide campaign by forest products industry employers to point out the economic straits the industry was in and to gain public support for the tough bargaining position they were about to take. For industry employers, the recession highlighted the need for union concessions in wages and work rules if they were to survive. Employers made this need clear and promised the forest industry unions long term job security for an immediate cut in wage demands and a relaxation of work rules that employers felt necessary to maintain a cost competitive industry (Vancouver Sun March 29, 1983). Employers also expressed their need to conclude negotiations without a work stoppage in order to re-
establish their reputation as reliable suppliers in world markets.

III. Industry Specific Changes

In addition to the forces that have impacted industry worldwide, environmental forces unique to the B.C. forest products industry have put increased pressure on industry participants.

A. Changes in Product Markets

1. Forest Industry

As stated in Chapter Three, the various regions of the province have always had different products, technologies, climatic conditions, species of trees, and markets. Recently these differences have become accentuated.

Northern Interior producers remain predominantly in the commodity market of dimension lumber, mainly 2x4's and 2x6's. They compete successfully in this market by being highly efficient, low cost producers. Most of these mills also supplement their dimension lumber business with the sale of wood chips to the pulp and paper industry. In periods of soft lumber markets, the sale of chips can mean the difference between profit and loss.

In contrast, the Coastal producers have tried to remove themselves from the dimension lumber market which the Interior producers have come to dominate. Coastal forests, unlike those in the Interior, do not produce uniformly sized
trees that allow for highly efficient lumber production. Harvesting on the Coast is also more difficult because of the terrain - steeply sloped valley sides and narrow valley floors. Thus the cost of logs alone makes the production of commodity products like 2x4's even less cost effective. Instead, Coastal producers have sought out new markets for more value added products. Coastal producers have marketed their product to offshore buyers on the basis of its quality and on custom cutting to meet specialized needs.

For example, Coastal producers sell large quantities of yellow cedar in the Japanese market at ten times the price per thousand board feet than they would get anywhere else (Bennett 1989). The Japanese find the colour of this wood attractive for interior panelling and will pay a premium price for it. Other kinds of lumber are sold at premium prices because they are knot free and clear of any other defects. Coastal producers are also in the process of setting strength standards for their lumber, another way in which they hope to be able to charge a premium price for their product (Bennett 1989).

2. Pulp and Paper Industry

The change in product markets in the British Columbia pulp and paper industry has not been as marked as in the solid wood sector of the industry but rather, it has been an ongoing, evolutionary one. Although a large proportion of B.C.'s pulp and paper products is still sold on world
commodity markets the industry is moving away from the commodity markets of standard kraft pulp and standard newsprint toward more specialized, niche markets. In an effort to reduce the variability of their product markets, producers are integrating their production and customizing their products, often tailoring them to the standards of a particular customer. As a result, the products of B.C.'s producers are becoming more specialized and diverse. For example, some mills produce light weight coated papers, others, notably MacMillan-Bloedel, specialize in paper for telephone directories, still others, who have publisher participation in their ownership, produce newsprint for specific end users.

B. Divergence of Lumber and Pulp Markets

Until recently, markets for pulp and lumber were both commodity markets in which prices fluctuated with world demand. The markets were cyclical and not necessarily related, however, over time there was often not a large difference between the quality of the market for these two products. More recently, however, this has changed. Pulp markets have been booming, riding an unusually high crest of demand for several years. Lumber, in contrast, is still experiencing ordinary cycles in the levels of demand and prices.

While pulp and lumber markets were relatively evenly matched in terms of up and down cycles it was financially
feasible to pay the unionized workforce in these industries the same wages and benefits. In fact it worked to the industry's advantage to do so. By keeping wages and benefits parallel, the desire of the unions to leapfrog the settlement in one industry over that won in the other was reduced. Removing the incentive to leapfrog not only kept wage and benefit costs lower than they might have been, but it also reduced the time that might have been lost to strikes in the process.

However, now that pulp markets are booming while lumber markets remain unexceptional, it is hard for the industry to justify the payment of identical wages and benefits. Clearly, it is unreasonable (and probably impossible) to ask solid wood employers to pay the wages and benefits that their pulp and paper counterparts can now afford, especially in light of the fact that labour costs represent only about ten percent of operating costs in a pulp mill while they are about twenty-five to thirty percent of operating costs in a sawmill (Gunderson 1989). However, the pulp unions believe it is unreasonable to refuse to increase the wages and benefits of their members simply because the solid wood sector cannot afford to pay its unionized workforce similarly (Snow 1989).
C. Labour Disputes

1. Pulp and Paper Industry 1984

The 1984 pulp and paper dispute, which resulted in a ten week long industry wide lockout followed by a two week strike, was the catalyst that led to the deaccreditation of the Pulp and Paper Industrial Relations Bureau.

British Columbia's pulp and paper industry developed a poor reputation as a reliable supplier during the early 1970s. Not only was the industry shut down at each round of negotiations in the 1970s (1970, 1973, 1975, 1977, and 1979), but the industry also lost about one and a half million hours over the same period in illegal strikes. As a result, customers looked elsewhere for their pulp and paper whenever B.C. producers headed to the bargaining table and the B.C. pulp and paper industry suffered (Mitterndorfer 1989).

Employer dissatisfaction with the industry's poor strike record led to the 1984 ten week industry lockout of the CPU and the PPWC. The employers in B.C. locked out their unionized workforce in retaliation for what they regarded as the intentional dragging out of contract talks by the unions. The result of the lockout however, was as devastating to the employers as a strike would have been. B.C. pulp mills were down and the companies' markets were being served by the competition. Pressure for a better way of doing things became unbearable.
After the lockout and the subsequent two week strike by the pulp unions, the decision was made by the industry to deaccredit. This action was taken in order to increase employer bargaining power over the unions by threatening to move to plant by plant negotiations unless the unions were willing to cooperate and conclude agreements without the traditional down time. The deaccreditation also allowed those members who were no longer convinced of the merits of group bargaining to remain within the association. Several members of the association no longer wanted to be tied down by group bargaining, wanting instead the freedom to conclude their own contracts. These members would have left the Pulp Bureau had it remained an accredited association. Instead the deaccreditation allowed them to continue their membership and to receive the other benefits of membership without being required to relinquish to the association their ability to conclude a collective agreement.

2. Forest Industry 1986

The six month forest industry strike of 1986 created cracks in the solidarity both within the two solid wood employer associations and between them. However, unlike the situation in the pulp and paper industry, no formal changes in bargaining structure have resulted.

Contracting out was the major issue of contention precipitating what became the industry's worst strike in many years. It was the ideal issue to cause division both
within and between these employer associations. The firms which were directly affected by this issue were generally the large integrated firms on the Coast belonging to FIR. These firms had traditionally used their own employees to harvest the timber they owned. However, with the increasing mechanization of this work and the heavy investment needed in expensive equipment, the employers wanted the flexibility and the cost savings associated with contracting out this work. There were also opportunities for contract work to be done inside the mills in the areas of maintenance and repair. The IWA was opposed to any of these changes without the inclusion of proper language protecting members' jobs included in the collective agreement.

In contrast to the situation on the Coast, logging in the Northern Interior is done almost solely by contractors. As 60 percent of CONIFER's members are single plant companies, they do not have the resources to harvest their own timber and therefore logging has been done almost exclusively by contractors for many years (Gunderson, Bennett 1989). Therefore, when the IWA struck the province's three employer associations' members in order to win the contract language it felt necessary to protect members' jobs, the Northern Interior, not having their own logging work forces whose work they could potentially contract out, signed the agreement and settled quickly. The large integrated companies could survive and resist signing what they saw as overly restrictive contract language
because of their diversification into pulp. But, many of the smaller Northern Interior sawmills, already hard hit by increased stumpage rates, had no choice but to settle. As a result the Northern Interior was back to work four days after the strike began.

Pressures were also building within FIR. Member companies who were experiencing financial difficulties also agreed to settle with the IWA. These were non-integrated forest companies who, without the income from the pulp side of the business, would have been in serious financial trouble had they been forced to endure a long strike. Several FIR members agreed to the IWA language and returned to work. In order to stop the IWA from approaching financially weak employers individually to sign agreements with the union, FIR successfully charged the union with bargaining in bad faith. Despite this ruling the damage had been done and several member firms of FIR operated for the duration of the strike as did all of the CONIFER members.

The 1986 forest industry strike was a significant event in that it caused two different rifts in the industry's bargaining structure. First, it created a division between CONIFER and FIR. Although the terms of settlement were identical in the end for members of both associations, the months during the strike saw CONIFER members at work while FIR members continued the strike. Second, the strike also caused division among the ranks of FIR members. For the first time in decades several firms settled individually
with the IWA during the strike and returned to work while the bulk of the association's employers remained closed down. The tradition of solidarity within the industry, be it an industry-wide settlement or an industry-wide strike, was broken in 1986. Even though tradition returned in 1988 and the pattern seemed to be reestablished, there are concerns nevertheless about the longevity of industry wide bargaining in the B.C. forest products industry.

IV. The Result of Environmental Change - Shifts in Bargaining Structure Preferences

The environmental changes of the 1980s have brought about an increased need for flexibility in the workplace to deal with increasing levels of uncertainty and increasing rates of change. The need for flexibility in the forest products industry is heightened because of the recent diversification of firms within the two industry sectors and between the two sectors themselves. The bargaining structure preferences of B.C. forest products industry employers have been affected by these changes. The need for flexibility within the employer associations created by the recent diversification of markets and products has created pressure for the break up of the three employer associations under study here. Other changes that have occurred between the two industry sectors have created the desire by some industry participants for an end to the traditional pattern bargaining in which both the pulp and paper industry
agreement and the Interior lumber agreements are linked to the Coastal IWA contract negotiated with FIR.

A. The Need for Flexibility

Environmental changes that have affected business world wide have necessitated increased leanness and competitiveness in B.C.'s forest products industry. Fiercer competition, increased currency fluctuation, and rapidly changing technology have all created the need for the industry to become more flexible. Flexibility in contract terms is also needed on a firm by firm basis in the B.C. forest products industry as the investment commitments, financial viability, and size of operations varies to a greater degree among industry participants. The 1983 industry bargaining round was the first that made increased flexibility in work scheduling and work rules a central issue. This topic emerged again in 1986, this time leading to a six month forest industry strike, and it again was made a central issue in the 1988 round of negotiations. The need for flexibility is likely to remain a central issue as rapid change becomes characteristic of the industry throughout the next decade. Negotiations slated for 1991 will invariably raise the topic once again.

Up to now the unions have remained adamant in their refusal to grant the industry concessions in work rules and in the scheduling of operations. The current structure of centralized bargaining has not generated for the industry
the bargaining power to force its will upon the unions. It has become the belief of some that the only way to increase employer bargaining power is to decentralize the bargaining process to the firm or plant level. By singling out the union on a local by local basis, some employers hope to be able to negotiate the flexibility concessions they require to remain viable industry participants.

Recent changes in British Columbia's labour legislation were made to increase individual employer flexibility. These changes would allow employers in the forest products industry to break with the traditional structure of bargaining and move to firm level or even plant level bargaining.

FIR, the only accredited employer association, has little legal barrier to deaccreditation. If the association applies for deaccreditation within the designated time period, then, under the new legislation its request must be granted. The only other barrier to break up for FIR and the only barrier to the break up of the other two voluntary associations, PPIRB and CONIFER, is union bargaining power and the potential damage the union could inflict in a decentralized bargaining structure. However, with recent changes to the province's picketing legislation, union power has been curtailed somewhat. Previously, the unions had the power to picket all plants of the employer involved in the dispute. This is no longer the case. For multi-plant firms bargaining on a plant by plant basis or for the integrated
companies bargaining with the pulp unions separately from the IWA, the new legislation makes only the site of the dispute the primary site. It would now be possible for employers to whipsaw the union by taking a strike at one location at a time while operating fully at the others. The damage to employers in theory would be far less.

B. Diverging Employer Interests

The environmental change specific to the forest products industry, has created diversity between industries, regions, and even firms within each region. As stated in Chapter Two, employer associations remain viable and retain their bargaining power only as long as individuals within the group are able and willing to relinquish their own goals for the common good of the group. The more homogeneous the group in terms of size, region, the unions with which they negotiate, their methods of production, market share and profitability, the more centralized bargaining can become before the costs to the individuals become prohibitive and such a centralized structure is no longer viable.

Currently, there is growing dissimilarity among firms and regions in these critical areas. The pulp and lumber industries are becoming less similar as world markets for their products appear to be moving in different directions. The ability to pay workers in the two industries identical rates is quickly becoming impossible due to the changing economics of each industry. The result is increasing
pressure on the tradition of inter-industry pattern bargaining.

Even within the two industries firms may not be able to continue to pay their workforces the industry standard. The pulp and paper industry is moving from the commodity markets of standard pulp and newsprint into more diversified markets for a range of differentiated products. As this occurs products, costs, profit margins, methods of production, work rules and working conditions become more diverse on a company by company and often even on a plant by plant, basis. As firms move into these separate niche markets, the requirement of paying the industry standard wages and benefits may mean the financial ruin of some members.

The same process is occurring in the solid wood sector of the industry. As the Coast and Interior regions of the province continue to specialize in different markets, the feasibility of continuing to base Interior wages and benefits on those set by the Coast sector of the industry becomes highly questionable. Even among firms within these regions the pressures for decentralization are mounting. This is especially true in the ranks of CONIFER where small single location sawmills are grouped together with some of the province's large integrated companies. This size disparity between the large integrated firms in the industry and other small mills may mean that only those firms with economies of scale in production can afford the standard industry rates. It is these firms who will be able to
remain in the association with others similar to themselves in terms of size and financial stability.

The preferences of B.C. forest industry employers for a more decentralized form of bargaining are consistent with studies done of employers in other industries during this period. These same desires were the catalyst that led to the 1984 breakdown of a forty year tradition of pattern bargaining in Canada's meat packing industry. Forrest's (1989) study of the break down of this national pattern points to increased pressure on industry wages coming from significant non-union competition in the beef sector, over capacity in the Canadian market and the inability to enter and compete successfully in the huge U.S. market with current wage levels. Over the past five years bargaining in the meat packing industry has been decentralized to the plant level and wage parity no longer exists in the industry.

C. The Unions' Preferences

Despite these marked changes in employer preferences for highly centralized bargaining structures since the beginning of the decade, the unions still prefer the status quo. All three unions remain committed to industry wide bargaining in B.C.'s forest products industry. The administrative convenience, the ability to administer industry wide pension plans, and the continuation of wage and benefit parity throughout the industry are all
advantages of centralized bargaining that the unions do not want to lose.

VI. Summary and Conclusion

This chapter has outlined the environmental factors that have emerged over the past decade and that have affected the forest products industry: changing technology, changing markets and products, the effects of a world recession early in the decade, increasing competition, and the after effects of two bitter labour disputes. The result of these forces has been to create diversity, certainly between the various regions of the province in which lumber is produced, but also among firms in both the sawmilling and pulp and paper sectors.

The technology used in both industry sectors differs between the Coast and the Interior regions. In sawmilling, the markets also differ: the Interior focus is on the production of pulp chips and dimension lumber for the American market, while the Coast concentrates on the manufacturing of specialized products that can capture premium prices in off shore markets. The primary pulp producers have also started to look for niche markets which they can supply at a premium price. The differentiation of their products and the different markets to which they sell has contributed to a growing dissimilarity between workplaces. As in the case of the Canadian meat packing industry, it would be expected that these divisive forces
would act to drive the up to now centralized bargaining structures which are also tied closely to one another in terms of pattern setting and following, apart. The pressure for decentralization in B.C.'s forest products industry is building and there appear at first glance to be few barriers to decentralization. The next chapter examines the changes that have taken place to date in the structure of bargaining in this industry and seeks to explain why the changes have not been as dramatic as would be expected.
CHAPTER SIX: FACTORS INHIBITING CHANGES IN BARGAINING STRUCTURE IN B.C.'S FOREST PRODUCTS INDUSTRY

I. Introduction

During the 1980s bargaining structures throughout North America have tended towards decentralization. Increased foreign competition, deregulation of previously regulated industries, and the deep recession of the early 1980s have all contributed to this phenomenon. Forrest's (1989) study of the Canadian meatpacking industry typifies the experience of many bargaining relationships in North America during this decade. This chapter describes the changes in bargaining structure that have occurred to date in the forest products industry of British Columbia. The objective of this chapter is to determine why the changes in bargaining structure in this industry have been so much less dramatic than those in other industries, despite exposure to similar environmental pressures.

As in the preceding chapter, much of the information presented here was gathered during interviews with both union and employer association representatives during the summer of 1989. The chapter begins by outlining the changes to date in the B.C. forest products industry's bargaining structure, both formal changes in the accreditation of the employer associations under study and more informal changes
in the pattern of bargaining among the three associations. The second section addresses the reasons why the changes in bargaining structure have not been more significant. Several factors are identified which help explain the relatively small degree of change that has occurred in British Columbia's forest products industry. Organizational factors including third party pressure, commitment on the part of the employers to association bargaining, the force of tradition and past practice impacting those on both sides of the bargaining table, the strength of the unions to resist unilateral change, and the environmental impact of current market conditions are all cited as explanations for the lack of marked change. The chapter concludes with a discussion of the changes in the industry's bargaining structure which can be expected in the near future.

II. Changes That Have Occurred to Date

A. Changes in Formal Structure

As described in the previous chapter, the Pulp Bureau was formally deaccredited in 1985 after more than a decade filled with work stoppages, both legal and illegal, which culminated in the twelve week lockout/strike of 1984. Out of frustration and in an attempt to reassert their power vis a vis the pulp unions, the province’s pulp employers agreed to deaccredit their bargaining association. It was thought that the threat of plant by plant or enterprise bargaining would allow the employers to extract needed concessions from
the unions and allow them to conclude agreements with fewer work stoppages (Mitterndorfer 1989).

Despite the deaccreditation of the association, membership has remained virtually unchanged and bargaining in the two rounds following deaccreditation has proceeded much as before. In the 1986 and 1988 rounds of negotiation, contracts have been concluded with all but one or two members involved in the bargaining process. In both cases these employers subsequently agreed to those provisions negotiated by the Pulp Bureau.

To date, there has been no attempt by employers in the pulp sector to pursue enterprise bargaining despite their interest in it (Mitterndorfer 1989). However, should centralized bargaining no longer meet their needs, the move to company or plant level bargaining could be easily accomplished now that the Pulp Bureau is no longer accredited. In the meantime, the association is expected to be able to adequately conduct its affairs as a voluntary organization bargaining on behalf of its members because of the homogeneity of the employers involved in terms of their size, location, profitability, and sophistication of internal industrial relations departments.

B. Change in Informal Structure - Dissolution of Ties Between PPIRB and FIR

Since January 1989 FIR and PPIRB have been run as separate associations. Beginning in 1974, the two bodies were overseen by a common Chairman, who retired in 1988.
The Chairman's role was to help members of the two associations coordinate their bargaining positions and negotiating tactics. The purpose of this coordination was to ensure that wages and benefits in the two sectors of the industry were equal and that there was no opportunity for one union to leapfrog its settlement over that won by another. In a move to increase association members' flexibility, and as a way to discourage the continuation of pattern bargaining between the two industry sectors, a new Chairman has not been appointed and the two associations will be managed independently.

This change has occurred as the economic bases of these two sectors grow increasingly dissimilar. The pulp and paper sector has become a very different business from the solid wood sector. The president of the Pulp Bureau, Eric Mitterndorfer, believes that the severing of the ties to FIR will make the province's primary pulp producers "that much lighter on their feet" (Globe and Mail January 7, 1989) in light of the increasing number of volatile variables with which employers must contend. These variables include: international currency swings, unpredictable energy prices, increasing raw material costs, and the enormous amounts of capital that must be committed well in advance for capital improvement projects.

This severing of official ties between the two employer organizations is the first step in the employers' plans to separate their industry sectors and to pave the way for
separate negotiations. The purpose of the movement is now clear: to separate bargaining outcomes negotiated in one industry sector from those concluded in the other. The same emphasis has not yet been placed on breaking the long standing pattern which ties Interior lumber settlements to those negotiated on the Coast although pressures here are also mounting (Gunderson 1989).

Dissolving the ties that bind settlements in the two sectors gives advantages to employers in each. Pulp employers are freed from matching the settlement won in the IWA-FIR contract and applying it to all their plants. Breaking this pattern allow them the freedom to plan on their own and allows them to further consider moving to enterprise bargaining on their own. Solid wood employers, on the other hand, are freed from having to meet wage and benefit levels that pulp and paper employers can well afford but that many smaller solid wood employers would find difficult.

C. Changes in Pattern Bargaining

However, up to now, instead of a break in the pattern of bargaining between the lumber and pulp sectors of the British Columbia forest products industry (as many employers would like to see), there has been a change in the role of pattern setter and pattern followers in the last two rounds of negotiations.
Up until the mid 1980s the agreement reached between the IWA and FIR became the pact that was applied with little alteration to unionized workers in the pulp and paper industry and to other IWA members in the rest of the province. However, in 1986, the year that the forest industry had its worst labour dispute in many years, the pulp unions set the pace for settlement terms for the first time. The pulp unions settled with the PPIRB in advance of their contract expiration date for a first year wage freeze and a three percent increase in the second year of the contract. When the solid wood sector eventually returned to negotiate a settlement to the four and a half month old strike, the IWA settled for the same wage package won by the pulp unions.

Negotiations in 1988 followed the same informal pattern. Pulp producers were riding the crest of an unusually buoyant market for pulp and newsprint. Lumber producers, in contrast, were faced with a good, but not extraordinary market for their products. In addition, the solid wood side of the industry was still trying to negotiate satisfactory clauses to deal with flexibility in work scheduling and to agree upon contracting out provisions. Consequently the pulp and paper industry reached a settlement first. Once the forest industry had reached agreement on the non-wage issues, the IWA agreed to the same level of wage increases won by the pulp unions.
III. Reasons For Little Change

A. The Relationship Between Environmental and Organizational Forces in the B.C. Forest Products Industry

As can be seen from above, despite the environmental changes of the past decade described in the previous chapter, some of which have been dramatic, no significant changes in the bargaining structure of B.C.'s forest products industry have occurred. In analysing what has been observed in this industry, it is important to clarify the relationship between the environmental and organizational forces in this particular industrial relations system.

Ordinarily, environmental forces such as the nature of competition, strength of product markets, and technological change may act either to encourage the centralization or decentralization of bargaining structures. In the case of the B.C. forest products industry it has been observed that most environmental pressures are creating in employers the desire for less centralized bargaining structures.

Organizational forces act in much the same way: depending upon the circumstances, factors such as the legal environment, tradition and past practice, and institutional characteristics may create a desire for either more or less centralized structures. In the B.C. forest products industry it will be seen that the organizational forces present in the industrial relations system are working against decentralization and to preserve the status quo.
For changes in bargaining structure and in the pattern of collective bargaining to occur, the environmental pressures in the industry must overcome the given set of organizational forces working to preserve the current system. Therefore, it is hypothesized that it is not the absolute level of pressure that determines change in bargaining structures but rather, it is how the level of pressure for change compares to the forces acting to preserve current industry structures. Unless pressures for change reach a level at which they overcome forces preserving the status quo, change will not occur.

In the case of the British Columbia forest products industry, the constraints upon the current system of collective bargaining are not as easily identified as many of the more recently emerged environmental forces which have caused employers to desire more decentralized bargaining structures. Many of the significant constraining forces are subtle organizational pressures. The following section of this chapter identifies these forces and seeks to explain why they are succeeding in counteracting the great environmental pressures described in Chapter Five.

B. Industry Tradition

Centralized bargaining in the forest products industry has become an established tradition. Almost since bargaining began in the industry it has been done through employer associations at least on a regional basis and, for
the last two decades, on a provincial scale. Forty-five years of tradition will be difficult to overcome, especially as the two sides cannot agree that the system must be changed and industry players on both sides continue to receive benefits from the current system.

1. On the Employers' Side

There are still advantages for many of the employers on the solid wood side of the forest products industry to retain membership in their employer associations and to continue to participate in association wide bargaining. There is not yet the same drive to enterprise bargaining from this sector of the industry that there is from the pulp and paper employers, although the concept has attracted the attention of CONIFER members.

The pulp employers are large, financially diversified operations, all of which have their own industrial relations departments staffed by professionals. In contrast, the solid wood sector is characterized by the existence of a handful of very large employers (the large integrateds such as MacMillan-Bloedel, Fletcher Challenge-Canada, and CANFOR) and by many small, often single location, employers. Few of these small employers have in-house industrial relations experts and rely on their employer association for many services such as contract administration, grievance handling, and pension administration.

In addition to requiring this administrative aid, many of these small employers do not have the bargaining power to
face the union on a plant by plant basis. This was their reason for joining the association in the first place, and that need has not disappeared. These smaller employers need the solidarity of an employer's association for protection when forced to deal with a union as strong and well positioned as the IWA-Canada.

A single location employer is extremely vulnerable if isolated by the union in bargaining and subsequently struck. A small firm could be destroyed by a strike if output continued at every other sawmill in the province. As a result, single site negotiations could result in the closure of many of these small employers and thus, in the further concentration of the industry.

Instead of pushing for plant by plant bargaining as a way to achieve tailor made contracts, employers in the solid wood sector would rather have flexibility negotiated for the region as a whole. Many would also prefer to see the disintegration of the pattern between Coast and Interior settlements, but do not want, at this point, to go to single site negotiations in order to do it. Thus, so far there has been no attempt by FIR to deaccredit or for CONIFER members to bargain on an individual basis and currently there is little indication of movement in this direction.

2. On the Union side

A union priority throughout the bargaining rounds of the 1960s and 1970s was wage and pension benefit parity for
forest product industry workers in the province. Not only were loggers, sawmill workers, and skilled trades people to be paid the same no matter where or for which company in the province they worked, but similar types of work were to be similarly rewarded whether one worked on the pulp or solid wood side of the industry. The unions reasoned that the industry should have a single wage scale throughout, not one that was dependent upon the market vagaries of a given product at a specific time or the economics of a particular plant or location (Munro, Snow 1989). As a result of this commitment all three unions are very much opposed to decentralized bargaining, especially to go as far as the plant level.

The IWA, the union whose members stand to lose the most if the pattern is broken, argues that if industry economics were established on a more equitable basis there would be no need to consider this change. The IWA identifies two sources of inequity: the price pulp producers pay for chips and the province's inadequate reforestation policies.

The union blames much of the recent problem of the inability of solid wood employers to match wage gains possible by pulp employers on the makers of pulp who pay too little for the chips they use to make pulp and newsprint. The IWA leadership believes that if the pulp industry paid a more equitable rate for its raw materials the financial imbalance between the two sectors would disappear (Munro, Bennett 1989). The IWA also blames the province's forest
policy for the lack of adequate reforestation which has resulted in the current dirth of cost effective timber supplies (Clarke 1989). If companies had access to cost effective timber, the need to reduce the cost of labour, the unions reason, would not be as pressing.

However, the IWA does recognize the need for special treatment of some sectors within the forest products industry, most notably the more labour intensive sectors such as plywood and remanufacturing. The union is willing to negotiate separate contracts for these sectors, which have been hard hit by low wage competition. The concessions proposed for these employers would not necessarily be lower wages but could take the form of added flexibility in work scheduling.

C. Union Strength and Ability to Resist Significant Changes

Not only are the unions opposed to decentralized bargaining from a philosophical point of view, they also have the power to effectively resist its imposition. The highly integrated nature of the various segments of the forest products industry in B.C., changes to picketing legislation, and the organizational structure of the IWA all contribute to a level of union strength that is sufficient at present to resist the unilateral imposition of significant changes in bargaining structure.

Despite the added bargaining power employers appear to have been given by the restriction of secondary picketing,
union power has not been unduly weakened. A work stoppage in one sector can bring financial hardship to other industry sectors without secondary picketing. This is due to the highly integrated nature of the forest products industry.

The change in legislation would cause an observer to believe that an employer can now protect those sites uninvolved in the dispute from economic damage. This may not be the case. If employers were to be successful in decentralizing bargaining to the company or plant level, it is likely that one of the three unions - most likely the IWA because of its size - would take a leadership role in establishing the new pattern. The firm (or a single site of that firm) least able to withstand a long strike would be singled out to negotiate the first agreement. If an agreement was not reached, the firm could be struck and legally picketed as a primary site.

If it is a pulp mill that is struck, the company's sawmills and logging operations will continue to operate without being closed by secondary pickets. However, loggers eventually get put on layoff, chips pile up, the company's sawmills do not receive any revenue from chip sales, and an enormous capital investment in the pulp mill sits idle. The scenario is similar should a sawmill of an integrated firm be struck instead. In this case not only is the sawmill struck but it cannot produce chips for the company's pulp mills. Logs must be bought and chipped to make pulp at an added expense. If the market for pulp or newsprint is poor
this can make the difference between profit and loss to the firm. A disruption at any point in the chain of production can mean financial hardship for the other two sectors.

Paradoxically, the new legislation can be construed as adding to the power of the unions. For years IWA sawmills and logging operations have been the target of pulp union pickets as the IWA has historically set the settlement pattern in the industry. Often after IWA members have agreed to a new contract and have returned to work they have been prevented from working by pulp union secondary pickets, on strike for a better agreement. The new legislation prevents this and ends years of IWA frustration (Bennett 1989). Second, the containment of a labour dispute to one location allows the unions to support striking members almost indefinitely through strike benefits deducted from the pay of working members.

The final determinant of successful union resistance to bargaining structure change in the industry is the geographic delineation of IWA-Canada locals which encompass both loggers and sawmill workers who often work for more than one employer. This structure makes it difficult for solid wood sector employers to initiate plant level bargaining. Plant level bargaining would have to be undertaken by portions of union locals or would have to be undertaken by several locals and several plants at one time. The complexity involved in such negotiations would be significant.
D. Pressures from Third Parties

Another organizational factor which is acting to preserve the current structure of bargaining in the forest products industry is pressure from third parties. This is clearly a difficult factor to measure because it affects the actors' choices implicitly, not necessarily by its expression. In spite of its intangible nature, this is a significant deterrent to the unilateral imposition of a new structure of bargaining by the employers in this industry.

Province wide labour disputes are not tolerated for long before the provincial government intervenes to resolve them. Historically disputes have been tolerated only as long as the damage they inflict is limited to those immediately involved. However, in British Columbia the impact of forest industry disputes is widely felt usually within a few weeks. Government intervention is at least threatened, if not actually implemented, at this point. Eric Mitterndorfer's comment referring to the pulp sector alludes to this government tendency: "When we have our whole industry down the government gets really nervous about it and suddenly we're not doing a labour deal any more, we're involved in a major political action." (Mitterndorfer 1989). This was the case in the 1986 forestry dispute, the 1984 pulp and paper lockout, and a series of strikes in both sectors throughout the past three decades. Government
mediators and special inquiry commissions have become the norm for settling disputes in this industry.

A complete decentralization of bargaining against the wishes of the unions would be highly unlikely if the government were to become involved. A government inquiry into the reasons decentralized bargaining was needed is a much more likely outcome. Unless employers were under great financial pressure to the extent that operations were being forced to close, it is highly unlikely the government would allow employers to unilaterally implement such a radical change.

E. Buoyant Product Markets

The final reason for the lack of significant change to bargaining structure in this industry is an economic one. Since the last recession, markets for pulp and newsprint have been and continue to be unusually buoyant. This has been an obstacle to the industry achieving the decentralization of bargaining employers believe they need. Market prices for lumber, although unexceptional, remain adequate. As previously mentioned, if employers were to attempt to move to decentralized bargaining unilaterally, the unions would be likely to resist and the result would undoubtedly be significant time lost to strikes. Down time for employers in either sector, but especially for those in the pulp sector, would be enormously costly at this time.
This may be the most important determinant of whether changes to bargaining structures or patterns in this industry will occur. Industry tradition, union strength derived from union and industry structure, and third party pressure are a relatively stable set of influences which are not likely to change in the near future. In contrast, the strength of product markets in this industry, as was indicated in Chapter Three, is highly variable. An unfavourable change in the markets for industry products may make decentralized bargaining a necessity for the survival of many employers. If profit margins again become razor thin, firms may need to negotiate collective agreements that adequately reflect their individual investments, costs and the returns of the markets in which they compete. Therefore, even if the other conditions which are contributing to the maintenance of the current system remain unchanged, a change in this final factor could lead the industry to the decentralization of bargaining structures and to the break up of industry pattern bargaining.

IV. Future Prognosis

A. Introduction

A prediction of the future structure and pattern of bargaining in B.C.'s forest products industry is difficult to make. The most likely catalyst for change is an economic downturn in industry product markets.
For the past several years, firms in both the pulp and solid wood sectors of the forest products industry have attempted to move away from commodity based markets which, in the past have left them exposed to cycles of boom and bust. Both the province's pulp and paper producers and Coastal lumber producers have made this change their primary strategic objective. Northern Interior lumber producers however, are still very much reliant on the U.S. market for dimension lumber. However, even taking these product mix changes into consideration, the industry will still be affected to some degree by product market conditions. Two basic scenarios for the near future appear most likely. One is predicated on continued buoyant product markets, the other on an eventual market downturn.

B. Optimistic Scenario

No significant changes in the structure of bargaining in the forest products industry of British Columbia are expected as long as markets remain profitable. Despite employers' desires for more local control over work rules and wage issues it is unlikely that all negotiating will soon be passed on to this level. A more likely outcome is the formalization of flexibility in the province's master agreement and a continued effort to make wage rates in all regions and sectors appear identical even though average costs do in fact differ among sectors. Flexibility may be increased by having wages and benefits negotiated at the
master agreement level while leaving issues such as work rules, flexibility in shift scheduling, and contracting out to be negotiated at the plant or company level.

The maintenance of what appear to be identical wage levels among regions and sectors is already being undertaken. Although base rates and trade rates around the province are identical, average costs for firms can differ quite remarkably. By keeping more employees at lower wage levels and using different combinations of skills, firms can alter their costs substantially. Average labour costs in the solid wood sector are already below those in the pulp sector and average labour costs in plywood mills are about four dollars an hour below those found in the rest of the solid wood sector (Bennett 1989).

Because of its political importance to the unions involved, the appearance of wage parity between sectors and regions can and will be maintained at least for the next few rounds of bargaining. A likely outcome for those smaller firms who can no longer afford to operate under the master agreement is that they will be bought out by one of the large integrated firms. Over time it is expected that the B.C. forest products industry will become more heavily concentrated.

An innovation which may be seen in the near future is the separation of agreements which will apply to various sectors within the solid wood sector. The separation most likely will not differentiate sectors on the basis of base
wages but instead will allow varying levels of work flexibility and work scheduling. However, in order for this to be accomplished changes must be made to FIR's constitution. Presently, in order to continue to be a member in good standing of this employer association, the firm must be a signator to the FIR-IWA master collective agreement (Munro 1989). Some members of FIR are in the remanufacturing, plywood, and other subsidiary sectors of the solid wood side of the industry. In order for them to be granted leave to sign a new sector specific agreement today, they would have to give up their membership in FIR. Many who would benefit from such a new type of contract may be unwilling to sign because of the lack of protection dealing singly without the employer association.

C. Pessimistic Scenario

The break up of FIR or CONIFER is unlikely even if product markets worsen considerably. As long as a large number of single location employers who must bargain collectively with the powerful IWA-Canada remain in the industry, there is likely to be employer association bargaining in this industry (Bennett 1989). If product markets worsen a number of changes in industry bargaining are possible: an end to association bargaining by the province's pulp employers, a break in the PPIRB-FIR bargaining pattern, and an end to the Coast-Interior solid wood pattern.
A small downturn in pulp and paper markets will likely decrease the current pressure for a break in the pulp/solid wood industry pattern by equalizing the ability of employers in these two sectors to pay wage and benefit increases. However, a severe downturn in pulp markets may lead to a decentralization of bargaining among Pulp Bureau members to the firm or enterprise level as individual firms struggle to remain profitable and serve differing niche markets (Mitterndorfer 1989). Should the latter occur, it is obvious that the pattern between pulp and solid wood sector agreements would be broken since there would no longer be a pulp "industry" agreement which solid wood employers could match.

A downturn in dimension lumber markets is another likely future occurrence based on historical evidence. Should this occur in the near future, the pattern between FIR and CONIFER will be difficult to maintain because of the Northern Interior's continued reliance on this product market. Coast employers would likely not be as hard hit by a downturn in dimension lumber prices as much of their product is diversified and sold in various offshore markets not subject to the same cycles as the American dimension lumber market. Should employers seek to break the pattern, labour strife will be the probable result (Munro 1989). But, if left with no alternative, employers will tolerate labour disputes until the government intervenes or until an
industry shakeout has occurred, further centralizing control of the Northern Interior lumber industry.

V. Summary and Conclusion

This chapter has outlined the organizational and environmental factors responsible for the modest amount of change in bargaining structure and in the pattern of bargaining found in B.C.'s forest products industry. Tradition and past practice, the evenly matched power of the unions and employers, third party pressure, and a buoyant product market have all contributed to the minimal change observed in bargaining structure and bargaining patterns, despite the other factors that would have predicted decentralization.

The case of bargaining in British Columbia's forest products industry is interesting because of the strength of the organizational factors influencing bargaining structure choices. At present these organizational forces are sufficiently strong to counterbalance the changing environmental pressures which have caused many employers to desire the decentralization of industry bargaining. Significant changes to industry bargaining structures or patterns are not expected until environmental forces become powerful enough to overcome substantial organizational pressures preserving the status quo.

The chapter which follows outlines areas of future research which may further illuminate the interaction
between environmental and organizational forces on bargaining structure.
CHAPTER SEVEN: RECOMMENDATIONS FOR FUTURE RESEARCH

I. Introduction

The objective of this study has been to determine whether significant changes in the bargaining structure of British Columbia's forest products industry have occurred over the past decade. Despite what have been relatively dramatic environmental changes during this period, little change in bargaining patterns or structures has occurred. The strength of several organizational factors are credited with preserving the status quo in this industry. Despite this finding, the conclusions of this work cannot be widely generalized to other industries or other locations. The relationships among these environmental and organizational factors are complex and not easily specified or predicted. The study of bargaining structure is a difficult one because of the number of variables that intervene between the environment, bargaining structure and bargaining outcomes (Perry and Angle 1981). The complexity of the relationships among these variables makes it difficult to draw generalizable conclusions from any one study. The purpose of this final chapter is to indicate areas of possible further research, the purpose of which is to build a robust theory detailing the interactions of various environmental and organizational factors which
determine the bargaining structure chosen by the actors in an industrial relations system.

II. Recommendations

Ideally, subsequent studies should be both longitudinal in scope (studying a particular bargaining relationship or structure over time) as well as cross-sectional (studying a number of bargaining relationships or structures at a specific time). The benefit of longitudinal studies is that changes in bargaining structure over time may be linked to changes in the environment. Cross-sectional studies allow the researcher to observe different bargaining structure responses by parties subject to the same environmental forces. Cross-sectional studies thus allow the various organizational factors which influence the parties' choices to be isolated and identified.

In addition, future studies should attempt to include both quantitative and qualitative information about the environmental and organizational factors influencing the actors' choices of bargaining structure. To ensure that a complete picture of each case studied is assembled, researchers should determine the historical relations among the parties and understand both the corporate culture and management and union philosophies.

Given these requirements several avenues of research present themselves as outgrowths of this study.
A. Longitudinal Studies

1. Continue B.C. Forest Industry Longitudinal Study

Continued study of bargaining in British Columbia's forest products industry will be valuable. Future changes in bargaining patterns, employer association membership, and participation in regional association bargaining will add to the body of knowledge collected to date. In an industry comprised of both large and small employers, whose employees are represented by three unions with different histories, philosophies, and organizational structures, and in which increasing product and market diversification is occurring, one may expect differential rates of change in bargaining structures and patterns. As industry diversity increases, changes in bargaining structure may be expected to occur in some circumstances and not in others. In observing change that is irregular the researcher will be able to identify those factors precipitating the change.

2. The Study of other Highly Centralized Bargaining Relationships

In order to generalize beyond British Columbia and away from the forest products industry in particular, researchers must begin to study other bargaining relationships in other settings and in other industries. Holding some variables constant such as the degree of environmental change, the level of economic pressure put on employers, or the initial degree of bargaining centralization in the industry will be important.
Longitudinal studies of these relationships, much like the study completed here on the forest products industry of B.C., will prove most enlightening. It is only over time that differences will be detected and that reasons for the differences can be isolated. Cases in which the change in bargaining structure observed goes from less centralized to more highly centralized would also prove informative. The information gleaned by such studies may add new and different information to the field than more studies which look only at the opposite process - the move from more to less centralized structures.

B. Cross-Sectional Studies

Added insight into the determinants of bargaining structure change may be achieved by undertaking cross-sectional studies of bargaining structures in use in the forest products industries of other Canadian provinces and in other countries. The United States is an obvious candidate for comparison. Many industry products and markets are identical, the industries on either side of the border have similar histories and the IWA-Canada and the Canadian Paperworkers' Union began as the Canadian arms of U.S. based international unions that continue to represent workers in the U.S. today. Environmental factors impacting these industries are likely to be very similar.

Such a cross-sectional study provides an opportunity for comparing the effects of both small and large
differences in organizational factors. A cross-sectional study of Canadian forest products industries would provide an opportunity to compare very similar industries. The labour legislation across Canada remains fairly homogeneous, employers attitudes differ little, and government policy towards labour matters remains relatively fixed across the country. Other variables will differ: the employers, whether or not they bargain in associations, the size and profitability of the firms, the history of the bargaining relationships, and the attitudes and philosophies of the unions representing employees in these industries. In contrast, the U.S. provides an almost complete contrast in organizational factors which affect the degree of change in bargaining structure in this industry. Labour legislation, employer attitudes, the presence of a sizeable non-union sector and government policy in labour matters all differ quite significantly from their Canadian counterparts.

III. Summary and Conclusion

It is clear that the present study only begins to understand changes in bargaining structure in one industry in one environment at a particular point in time. Further research must be done to understand more thoroughly the various impacts of environmental and organizational forces on bargaining structure. It is hoped that this paper will provide the starting point for subsequent work of this kind.
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**Individuals Interviewed (July - August 1989)**

Keith Bennett, President, Forest Industrial Relations Ltd.

Dave Gunderson, President, Council on Northern Interior Forest Employment Relations

Eric Mitterndorfer, President, Pulp and Paper Industrial Relations Bureau

Jack Munro, Western Canada Regional Council No. 1 Director, IWA-Canada

Brian Payne, Business Manager, Canadian Paperworkers Union

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