Flexibility & Innovation in Collective Bargaining: 
An Examination of Contract Duration in Canada 1982-2007

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Abstract

It has been often alleged that collective bargaining is both inflexible and rigid in responding to a changing context. This paper examines this issue through the unorthodox lens of contract duration as a response mechanism to changing demands on collective bargaining. Using data from nearly 11,000 collective agreements negotiated between 1982 and 2007, this paper examines trends in contract duration.

We find that contract duration increased significantly over this period: from an average of 24.5 months during 1977-94 to an average of 35.7 months during 1995-2008. It appears that the historical norm of 36-month contracts was being gradually transformed during this period. The proportion of contracts greater than 36 months in duration that we call ‘long contracts’, quadrupled from 5.5% to 28.5% of the total in these two time periods.

However, the increase in contract duration was not solely due to a time trend. We find that there was a structural break around 1995. Contract duration jumped by about seven months in the years 1995 and after. The empirical evidence indicates that after 1995, resulting from a stabilization of the inflation rate, firms and unions began to agree to contracts of longer duration, thereby allowing firms to focus on the opportunities and challenges in the global economy. The evidence shows that after this structural break, economic variables such as GDP growth, employment growth and expected inflation became less important in the determination of contract duration. Instead, labour and capital productivity became more important reflecting the parties’ desire to concentrate on its productive resources rather than a focus on negotiating on stabilizing labour costs.

We then examine the likelihood of agreeing to a longer contract (more than 36 months) controlling for bargaining unit characteristics to find that contracts that were agreed upon in the years 1995 or later were 16.8 per cent more likely to be contracts of long duration.

Our conclusion from this analysis is that contract duration is a significant response to changes in the macro- and micro-economic context for organizations in Canada. Any discussion of flexibility and innovation within collective bargaining must not ignore this important adjustment mechanism.