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Government Interventions in Labour Disputes Have Unforeseen Costs: C.D. Howe Institute

Toronto, June 17 – When politicians consider intervening in labour disputes, they should also consider the long-term, unintended results of such action, according to a study released today by the C.D. Howe Institute. In *"The Laws of Unintended Consequence: The Effect of Labour Legislation on Wages and Strikes,"* authors Benjamin Dachis and Robert Hebdon investigate the lessons from previous government interventions, whether through compulsory arbitration, "back-to-work" legislation or bans on replacement workers during strikes, and find these actions have unintended results that give reason for sober second thought.

Among their findings:

- Banning strikes increases public-sector wage levels appreciably. Legislation requiring compulsory arbitration in disputes involving public employees has increased wages by about 1.2 percent per settlement.
- Back-to-work" legislation reduces the likelihood of a freely settled contract in the next round of negotiations, perpetuating the cycle of government intervention.
- Bans on temporary replacement workers reduce wages, contrary to previous evidence, and increase the likelihood and length of strikes, as do reinstatement rights for striking workers.
- Allowing union certification only through a secret ballot decreases the number of strikes and lowers the wage costs of unionized employees.

This *Commentary* provides policymakers with a fresh perspective on their potential actions and consequences in the minefield of labour disputes. Whether governments seek to shift the balance of labour-employer power, end work stoppages or prevent them in the first place, policymakers should weigh the unintended consequences before acting.

For the study go to: www.cdhowe.org

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The Laws of Unintended Consequence: The Effect of Labour Legislation on Wages and Strikes, C.D. Howe Institute Commentary No. 304, by Benjamin Dachis and Robert Hebdon (June 2010). 29 pp; $12.00 (prepaid, plus postage & handling and GST – please contact the Institute for details).
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Copies are available from: Renouf Publishing Company Limited, 5369 Canotek Road, Ottawa, Ontario K1J 9J3; or directly from the C.D. Howe Institute, 67 Yonge St., Suite 300, Toronto, Ontario M5E 1J8. The full text of this publication is also available from the Institute's website at www.cdhowe.org.

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