

Catalogue no. 75-001-XIE



PERSPECTIVES

ON LABOUR AND INCOME

AUGUST 2002

Vol. 3, No. 8

■ UNIONIZATION AND
FRINGE BENEFITS



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(Catalogue no. 75-001-XIE; aussi disponible en français: *L'emploi et le revenu en perspective*, n° 75-001-XIF au catalogue) is published monthly by authority of the Minister responsible for Statistics Canada. ©Minister of Industry 2002.
ISSN: 0840-8750.

PRICE: CDN \$5.00 per issue, CDN \$48.00 for a one-year subscription, plus applicable taxes.

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.	not available for any reference period
.	not available for a specific reference period
...	not applicable
p	preliminary
r	revised
x	confidential
E	use with caution
F	too unreliable to be published

Highlights

In this issue

■ Unionization and fringe benefits

- In 1999, slightly more than half of all employees were covered by a medical, dental, or life/disability insurance program. About 43% were covered by an employer-sponsored pension plan.
- Coverage rates in the three insurance plans for unionized workers were approximately double those for non-unionized (80% versus 40%). The union advantage in pension plan coverage was much larger (80% versus 27%).
- A majority of unionized employees enjoyed coverage under all three insurance plans; a majority of non-unionized had no coverage under any plan.
- For unionized workers, the chances of being covered were almost the same in both the public and private sectors. For the non-unionized, the chances were much higher in the public sector.

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Unionization and fringe benefits

Ernest B. Akyeampong

WAGES AND SALARIES, which make up the bulk of employee compensation packages, usually take centre stage in union bargaining negotiations. However, it appears that employers are increasingly using non-wage compensation packages to attract and retain workers. Among the most sought-after fringe benefits are insurance coverage (medical, dental, life/disability) and employer-sponsored pension plans.

Wages and salaries are largely determined by the interaction of supply and demand for labour, and by general economic conditions. In contrast, insurance and pension plan coverage are provided primarily at the discretion of the employer, often in response to demands from organized labour. This being so, one would expect coverage rates in these plans to be higher for unionized workers. Indeed, data from the first comprehensive Statistics Canada survey on the subject—the 1995 Survey of Work Arrangements—confirmed that unionized workers were approximately twice as likely to be covered in these plans as non-unionized workers.¹ But does this advantage still persist? This article explores this question

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using the most recent data (1999) from the Survey of Labour and Income Dynamics (SLID) (see *Data sources and definitions*). Also examined are differences in coverage rates by sector (public and private) and establishment size, and the likely effect on the overall union advantage.² Some comparisons with the United States are also provided.

Insurance coverage higher for unionized workers

In 1999, more than half of all employees stated that their main job was covered by an extended medical (57%), dental (53%), or life/disability (53%) insurance plan (Table 1). However, as in 1995, coverage rates in these plans differed considerably by union status. Workers in unionized jobs were almost twice as likely as their non-

unionized counterparts to be covered in each of the three plans—84% versus 45% for extended medical plans, 76% and 43% for dental plans, and 78% and 41% for life/disability insurance plans.

Insurance coverage patterns polarized

For both unionized and non-unionized workers, coverage in insurance plans painted a polarized picture. The chances of an employee having a full package (all three plans) or no coverage (none of the plans) were very common. In other words, employers tended to provide either a full package plan or no plan at all. On the one hand, 69% of unionized and 37% of non-unionized workers enjoyed full coverage packages in 1999, while about 13% and 52% had no coverage

Table 1: Employer-sponsored benefit plans

	Employees		Medical plan		Dental plan		Life/disability Insurance	
	'000	%	'000	%	'000	%	'000	%
All employees	13,170		7,562	57.4	6,998	53.1	6,914	52.5
Unionized*	4,123		3,452	83.7	3,145	76.3	3,226	78.2
Non-unionized	9,048		4,111	45.4	3,853	42.6	3,688	40.8

Source: Survey of Labour and Income Dynamics, 1999

* Includes a small number of persons who are not union members, but who are covered by collective agreements negotiated by unions (see Akyeampong 2000).

Data sources and definitions

Most of the data come from the **Survey of Labour and Income Dynamics (SLID)**, a longitudinal survey launched in 1993. The labour market information pertains to the population aged 16 to 69 on entering the survey. From a sample of 15,000 households representing 30,000 persons in 1993, the SLID panel since 1996 has doubled to cover 30,000 households and 60,000 persons.

SLID records the types of jobs held by individuals, their earnings, and their union status; and employer characteristics (such as sector or firm size). Starting in 1999, several questions on non-wage benefits such as insurance and pension coverage were added.

While SLID collects information on up to five jobs held within a year, the coverage rates pertain to the main paid job—the job with the most scheduled hours in the year. The self-employed are of course excluded.

The U.S. data on job-related fringe benefits come from the **National Compensation Survey**. This survey provides comprehensive measures on occupational earnings, compensation cost trends, and benefit incidence and detailed plan provisions. The U.S. union rate data come from their **Current Population Survey**.

An **employer-sponsored health insurance plan**, often referred to as an extended medicare plan, is additional to provincial medicare.

An **employer-sponsored pension plan** is additional to the Canada or Quebec Pension Plan, RRSPs, and group RRSPs. Similarly, in the U.S., such plans are additional to social security and 401(k) plans.

SLID respondents are asked only if these fringe benefits are offered by their employers. Details and extent (financial and otherwise) of each of the benefits are not sought.

(Chart A). The remaining 18% of unionized and 12% of non-unionized employees were covered by one or two plans.

Gap in pension coverage much wider

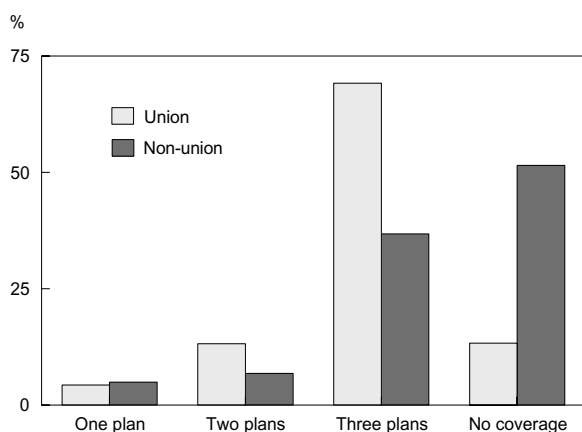
Compared with insurance coverage, overall coverage in employer-sponsored pension plans was low—about 43% in 1999. However, unionized workers had a much greater advantage. In 1999, almost 80% of

workers in unionized jobs had pension plan coverage, compared with only 27% in non-unionized positions (Table 2). The overall low rates for non-unionized workers are a result of low coverage in the private sector and in small firms (less than 100 employees).

Coverage rates rise with firm size

Union density in Canada increases with firm size, partly due to economies of scale for unions. Economies of scale for employers suggest that the larger the firm, the higher the probability of having an employer-sponsored insurance or pension plan. Indeed, the SLID data confirm that coverage rates for both unionized and non-unionized workers rose in all plans

Chart A: Most unionized workers had a full insurance package plan; most non-unionized workers had no coverage at all.



Source: Survey of Labour and Income Dynamics, 1999

Table 2: Employer-sponsored pension plans

	Employees*		Coverage
	'000	'000	%
All employees*	13,074	5,658	43.3
Unionized**	4,085	3,265	79.9
Non-unionized	8,988	2,393	26.6

Source: Survey of Labour and Income Dynamics, 1999

* Employee totals are slightly lower than in Table 1 due to a slightly lower response to the pension coverage question.

** Includes a small number of persons who are not union members, but who are covered by collective agreements.

as firm size increased (Table 3). Also, in line with earlier findings, the data show that unionized workers enjoyed higher coverage rates than their non-unionized counterparts at each level of establishment size.

For unionized workers, coverage in each of the three insurance plans ranged from around 70% in the small establishments (less than 20 employees) to over 80% in large firms (100 or more employees). In contrast, for non-unionized workers, the range was considerably wider—from about 25% in the smallest firms to roughly 70% in the largest. Thus the coverage advantage for unionized workers tended to decrease as the firm size increased. In other words, the overall coverage advantage enjoyed by

all unionized workers in the three insurance plans originated mainly from small- and medium-sized firms (less than 100 employees).

The pattern of coverage by establishment size was not much different for employer-sponsored pension plans. Pension coverage rates for unionized workers ranged from 70% in firms with less than 20 employees to 85% in firms with 100 or more. For their non-unionized counterparts, the rate ranged from a very low 13% to only 54%. Again, the very low coverage rates for non-unionized workers in small- and medium-sized establishments played a significant role in accentuating the overall union advantage in pension plan coverage.

Coverage higher in public sector

The public and private sectors differ in many ways. The former has relatively larger establishments and is highly unionized (Akyeampong 2002). Also, public establishments are generally not driven by profit maximization, making it relatively easier for them to lead the way in providing fringe benefits.

SLID data show that coverage rates in pension plans and all three insurance plans were higher for both unionized and non-unionized workers in the public sector (Table 4). However, among unionized workers, coverage rates in insurance plans were fairly close between the two sectors. Indeed, in the case of medical and dental plans, the gaps were only 3 to 4 percentage points (for example, 86% of public-sector unionized employees had extended medical coverage compared with 82% of their counterparts in the private sector). Therefore, for persons in unionized jobs, the chances of having coverage in either of these two insurance plans were almost equal—irrespective of sector. In the case of pension plans, however, the coverage gap between public and private sector unionized employees was much wider (89% versus 72%).

In contrast, for non-unionized workers, the chances of having coverage were much higher in the public sector. In the public sector, 47% of non-unionized employees had pension coverage in 1999, compared with only 25% in the private sector.

Table 3: Employer-sponsored benefit plans by firm size

	Less than 20 employees		20-99 employees		100 or more employees	
	Em- ployees	Cover- age	Em- ployees	Cover- age	Em- ployees	Cover- age
	'000	%	'000	%	'000	%
Medical plan						
Unionized	543	75.6	1,310	81.2	2,187	87.7
Non-unionized	3,957	27.8	2,751	51.5	2,116	73.0
Dental plan						
Unionized	543	69.7	1,310	73.1	2,187	80.5
Non-unionized	3,957	25.7	2,751	47.4	2,116	69.9
L/D insurance plan						
Unionized	543	68.1	1,310	75.0	2,187	83.4
Non-unionized	3,957	23.5	2,751	45.9	2,116	68.6
Pension plan						
Unionized	541	70.3	1,295	75.8	2,170	85.4
Non-unionized	3,942	12.7	2,732	26.5	2,097	54.3

Source: Survey of Labour and Income Dynamics, 1999

Note: Employment in this table is slightly lower than in Table 1 due to a slightly lower response to the firm size question.

Thus, for both insurance and pension plans, while the higher rates of unionized workers in the public sector contributed very little to the overall advantage unionized workers enjoy, the very low rates of non-unionized workers in the private sector appear to have played an important role.

Comparisons with the United States

Canada-U.S. comparisons of insurance and pension coverage should be made with caution, partly because of differences in social policies and programs (notably in medical, welfare, and employment insurance), tax practices (for example, tax policies on retirement income savings), and union density, which is much higher in Canada (30% versus 14% in 1999). In spite of these caveats, data from SLID and the U.S. National Compensation Survey (see *Data sources and definitions*) do provide some insights on coverage rates in each country's

Table 4: Employer-sponsored benefit plans by sector

	Employees	Medical plan	Dental plan	Life/disability insurance	Pension plan
	'000	%	%	%	%
All employees					
Public	2,682	76.2	69.9	73.6	77.4
Private	10,488	52.6	48.9	47.1	34.5
Unionized employees					
Public	1,916	85.7	78.0	82.9	89.4
Private	2,207	82.0	74.8	74.2	71.7
Non-unionized employees					
Public	766	52.3	49.5	50.4	47.4
Private	8,282	44.8	41.9	39.9	24.7

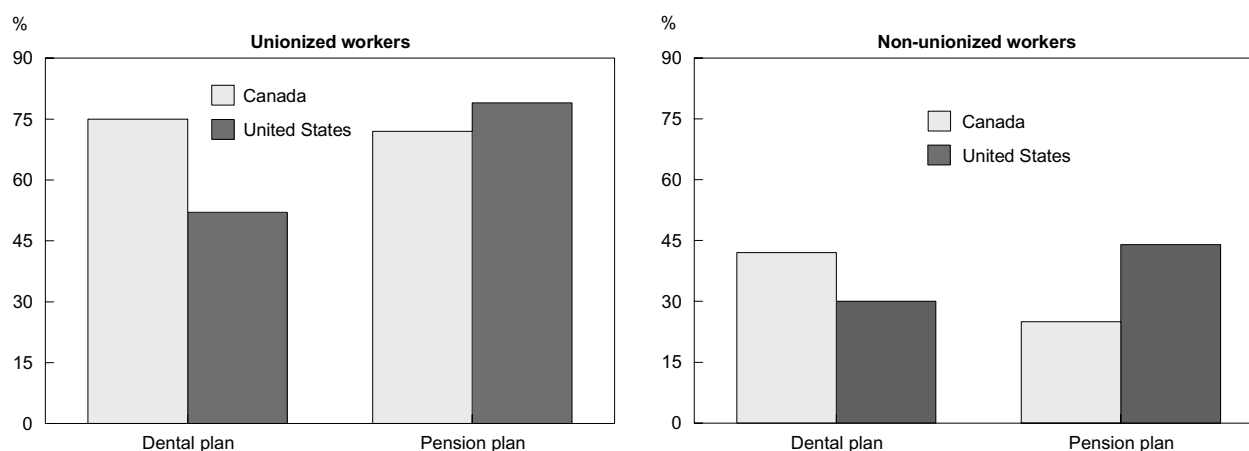
Source: *Survey of Labour and Income Dynamics, 1999*

private sector (the U.S. survey was confined to the private sector) for the year 1999.

Comparisons of medical plan coverage are omitted from this study because of the great differences in medicare policies between the two countries.³ Similarly, comparisons of life/disability coverage rates are impossible because in the U.S. the two are listed separately, while in Canada they are combined.

In 1999, coverage rates for dental insurance and pension plans were higher in both countries for unionized workers than for non-unionized. Dental coverage for unionized workers was 75% in Canada and 52% in the U.S.; the comparable rates for non-unionized employees were 42% and 30% (Chart B). Although Canadian workers had the edge in dental coverage rates, U.S. workers had higher coverage

Chart B: In 1999, private-sector employee coverage in dental plans was higher in Canada than in the United States; the reverse was true for pension plans.



Sources: *Survey of Labour and Income Dynamics*; *U.S. National Compensation Survey*

in employer-sponsored pension plans—79% versus 72% for unionized workers, and 44% versus 25% for non-unionized.

Summary

In 1999, slightly more than half of all employees in Canada enjoyed employer-sponsored medical, dental, or life/disability insurance coverage. The coverage rate for pensions was slightly lower (about 43%). Coverage rates in the three insurance plans for unionized employees were approximately double those for non-unionized (about 80% versus 40%). The union advantage in pension plan coverage was much larger (80% versus 27%). The 1999 rates and differentials were generally unchanged from 1995. A majority of unionized employees enjoyed coverage under all three insurance plans; a majority of non-unionized workers had no coverage under any plan.

For unionized workers, the chances of being covered were almost the same in both the public and private sectors. For the non-unionized, the chances were much higher in the public sector. The overall union advantage resulted primarily from low coverage in small- and medium-sized firms (less than 100 employees) in the private sector.

In both Canada and the U.S., unionized workers enjoyed higher coverage rates for these non-wage fringe benefits than their non-unionized counterparts. However, the union advantage tended to be less in the U.S.

■ Notes

1 See Statistics Canada 1998, 68-71. The union advantage on hourly earnings was much narrower (37%) according to the 1995 SWA.

2 Several other, often interactive factors affect coverage. These include industry and occupation of employment, job permanency, full- or part-time status, job tenure, and legislation. These are not considered in this brief article, but will form part of a forthcoming general study.

3 Coverage by employer-sponsored medical insurance plans in the U.S. was 73% for unionized workers and 51% for their non-unionized counterparts. In Canada, in addition to the universal coverage provided by provincial medicare, almost 82% of unionized workers were covered by employer-sponsored extended medical plans, as were 45% of their non-unionized counterparts.

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