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From: Julian Karaguesian and Daniel Safayeni
To: Labour Relations Watchers
Re: HOW LABOUR INSTABILITY COULD AFFECT CANADA'S INFRASTRUCTURE AMBITIONS

Canada needs a better labour dispute settlement mechanism, especially in nationally important sectors.

The need for labour stability has never been greater than now. And too many worker days were lost last year. The government is already moving in this direction with consultations, but the challenge is how to best balance worker rights, employer interest, and the costs on the general public.

Good-faith collective bargaining and the right to strike are foundational elements of a healthy labour relations system, and strikes themselves are not evidence of failure. What is changing, however, is their frequency, duration, and concentration, especially in nationally critical sectors such as for railways, ports, seaways, etc.

In 2025, Canada lost 4.3 million person-days to work stoppages, the most ever recorded. The transportation sector accounted for 36 percent of all stoppages, and over the last two years had more than 60 work stoppages.

This instability threatens Canada's economy just as Ottawa has committed \$130 billion to nation-building initiatives – hoping to mobilize \$1 trillion in total investment over five years.

The government's ambitious growth agenda, however, risks colliding with a stubborn reality – the labour market required to execute this vision may not function as hoped.

Federally regulated sectors play an outsized role in the Canadian economy. In 2025, they generated more than \$543 billion in direct annual economic output and employed 12 percent of the national workforce, paying wages 45 percent higher than the national average. Instability in these sectors carries consequences beyond individual workplaces, deterring investment, delaying major projects, and weakening export capacity.

Supply chains are fundamental to trade diversification but vulnerable to work stoppages. During the 13-day BC port strike in 2023, an estimated \$10.7 billion in trade was disrupted. In 2024, a national rail shutdown again stalled the movement of goods across Canada and into the United States. That same year, strikes at grain terminal elevators halted roughly 100,000 metric tonnes of grain per day, costing about \$35 million in lost exports daily.

Direct losses are measurable. In nationally critical sectors, the costs of disruption are borne by Canadians, whether through higher prices, lost wages, delayed services, or lost economic activity.

To the government's credit, this risk is now being acknowledged more plainly. Minister of Jobs and Families Patty Hajdu's recent announcement to convene a tripartite advisory table with labour, business and government is an important step.

Similarly, in a speech to the Vancouver Board of Trade, Transport Minister Steven MacKinnon argued the country needs a less confrontational, more reliable process that works for workers, businesses, and investors alike.

A more predictable framework would encourage good-faith collective bargaining while ensuring disputes in nationally critical sectors are resolved through a transparent process. Done right, this would reduce the need for last-minute political interventions that circumvent the negotiation process to reduce economy-wide spillovers.

It is encouraging that Parliament is examining ways of modernizing the negotiation framework, including the role of Section 107 of the Canada Labour Code, which allows the federal government to intervene when disputes threaten industrial peace. Whatever one thinks of Section 107, calls to simply repeal it or ignore its enforcement neglect the need for a better dispute resolution mechanism.

Experience suggests tripartite processes work best when they are focused, time-limited, and established before disputes escalate. The 1995-96 Sims Task Force review of the Canada Labour Code, for example, produced consensus-based reforms that shaped federal labour law for decades.

The constitutional framework is clear. The Supreme Court has affirmed that the right to strike is protected, but not absolute, and that limits are justified when paired with meaningful dispute-resolution mechanisms, including arbitration.

Research on labour legislation shows that the design of such mechanisms matters: Rules that rely narrowly on an employer's "ability to pay" can distort bargaining incentives, while more balanced criteria – including sector comparators, labour-market conditions, and long-term sustainability – are more likely to produce durable outcomes.

The objective is not to tilt outcomes toward either side, but to ensure disputes are resolved through processes that are credible to both parties and consistent with the broader public interest.

A modern intervention process is also needed for nationally critical sectors. It should be consistent with the Charter; preserve meaningful bargaining by requiring a clear record of good-faith negotiations and sustained third-party assistance; respect the right to strike; and apply only when a public-interest threshold is met.

Prolonged disruption hits all Canadians. We need a labour negotiation framework in nationally critical sectors for bargaining to be meaningful for labour and employers, as well as improved tools to deal with escalating disputes.

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