INSIDE

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CUPE Canadian Union of Public Employees

ECONOMIC TRENDS **INEQUALITY**

Canada's hidden dimensions of inequality

It seems to be the Canadian way. While the United States often directly confronts their social injustices, in Canada we tend to pretend they don't exist, gloss over them, and if that ultimately fails with the hindsight of history, we quickly apologize and move on.

Case in point, while the US has directly reported monthly labour force statistics by race for many decades, Canada's Labour Force Survey (LFS) doesn't even collect information on race. Ditto for persons with disabilities and other equality-seeking groups. And that "see no evil" attitude applies to other major surveys. Even worse, the LFS and most other surveys explicitly exclude Aboriginal reserves from their surveys. David Macdonald of the CCPA estimates that if they were included, unemployment and poverty rates would be higher, especially in Western provinces.

In fact, the limited data we have shows inequalities are worse here, with infant mortality, education, incarceration, unemployment, income, and life expectancy all proportionately worse for Aboriginal people in Canada than for African-Americans. And that second class treatment extends to health care and other public services, as the Wellesley Institute has documented.

Incomes, poverty and employment outcomes for racialized workers, and especially racialized women, in Canada are also considerably worse than average and not getting much better. Women are more likely to be in precarious jobs and information from CUPE's membership survey shows racialized workers are too.

In a world where information is power, it's hard not to see the Harper government's elimination of funding for the fledging First Nations Statistical Institute, the National Council of Welfare and the long-form census as deeply political acts, particularly

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ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS

JUSTICE Supreme Court upholds right to strike

It took a generation and provocative "essential services" legislation from Saskatchewan, but 33 years after the *Charter of Rights and Freedoms* became law, the Supreme Court of Canada ruled that the right to strike is protected under section 2(d) of the Charter and thereby under the Constitution. The ruling states the right is an essential part of meaningful collective bargaining necessary to help redress the fundamental power imbalance between employers and employees.

TECHNOLOGY Rise of the share-the-scraps economy

A new business model used by Uber, TaskRabbit, Amazon's Mechanical Turks and others harnesses online crowdsourcing to do complex jobs. These corporations parcel out piecework to online users for peanuts, with no employment standards. It's been called the "share" economy but it's more like the "share-the-scraps" economy, says policy expert Robert Reich. Corporations claim they're utilizing people more efficiently. Reich says the economy's bigger challenge is "allocating work and the gains from work more decently," and on that front, these services are failing miserably.

REPORT Unpaid family care proves costly

The cost of unpaid care provided by Canadian workers for family and friends with long-term health conditions adds up to $1.3 billion and over 100 million hours per year for employers, according to a new report by a federal employers' panel and a Conference Board report, *Making the Business Case for Investments in Workplace Health and Wellness*. With a shortage of supports, including long-term care, more than a third of employees have to juggle work and family responsibilities and take unpaid time off to care for loved ones.

POLITICS AB Premier gets a new ride (that you probably can't afford)

Just as the Alberta government prepared plans to restrain spending and travel, Premier Jim Prentice flew

to Arizona to buy a '56 Thunderbird in a classic car auction for $60,000. That's well above Alberta's average income. While it was on his own coin, he plans to give it to his grandson, and it may look real nice, it doesn't seem like great optics to have the Premier drop so much on expensive hobbies while telling the rest of the province to restrain themselves.

WAGES One CEO is actually paying attention

Insurance provider Aetna's CEO Mark Bertolini was so impressed by Thomas Piketty's *Capital in the 21st Century* that he told his executives to read the book and is raising the company's lowest wages from $12 to $16/hour. His action will give over 5,000 workers a substantial raise, but they still make just a fraction of his salary working for the $50 billion company.

Economy at Work is published four times a year by the Canadian Union of Public Employees to provide workers and their representatives with accessible information and analysis of relevant economic developments and to assist in bargaining. It replaces CUPE's previous *Economic Climate for Bargaining* publication.

Find *Economy at Work* online at **cupe.ca/economyatwork** with links to relevant materials.

An email edition of *Economy at Work* is available. Subscribe at **cupe.ca/subscribe**.

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CUPE Canadian Union of Public Employees

ECONOMIC DIRECTIONS
Latest economic trends at a glance

Economic growth With the drop in oil prices, Canada's economic growth is also expected to take a dive, growing by only 2.0 per cent in 2015 and by about 2.3 per cent in 2016—both down from previous forecasts.

Employment Despite the decline in the oil patch, moderate employment growth is expected to reduce the unemployment rate from 6.9 per cent in 2014 down to 6.7 per cent in 2015 and to 6.5 per cent in 2016.

Inflation With the big swings in oil prices and the value of the dollar, accurately predicting inflation is tricky, but all agree it will be down this year and then up again next year. Forecasts range from 0.4 per cent to 1.2 per cent for 2015 and from 2.2 per cent to 2.9 percent for 2016.

Wages Major public sector agreements settled in 2014 provided average base wage increases of just 1.5 per cent in 2014, well below the 2.3 per cent average for private sector workers and also below inflation.

Interest rates The Bank of Canada's surprise cut early this year means Canadians will benefit from ultra-low interest and mortgage rates for at least another year, while borrowing rates south of the border are expected to creep up.

SPOTLIGHT ON plunging oil prices

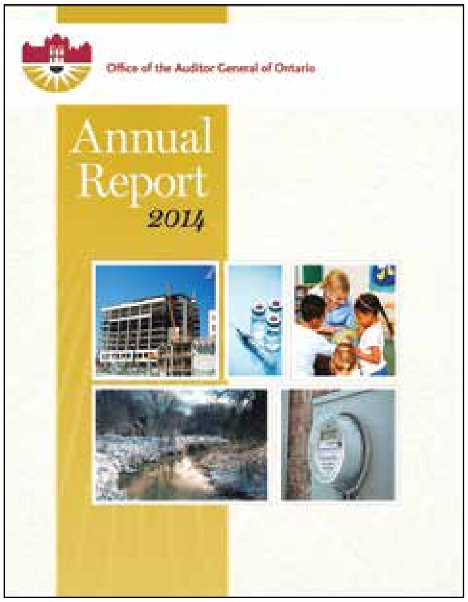
The plunge in oil prices and associated drop in Canada's dollar will dramatically affect Canada's economic landscape.

Provinces that had been riding high on the potent fumes of the oil boom are seeing their fortunes tumble, with economic growth expected to be down by about four per cent in Alberta and by about two per cent in both Saskatchewan and Newfoundland and Labrador. Meanwhile Ontario, Quebec and PEI are expected to experience a one per cent bump in economic growth and other provinces will be up by about half that, according to the Conference Board of Canada.

Lower oil prices and corporate profits will reduce the federal government's revenues by about $5 billion and those of Alberta by $7 billion, but they will also put over $20 billion back into the pockets of Canadian consumers, reduce costs for other businesses, provide a big boost to the U.S. economy and, with the drop in the value of the loonie, should be a boom for Canada's other exporters.

In short, despite the immediate job, economic and revenue losses, the oil price decline provides an opportunity for Canada's economy to become more balanced, diversified and sustainable over the long run. But that doesn't mean it will happen automatically. For a successful economic transition from the resource economy roller coaster, we'll need proactive policies to strengthen other industries and regions after far too many years of neglect.

Ontario audit throws cold



In her annual report in December, Ontario's Auditor General (AGO) Bonnie Lysyk exposed the extraordinary waste and financial sham pervasive in public-private partnerships (P3s)—projects her office estimates to have cost the province $8 billion more than if they had been publicly financed and operated. That is the equivalent of $1,600 per Ontario household, or close to what the provincial deficit will be this year.

What makes this AGO report significant is how it finds systemic problems with Ontario's entire P3 program and methodology—problems that naturally apply across Canada, since most provinces have P3 agencies that function in a very similar way to Infrastructure Ontario.

The report is even more important given the Harper government's support for P3s, both for federal projects, and by forcing municipalities and First Nations to engage in P3s as a condition of receiving federal infrastructure funding.

CUPE, other unions, independent economists, and the CCPA have been saying for decades that P3s cost more and deliver less. But because the financial details behind P3 projects in Canada have been kept secret, we haven't always been able to definitively prove it with their numbers. The AGO report confirms not only that we have been right, but that accountability for P3s and the P3 agencies is even worse than some of us imagined.

Astoundingly, the claims that P3s were less expensive than the public alternatives were based on assumptions that they transferred large amounts of risk to the private sector, but there was absolutely no evidence or factual information to support those claims. They were simply fabricated out of thin air. Worse, a number of these major assumptions clearly involved double-counting, a basic accounting error that misrepresents costs.

Taking all the risk

In reality, the risks incurred by P3s are rarely transferred to the private sector because the ultimate responsibility for delivering a project or service rests with the government or another public entity. All P3s in Canada are structured as Special Purpose Vehicles (SPVs), meaning the larger companies behind P3 projects can walk away at any time, risking only the equity they have put into the project, which is typically 10-15 per cent of the initial cost. Meanwhile the amount of "risk" that is assumed transferred to the firm averages about 50 per cent of this base project cost.

Even more outrageously, Infrastructure Ontario has been paying big P3 companies that are unsuccessful in their bids on P3 projects up to $2 million per bid to cover some of their costs. In other words, the firms bear little risk even at the bidding stage, and the losers get a generous consolation prize—all paid for by the public. The process creates a cosy fraternity of highly-paid P3 companies and consultants, getting wealthy at the public's expense.

Little of this money trickles down. Construction associations have been critical of P3s because most of their smaller and medium-sized businesses don't benefit much. Some architects and engineers say P3s sacrifice good design in public buildings and facilities for the sake of private profit.

Massive levels of creative accounting and double counting are being used to justify expensive P3s and the privatization of public services to the benefit of a few wealthy P3 and finance companies, high-priced lawyers, and consultants. The rest of us will be paying the price for these projects for decades to come—a cost hidden by politicians, government officials and their friends in the industry who are complicit in this massive P3 scam.

More systemic problems

As damning as the AGO report is, it does

water on P3 love affair

not highlight other fundamental and systemic problems with P3s in Canada.

For example, Canadian P3 agencies are conflicted in their objectives. Most are charged with promoting and assessing P3 projects. This conflict of interest is a perversion of public policy and responsible governance. Just as we generally don't let students mark themselves, or have one team control the referee, those that review and assess the viability of P3s should not be the same people promoting them. A recent report from the B.C. Ministry of Finance identified this as a problem, and it appears that the province will be taking responsibility for the initial assessment of P3s away from its P3 agency, Partnerships British Columbia.

There is also considerable movement of key personnel between P3 agencies and the P3 industry, giving rise to (often undeclared) conflicts of interest. The consultants and accounting firms that prepare the business cases and assessments for the P3 agencies generate considerable income from P3s, and are active members and supporters of the industry lobby group, the Canadian Council for Public-Private Partnerships. As the AGO report stated, these groups do not hesitate to use creative accounting to make the P3 case look stronger than it is.

Another fundamental problem with P3s in Canada is that there is no transparency in the details or real costs of projects, and very little accountability. The business cases, value-for-money assessments and assumptions on risk transfer are kept secret, along with the costs our politicians commit us to paying private P3 operators for decades to come. When business cases are released, they are in very summary form or heavily censored.

So what can we do?

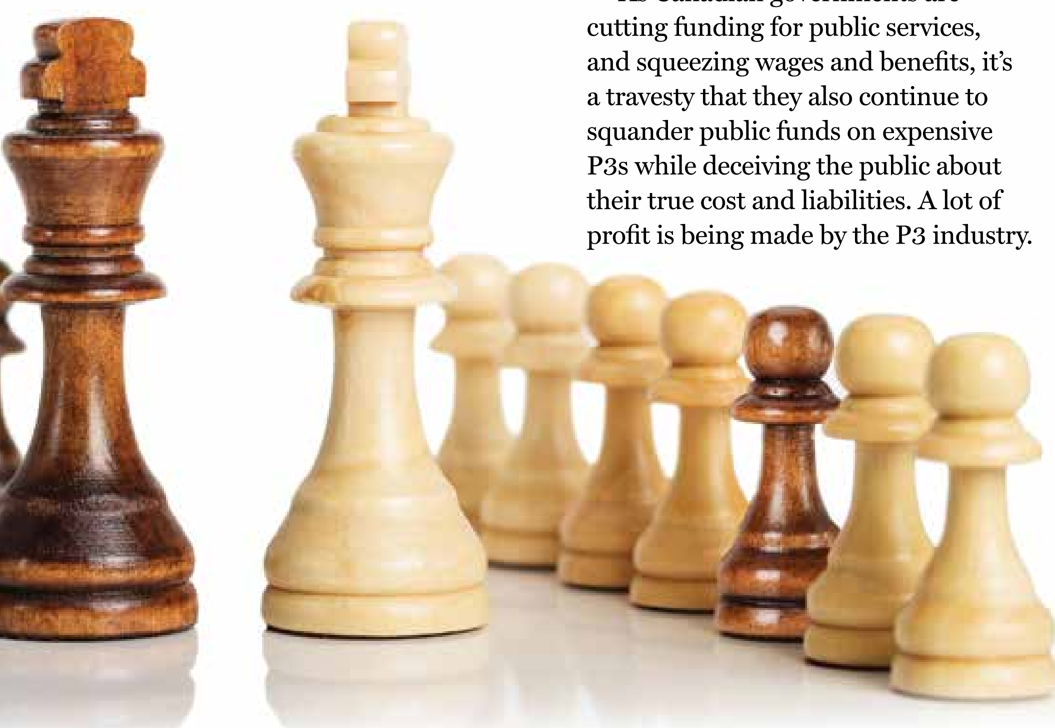
As Canadian governments are cutting funding for public services, and squeezing wages and benefits, it's a travesty that they also continue to squander public funds on expensive P3s while deceiving the public about their true cost and liabilities. A lot of profit is being made by the P3 industry. Many people are getting wealthy at the public's expense. So there are powerful political interests keeping the P3 charade going.

The response of the Ontario government to the AGO report was very defensive, and already the P3 industry is spinning its response to downplay any problems and to further promote P3s. But there are things we can do to reverse this dangerous tendency towards privatization and private pilfering of public accounts.

For example, auditors general in other jurisdictions can be urged to review provincial P3 programs, agencies and projects as extensively as the Ontario auditor general did last year. Governments and public bodies could declare moratoria on further P3s, pending thorough reform and public review of the funding and procurement model. At the same time, Canadian legislation governing P3s needs to be fixed since it is among the worst in the world. Only Manitoba has laws on the books requiring accountability for P3s. The laws aren't perfect and should be stronger, but they're better than nothing.

Finally, we should loudly insist on full public transparency and disclosure of all un-redacted financial details, including value-for-money assessments, associated with existing and new P3 projects. This lack of accountability is one of the most frustrating (and unnecessary) elements of the P3 model. Until we can see for ourselves whether there is any value for money in this system, any and all P3s, and the politicians that introduce them, will—and should—be under a cloud of suspicion.

This article originally appeared in the CCPA Monitor. It has been edited for length.



Canada's labour force is missing something: Women

Women left Canada's labour force in record numbers last year. Who are they and why did they leave?

Over 80,000 women left Canada's labour force in 2014, bringing their labour force participation rate down to 61.6 per cent. This is the lowest rate since 2002, and a surprising reversal following decades of steadily rising participation of women in the workforce.

In fact, because there was very little increase in women's employment last year, if women's participation in the labour force hadn't declined in 2014, their unemployment rate would have risen from 6.4 to 7.3 per cent - the highest annual rate in 15 years and higher than it was during the 2009-10 recession years.

The exodus is concerning for a number of reasons. Lower labour force participation will put a damper on long-term growth of the economy, which is a reason Canada together with other G20 nations agreed to set a goal of narrowing the gender participation gap last November by 25 per cent by the year 2025. Just a few months into this commitment and Canada's gap in women's participation rates has widened rather than narrowed.

Women, their household incomes and public revenues will all lose out from the loss of their incomes. If women are leaving the labour force because of a lack of opportunities, inadequate pay or because they are overloaded with work and family responsibilities, it should also be a major concern.

Part of the overall decline in labour force participation is due to population aging; as a greater share of the population enters retirement age, participation rates naturally decline. While this trend explains virtually all of the drop in men's labour force participation, it doesn't explain the greater drop for women. The biggest declines in workforce participation have been for middle-aged women aged 40-54. Meanwhile, labour force participation for both younger (15-24) and older (60+) women continues to increase.

It's also not a regional story. For the first year on record (since 1977) labour force participation rates for women dropped in every single province in Canada last year—although the declines in some were noticeably larger than others.

What explains this exodus from the labour force? Earlier analysis by TD Economics said it was due to three factors: a decline of employment in female-dominated industries (including health, social services, education, retail sales and public administration); women delaying childbirth to their 40s; and the fact that immigrant women tend to have lower participation rates.

However, further analysis with revised labour force figures for the whole year show that these factors likely played only a minor role and we must look elsewhere for explanations.

In fact, labour force participation rates declined at an equal rate for women born in Canada as for immigrant women. The rising share of landed immigrants in the labour force with lower participation rates explains less than 10,000 of the total decline. Fertility rates have risen for older women, but that's been more than offset by declining fertility rates for younger women, so this factor shouldn't explain an overall decline in labour force participation for all women.

The industries with the biggest declines of women in their workforce in 2014 were manufacturing; retail trade; finance and insurance; public administration and information; culture and recreation - a mix of both public and private sector. In total employment of women aged 25-54 declined by a total of 80,000 in these five industries, while employment of men increased in all of them, with the exception of public administration.

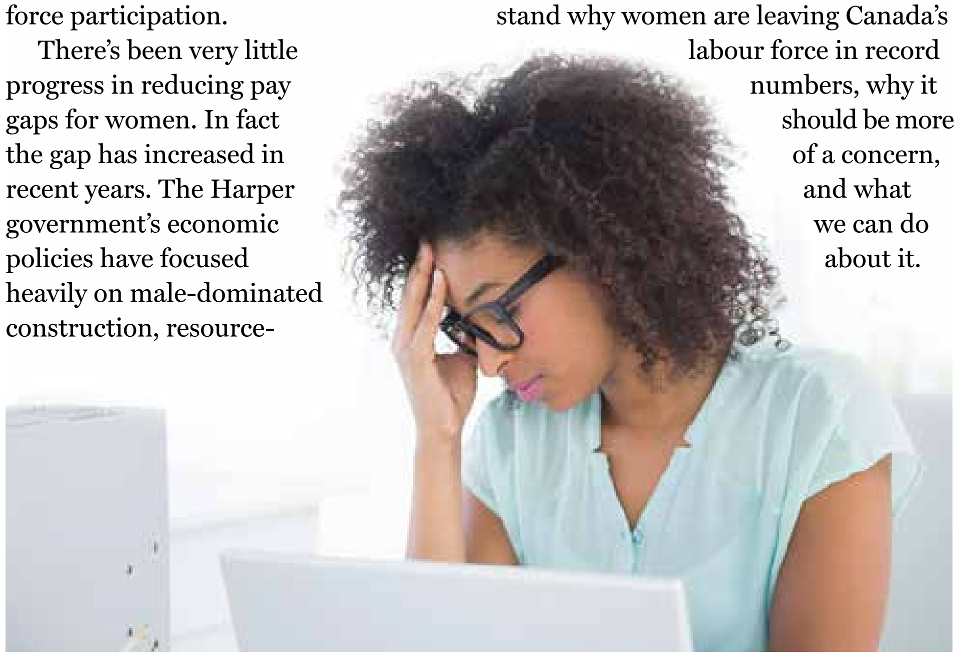
While participation rates declined for women of all educational levels, the steepest declines were for those with that relatively lower levels of education. Occupations with the greatest decline in female employment were clerical (-36,000); trades, transport, equipment operators and construction (-14,000); professional occupations in health such as nurses (-16,000); and management (13,000).

There's international evidence that countries with higher pay gaps for women also have lower female labour force participation. Higher child care costs and family caregiving demands for elders and other dependents also significantly reduce women's labour force participation.

There's been very little progress in reducing pay gaps for women. In fact the gap has increased in recent years. The Harper government's economic policies have focused heavily on male-dominated construction, resource-extraction and military-security industries and have tended to emphasize more traditional family values. Its lack of support for affordable child care, cuts to health and social services and introduction of tax measures that increase incentives for women to stay home may also have an impact.

There's also evidence that more and more workers are feeling overloaded: 60 per cent of respondents to a *Globe and Mail* survey reported feeling stressed and on edge at work.

Put in this context, we better understand why women are leaving Canada's labour force in record numbers, why it should be more of a concern, and what we can do about it.



Wage and price increases

	Canada	BC	AB	SK	MB	ON	PQ	NB	NS	PEI	NL
Average base wage increase for public sector settlements 2014	1.5%	1.3%	1.9%	1.8%	1.9%	1.3%	1.8%	1.5%	2.7%	1.4%	1.2%
Average base wage increase for private sector settlements 2014	2.3%	2.1%	2.6%	1.8%	2.1%	2.0%	2.4%	1.9%	1.8%	–	–
CPI Inflation actual 2014	2.0%	1.0%	2.6%	2.4%	1.9%	2.4%	1.4%	1.5%	1.7%	1.6%	1.9%
Inflation average forecast 2015*	0.8%	0.6%	0.7%	0.9%	0.8%	1.0%	0.9%	0.7%	0.7%	0.3%	0.4%
Inflation average forecast 2016*	2.5%	2.4%	2.4%	2.6%	2.5%	2.5%	2.4%	2.4%	2.6%	2.3%	2.3%

* *Based on forecasts by TD Bank, RBC and BMO Banks from February 2015. Other sources: Labour Canada, Major Wage Settlements and Statistics Canada Consumer Price Index (Cansim table 326-0020)*

BARGAINING **BENEFITS**

Better benefits plans promote equality

When they're properly designed and administered, benefits plans can smooth income disparity and prevent financial hardships.

Most but not all CUPE members have access to some type of benefit coverage through their collective agreements. Unfortunately, these plans are not all created equally. Many restrict access to those who work in full-time permanent positions and exclude those who are working in part-time or casual positions. Members in these precarious positions are more likely to be women, young or racialized, and they are also often the lowest wage earners.

Bargaining a benefits plan that is 100 per cent employer paid and covers all employees and their family creates equality. Benefits plans bring up lower wages by a higher percentage. For example if Member A earns $25,000 per year with $1,000 worth of employer paid benefits their compensation is increased four per cent, while Member B earning $50,000 a year with the same benefit gains two per cent in additional compensation.

Access to a pay direct drug card can also make access to prescription medication significantly easier for members earning lower wages. Shared premiums, co-pays and deductibles negatively affect low-wage earners, as a higher per cent of their wage must go toward paying the premium, co-pay or deductible.

CUPE continues to advocate for a national Pharmacare plan and for expanded coverage of public health care so all Canadians will benefit. But until we achieve equal access for everyone, we must gain better coverage through our workplace plans.

■ **Jordana Feist**

LOOK for more in-depth discussion of benefit plans in CUPE's bargaining and benefits-focused publication, *Tabletalk*. Find it at **CUPE.CA/TABLETALK**

Canada's hidden dimensions of inequality

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while providing billions in additional tax breaks to top incomes.

Canada is an increasingly diverse country, but we're certainly not equal. Our income gap for women hasn't declined much in the past decade and is no better than the U.S. Public policy does make a difference; pay gaps for women are smaller where effective pay equity legislation is in place. We need stronger pay equity legislation together with employment equity measures, as CUPE has outlined in recent fact sheets. The pay gap for public sector workers and for unionized workers is also considerably smaller than for private sector and non-unionized workers. Quality public services are especially important to ensure everyone can have more equal opportunities.

We now have an opportunity to at least get a much-needed, more accurate and multi-dimensional perspective of our labour force with the planned redesign of our labour force survey. The continued absence of some groups not only compounds social injustices, but also makes little economic sense. Aboriginal people in Canada and immigrants are expected to contribute significantly to Canada's labour force growth in coming decades. If we can't accurately measure the shift, we're neglecting our future.

FOR MORE INFORMATION on pay and employment equity, check out CUPE's new fact sheets at **cupe.ca**