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### OUT OF THE BOX

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## TRENDS **JOB QUALITY**

# What is a good job? Are we seeing more of them?

What makes a good job? Most would say it includes decent wages and benefits, good working conditions, interesting work, decent hours, job security, respect, and opportunities to grow.

How can we tell if jobs are getting better, or if more good jobs are being created? What do we need to do to create more good jobs, or to make jobs better?

CIBC produces an Employment Quality Index based on three measures: part-time vs. full-time employment; paid employment vs. self-employment; and a compensation measure for full-time jobs. With the increase in part-time and self-employment, and the decline in the share of higher paid jobs, CIBC's index is 14 per cent below where it was in the late 1980s.

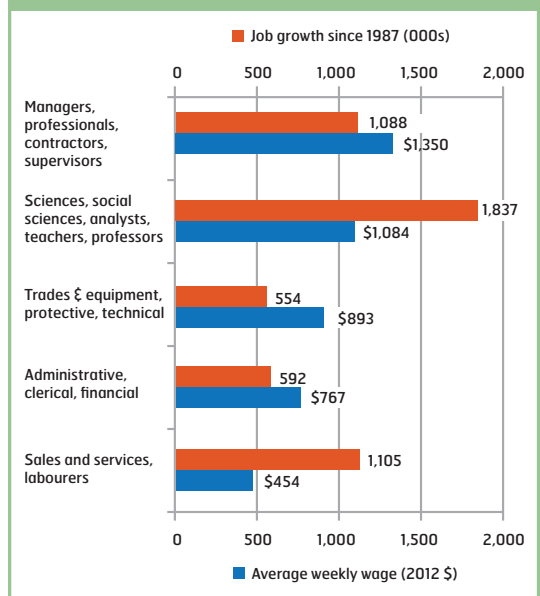
CIBC's index is useful, but it would be better to account for a broader range of factors reflecting job quality. Workers consistently cite job security, wages, pensions, benefits and working conditions as top priorities in bargaining and other surveys. Tracking these trends over

time can tell us whether job quality rates for an occupation or sector are improving or deteriorating.

The chart below compares job growth and average annual earnings by occupation since 2009. Much of the job growth has been among professional and trades occupations at the upper end of the earnings scale. There's also been growth at the lower

*Continued on page 8*

**JOB GROWTH BY OCCUPATION AND AVERAGE WEEKLY WAGES**



Sources: Statistics Canada Cansim tables 282-0010 and 282-0070, analysis and aggregation of occupational categories

# ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS



## **PUBLIC PENSIONS** Premiers support improvements to CPP

At their annual summer meeting, provincial premiers expressed support for a “modest, phased-in and fully funded expansion of CPP/QPP.” They also expressed concern about the federal government’s decision to raise the age of retirement for Old Age Security. Labour’s plan to expand the CPP has gained the support of numerous pension experts. Unfortunately, the Harper government continues to block improvements.

## **YOUNG WORKERS** Challenging employers’ use of unpaid internships

There’s been little increase in paid employment for youth, but if you want to work for free through an unpaid internship, many employers will gladly take you on, even if it is illegal.

An estimated 100,000 to 300,000 youth are working as unpaid interns in Canada, trying to gain marketable job experience. Many large and profitable employers are taking advantage. Despite their increase in popularity,

the truth is unpaid internships are legal only under restrictive circumstances. Otherwise, interns must be paid at least the minimum wages and employers must comply with other employment standards. Too many employers ignore the rules and take advantage of unknowing or desperate youth.

Many interns are beginning to speak out against their exploitative circumstances, particularly following a recent legal victory against unpaid internships in the United States, and the tragic death of an intern at the Bank of America who worked three straight days without sleep.

## **LEGISLATION** Bill C-525 attacks unions at federal level

Federal Conservatives have introduced a second private member’s bill to undermine unions. Once again, the bill would hypocritically apply standards to unions the politicians don’t come close to meeting themselves.

Bill C-525 would make it almost impossible to organize and certify new local unions and make it much easier to decertify.

The bill would increase the threshold for certifying unions to over 50 per cent of all employees in the unit through a secret ballot, instead the current threshold of 50 per cent of those who voted. More perversely, over 50 per cent of all employees would have to vote to keep the union in any vote for decertification. If the same standards were applied to federal elections, not one MP would be elected.

## **UNEMPLOYMENT** EI protection at lowest rate in 70 years

Thanks to many years of so-called reforms, coverage under Employment Insurance has been reduced to the lowest rate since 1944, with less than 39 per cent of unemployed eligible and collecting regular benefits in the first half of 2013. That’s just half the average coverage rate provided from 1950 to 1990.

Coverage is lowest for unemployed women, only a third of whom receive EI. It’s bad for younger workers too. And while the federal government is disqualifying more people from EI, it also refuses to pay back the extra \$57 billion it took from the EI fund in the years up to 2005.

*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.

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# ECONOMIC DIRECTIONS

## Latest economic trends at a glance

<b>Economic Growth</b>	Canada's economy is expected to expand by just 1.7 per cent in 2013, then grow by between 2 and 2.5 per cent annually for the next few years.
<b>Employment</b>	Modest job growth is expected to keep the unemployment rate above 7 per cent for the rest of 2013, then dip to 6.8 per cent in 2014.
<b>Inflation</b>	The national inflation rate is expected to average 1.2 per cent in 2013 and 1.8 per cent in 2014 (see Consumer Price Index, page 7).
<b>Wages</b>	Base wage increases in collective agreements settled this year have averaged just 0.9 per cent, the lowest since the mid-1990s. Public sector increases are averaging 0.7 per cent, well below the private sector average of 2.3 per cent.
<b>Interest rates</b>	Short-term interest rates remain low with no hikes expected until late next year, but longer-term borrowing rates, including 5-year mortgages, have already moved up.



# SPOTLIGHT ON

## the post-recession economy

### What happened to the recovery?

It's been four years since Canada's economy bottomed out in mid-2009. While we didn't suffer as deep a recession as many other countries, recovery has been slower than after past recessions. Many Canadians are still waiting for the recovery to take hold.

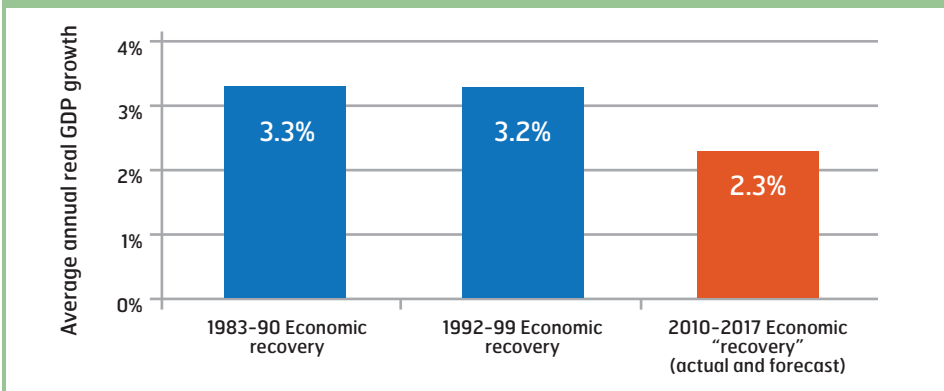
Stimulus spending ensured the downturn wasn't as severe as it could have been, and growth was stronger coming out of the recession. But since then government austerity has slowed economic growth, putting us behind even the 1990s recovery.

Interest rates are going up, putting a damper on growth, and with the rest of the world in the economic doldrums, our net export situation has gotten worse. Canada's open for business, but few are in a position to buy.

Our current recovery isn't expected to pick up much speed either. Overall growth in this recovery is expected to average just 2.3 per cent a year from 2010 to 2017. That's almost a full percentage point lower than the 3.2 per cent average for similar recovery period in the 1980s and 1990s. If these forecasts hold true it will mean \$100 billion less in annual economic output by 2017.

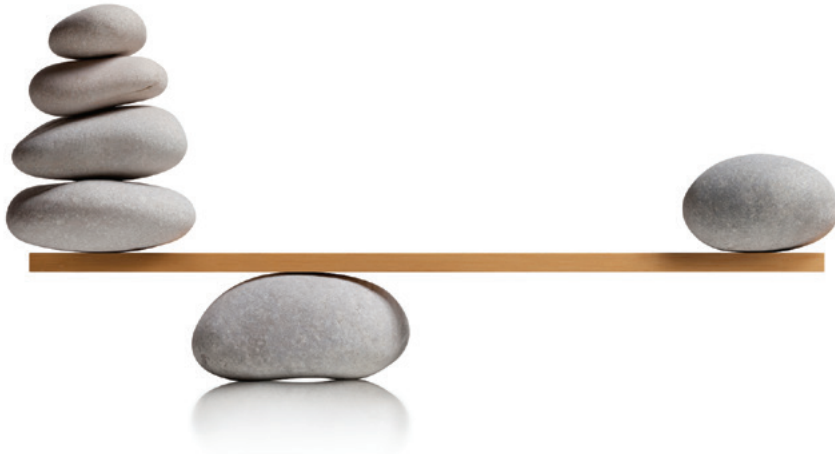
Is slow growth the new normal? It doesn't need to be. There's lots of excess cash on the sidelines or in speculative investments (see *Too much money*, page 5) that could do a lot of good if it were channeled into productive and social investments—or if it were in Canadian households.

AVERAGE ECONOMIC GROWTH IN CANADA'S POST-RECESSION RECOVERIES



Source: Statistics Canada Cansim Table 380-0064 and TD Bank Forecast (June 2013)

# Stronger unions counterbalance power of elite: top economists



An increasing number of prominent economists have concluded that business and political elites have hijacked policy making to serve their own interests. They say stronger unions are needed to counterbalance the growing power of these elites.

Daron Acemoglu and James Robinson, authors of *Why Nations Fail*, acknowledge “unions have played a key role in the creation of democracy in many parts of the world.”

Other prominent economists—including Emmanuel Saez and Nobel-prize winners Joseph Stiglitz and Paul Krugman—have also recently highlighted the concentration of power by the elite one per cent as a barrier to stronger economic growth.

After the Great Depression, workers pushed western nations to introduce reforms that increased equality, deepened democracy, expanded public services, improved human rights and strengthened the power of unions.

These nations also experienced unparalleled economic growth.

But now, following the worst economic crisis since the depression, we have governments moving in the opposite direction with austerity and other regressive measures. Equality is reduced, democracy is weakened, unions are undermined, and we have sluggish economic growth.

Of course not all economists have changed; divisions have grown as right wing theorists practice denial and cling to policies that have bankrupted many.

What does this mean in real terms? Political power, equality, democratic institutions and unions matter. Measures that weaken these also weaken the economy. Simple economic stimulus and compassionate liberal measures to reduce poverty aren't sufficient; we need to curb the concentration of power, expand public services, strengthen democracy and unions, raise wages for all workers and increase our share of national income.

## FACTOIDS

*“Austerity is just code for the transfer of wealth and power into ever fewer hands.”*

Aditya Chakraborty  
The Guardian

### Household debt rising

Total mortgage, loans and other debt held by Canadian households hit \$1.7 trillion this year, up five per cent from last year. The debt load is equivalent to almost \$48,000 for every single Canadian.

### Financial sector booming

Profits for Canada's whole finance sector are now over \$80 billion a year. That's more than twice the total of all the federal and provincial government deficits in Canada combined.

### Big bank bonanza

Canada's big banks pulled in another quarter of record profits. They amassed over \$8 billion in the third quarter of 2013 alone, up 11 per cent from last year.

### Family incomes stagnant

Median after-tax incomes of Canadian families remained stagnant, with little or no increase for the fourth year in a row in 2011, according to Statistics Canada latest figures.

# The problem of too much money

Too much money. It's not a problem most of us have to deal with. But it is a problem that affects us at a global level, according to a largely overlooked report by corporate consultants Bain and Company.

If the name Bain and Company sounds familiar, it should. They're associated with Bain Capital, the private equity firm cofounded by Mitt Romney, the former Republican presidential candidate. They're not exactly an anti-capitalist outfit, but they've put their finger on a major problem many others have ignored.

The flipside of stagnant wages and incomes is higher profits and excess capital at the top. Economic policies that lowered taxes for high earners and corporations have also been successful in swelling pools of financial capital, but far less successful at spurring investment.

The pool of global financial capital tripled in size from 1990 to 2010—far faster than economic growth. It now amounts to over \$600 trillion and is expected to grow another 50 per cent by 2020. Factoring in inflation, the pool could exceed a quadrillion dollars, more than ten times the value of the world's annual economic output.

This “capital superabundance” is creating supersized problems, according to the Bain report. The immediate effect has been to “paralyze, confuse and distort investment decisions.” We'll also have “persistently low interest rates, high volatility and thin rates of return.” More frequent, more damaging and longer asset bubbles will follow, along with inevitable busts and crises.

Unfortunately, most economists don't seem to be

aware of this problem. It's why so many failed to predict the recent financial crisis, and continue to propose policies that make the problem worse.

The Bain report has advice for businesses and investors to adapt to a world with surpluses of capital. But what about the rest of us? Most of us don't have the excess capital needed to weather this new, volatile market, let alone pay next month's bills.

Here are some ideas:

For individuals, don't bet on markets for income security. Returns will be lower, more volatile and harder to hedge against. Better bets for retirement security are public and defined benefit pensions, which are better able to handle big changes in market conditions.

Governments and policymakers should try to slow the growing pool of capital by reversing the gamut of policies that accelerated it. Eliminate preferential tax rates for capital and business, re-regulate financial markets, limit corporate rights and allow wage growth.

Another obvious step is to expand socially controlled capital and the provision of public goods. Take steps to tax some of the capital and wealth concentrated in a few hands and put it to more socially productive uses. A financial transactions tax would not only raise billions, but could be used to temper booms and busts.

## What is a quadrillion?

It's a thousand trillion, or \$1 followed by 15 zeroes. That's enough dollar bills to stretch from the earth to the sun and back a thousand times.



# Labour and skills shortage claim isn't backed up



The Conservative government has focused a lot of attention on a skilled labour shortage, saying it's holding back economic growth. The Prime Minister called it the "biggest challenge our country faces" and used it to justify major policy changes, like the expansion of the temporary foreign workers program, cuts to EI, delays to retirement, and shifting funds from existing workplace skills programs to the Canada Job Grant.

But are serious skills and labour shortages really holding back the Canadian economy? Are there really that many "jobs without people" while 1.4 million unemployed Canadians are actively looking for work?

It turns out there's no real evidence to support the claim. Consider:

- The number of job vacancies is declining. It dropped to 225,000 in May, according to Statistics Canada's monthly survey. This number represents little more than one per cent of the total labour force,

meaning there are 6.3 people unemployed for every job opening.

- Only 20 per cent of firms surveyed by the Bank of Canada during summer 2013 said they had labour shortages, down from last year and only half the average of 40 per cent that was common before the financial crisis.
- In-depth analysis by the Certified General Accountants Association of Canada found there have been no generalized skilled labour shortages; shortages that occurred were sporadic, regional and didn't last for more than a year.

There will always be some level of job vacancy, as people change jobs and employers take time to fill positions. When unemployment is low, filling positions takes longer and the job vacancy rate is higher. When the unemployment rate is high, the job vacancy rate is lower.

Canada's job vacancy rate is 1.5 per cent. That's low compared to

the United States. It is higher than most European countries, but that's because they have higher unemployment rates. For those European countries with job vacancy rates of less than one per cent, the average unemployment rate is 13.6 per cent—almost double that of Canada.

Greece has an extremely low job vacancy rate at 0.3 per cent, but an unemployment rate of 27 per cent. Meanwhile Germany has the highest job vacancy rate in Europe at 2.6 per cent but also its lowest unemployment rate, at 5.4 per cent. Which is better?

Shortages should lead to rising prices—and higher wages in the labour market. That's the way the market is supposed to work.

While some employers and business lobby groups complain about labour and skills shortages, they're doing little to improve working conditions, and instead are teaming up with the federal government to keep wages and benefits down.

## CONSUMER PRICE INDEX

# Gas bumps summer prices, but inflation remains low

Inflation trended higher in all provinces during the summer. The culprit, once again, was higher gasoline prices. Consumer price inflation averaged 1.3 per cent in July, up from 0.5 per cent in January, driven by an 11 per cent increase in gasoline prices. In July, motorists paid more than \$1.30 per litre in all provinces except Alberta and New Brunswick.

Price increases for most other items have remained moderate. Historically low borrowing rates helped

reduce inflation earlier this year, but rising mortgage rates will contribute to higher inflation, until they start to pull house prices down. The core rate of inflation—which excludes the eight most volatile items—has been more stable, averaging 1.2 per cent throughout the year.

Inflation averaged 0.9 per cent nationally in the first seven months of 2013, ranging from zero in B.C. to 2.2 per cent in Manitoba. Both provinces diverged from the national

rate because of sales tax changes. At the national level, inflation is forecast to average 1.2 per cent this year, rising to 1.8 per cent in 2014.



## WAGES WHO'S GETTING WHAT

# Public pay increases lower than private sector

Base wage increases averaged just 0.9 per cent for collective agreements signed in the first six months of this year, similar to the average inflation rate for that period. However, because these agreements will last an average of two and a half years, the average increases over the length of the contracts will be below inflation, resulting in real wage losses.

Wage settlements for public sector workers averaged just 0.7 per cent across Canada, well below the private sector average of 2.3 per cent. Wage

settlements for public sector workers in Ontario were the lowest of all provinces, averaging just 0.2 per cent because of the two-year wage freeze imposed on provincial workers. Wage settlements were highest in Nova Scotia, averaging 2.5 per cent.

Public sector workers in Alberta were second lowest, averaging just 0.7 per cent as a result of school board agreements with teachers providing annual average increases of just 0.5 per cent over four years. This agreement followed a five-year agreement where

wages were linked to increases in Alberta's average weekly earnings, which rose at almost five per cent annually.

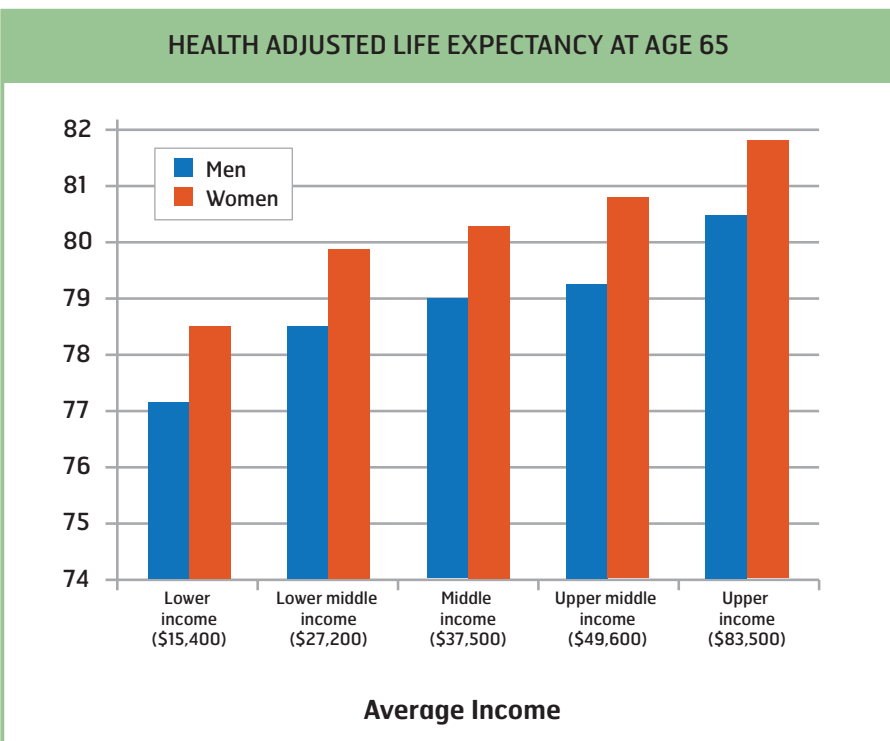
### Salary forecasts for 2014

Salaries are expected to rise by an average of 2.6 per cent in 2014 across Canada, according to surveys of Canadian employers by the HayGroup. That's lower than the 2013 forecast of 2.9 per cent. Increases for the public sector are forecast to average 2.3 per cent, below the private sector average of 2.7 per cent.

PRICE INCREASES VS. WAGES											
	Canada	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
Base wage increases in major agreements: Jan to July 2013	0.9%	1.7%	0.9%	1.6%	2.3%	0.5%	1.7%	1.1%	2.5%	--	--
2013 inflation forecast	1.2%	0.6%	1.4%	1.5%	1.7%	1.3%	1.4%	1.2%	1.6%	1.6%	1.8%
2014 inflation forecast	1.8%	1.3%	1.6%	2.3%	1.8%	1.8%	1.8%	1.6%	1.8%	1.7%	2.0%

Sources: HRSDC Labour Program Major Wage Settlements and forecasts by TD, RBC and BMO Banks.

# Life expectancy rising, but for some more than others



Source: Statistics Canada Cansim Table 102-0122

Life expectancy is rising around the world, but at different rates for men and women and for different income groups. Not all of us are benefiting equally from rising life expectancy. The gap is closing between men and women but not between rich and poor.

Life expectancy at birth for men increased from 74 in 1990 to 78 in 2010, while for women it increased from 80 to 82. However, men in the top of five income brackets can expect to live almost five years longer than those in the lowest income group. Poverty kills, and while money can't buy love, apparently it can buy a longer life.

The gap between rich and poor is even greater in years of good health, or "health-adjusted life expectancy." Lower-income earners live 7.5 fewer years in good health than higher income earners.

For those at the lower end of the economic scale, there is a higher likelihood of working into retirement while in poorer health, because they don't have sufficient pensions and can't afford to retire. Statistics Canada reports "many older workers will have difficulty remaining on the job due to poor health, even if they are not financially ready to retire."

Almost a quarter of all persons who were fully retired, and 16 per cent of those who had partially retired, did so due to health or disability, not for choice. This trend will likely increase as the retirement age for Old Age Security and other pensions are postponed. Any increase of the retirement age robs those at the lower end of income scale of leisure years at the end of their lives.

*—with files from Graham Cox*

*Continued from page 1*

end, in technical, clerical and labouring occupations. Job growth for most middle income occupations has been slow.

Over a longer period, lower paid jobs have grown at a faster pace than higher paid jobs. Both trends point to a decline in middleclass jobs and increasing inequality.

Wages are important, but they're not everything. Surveys show job security is also a high priority. It's related to job permanence and protections like union coverage. Appropriate working hours, conditions, pensions and benefits are also important. Some labour organizations are beginning to develop a broader "good jobs index" that corresponds to the priorities workers identify.

While we need to understand job trends, we need to try to improve jobs too. All workers deserve fair wages, decent pensions and benefits, greater job security, better working conditions, and stronger unions.

*—with files from Angella MacEwan*



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