INSIDE

OUT OF THE BOX

You deserve a longer vacation. No, really.

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CUPE Canadian Union of Public Employees

TRENDS **EMPLOYMENT**

Young workers getting short-changed

Young workers have it rough. They're bearing the brunt of austerity, the recession's slow job growth, and increasing inequities.

Jobless rates for young people are well over 50 per cent in Spain, Greece and Croatia, and approaching 40 per cent in Portugal and Italy.

Canadian youth are better off, but the situation is similar. Their unemployment rate now stands at 14.5 per cent. That's a record two and a half times the jobless rate for workers 25 and older.

TD Bank has calculated that the cost of youth unemployment amounts to over $23 billion or 1.3 per cent of GDP in Canada. Young people are also increasingly forced to accept reduced wages, two-tier pensions and benefits, unpaid—and illegal—trainee and internship positions, contract and temporary work. They're being saddled with record levels of student and mortgage debt and growing environmental liabilities.

With the long-term costs of youth unemployment so high, it's a tragedy—and missed opportunity—so little was done to address this crisis in recent budgets.

Sweden and other Nordic countries have successfully guaranteed youth a job, training or education and employment services. Denmark and Germany both closely integrate their education systems with on-the-job training and apprenticeships.

With a wave of retirements on the horizon, there's excellent opportunity to inspire Canada's young people in the public service and other employment. The cost of these programs is tiny compared to the escalating long-term costs of youth unemployment and underemployment.

all-in CUPE

OUR UNION, OUR FUTURE.

2013 is the Year of the new and young worker

FIND info on CUPE's Young Workers Strategy Session, Aug. 19 to 21, at **CUPE.CA/YOUNGWORKERS**

CHECK OUT the *Spotlight on youth employment*, page 3.

ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS

GENDER GAP Year 2240 here we come!

At the rate it's going, Canada's gender gap won't close until the year 2240, according to a CCPA study by Kate McInturff. While Canada scores very well in health and education attainment, we fare worse in economic participation and opportunity, and poorly in the political participation rates of women. But progress could be much faster: membership in a union significantly improves economic conditions for women—and all it takes is one election to increase the number of women in politics!

AUSTERITY Key austerity justification discredited by graduate student

A graduate student just changed the course of history. Thomas Herndon, an economics student at the University of Massachusetts, found fundamental errors in an influential study that claimed economic growth tanks when government debt exceeds 90 per cent of a country's GDP. Ironically, his critique was published the same day finance ministers gathered at the IMF in Washington to discuss a proposal to keep debt ratios below 90 per cent.

LABOUR Unions are key to healthy economies

Labour unions are critical for healthy economic and social development according to a report published by the Broadbent Institute. Not only have unions played a key role in maintaining decent wages and reducing inequality but their political activities have been essential in establishing social benefits and human rights that benefit all Canadians. These include employment rights and standards, health and safety regulations, pensions and health care.

CHILD CARE Employers must accommodate parents' needs

Employers have a duty to accommodate the child care needs of their employees, Canada's Federal Court decided. In a case brought against the Canada Border Services Agency, the court agreed with the Canadian Human Rights Tribunal that employees must make reasonable efforts to obtain child care, but if that fails employers must accommodate workers' needs with appropriate schedules or other measures, so long as it doesn't cause undue hardship to the employer. The Public Service Alliance of Canada supported the case. Observers expect similar rulings would apply for elder care.

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

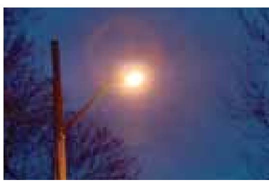
Economic growth Real GDP is expected to slow to as little as 1.5 per cent in 2013, then increase to 2.5 per cent in 2014. No return to full capacity is expected until 2015.

Employment Job growth will be slow again at 1.2 per cent in 2013, barely keeping up with labour force growth. The unemployment rate is expected to average over seven per cent again this year, then dip to 6.8 per cent in 2014.

Inflation Expected to average 1.3 per cent in 2013 and close to two per cent in 2014 (see *Consumer Price Index*, page 7).

Wages Average wage increases in collective agreements could be the lowest in many years thanks to public sector wage freezes, but private sector wages should rise.

Interest rates With inflation subdued, the Bank of Canada might not hike its rate until late 2014, with mortgage and longer term market rates rising slightly before that. Effective interest rates are now at record lows for business and close to record lows for households.



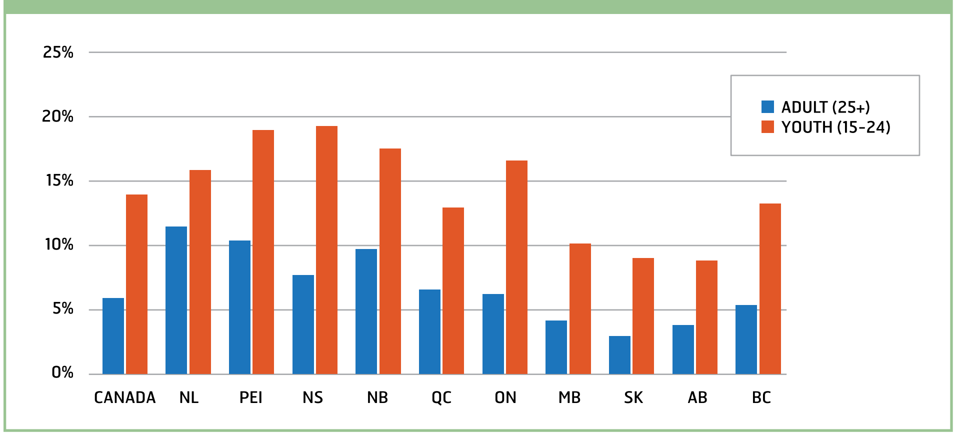
SPOTLIGHT ON youth employment

Youth jobless rates aren't getting better

The 2013 jobless rate for young workers aged 15-24 increased through the first four months of 2013, reaching 14.5 per cent in April. That number is two and a half times the 5.9 per cent unemployment rate for workers 25 and older.

It's not the worst overall unemployment rate Canadian youth have ever seen, but in relative terms it's far above jobless rates for workers 25 and older.

UNEMPLOYMENT RATES BY AGE, PROVINCE: JAN-APRIL 2013



There's been no net increase in employment levels for younger workers since the bottom of the recession. Youth unemployment rates have also declined at a slower pace than workers over 25 with fewer prospects, youth labour force participation rates are down; they've left the labour market, they're studying or they're not bothering to look for work. More and more young people are working in contract or temp positions without job security.

Provincially, jobless rates have always been consistently highest in Newfoundland and Labrador, well above rates in Central and Western Canada. But, as our chart indicates, for the first time on record the dubious distinction of the highest unemployment rate for youth has been passed on to other Atlantic provinces, Prince Edward Island, New Brunswick and Nova Scotia.

BUSTING MYTHS **WAGES**

Criticism of compensation for public sector workers is wrong

The Fraser Institute claims public sector workers are paid an average of 12 per cent more than similar workers in the private sector. This misinformation feeds the Harper government's efforts to have public sector compensation more closely tied to the private sector.

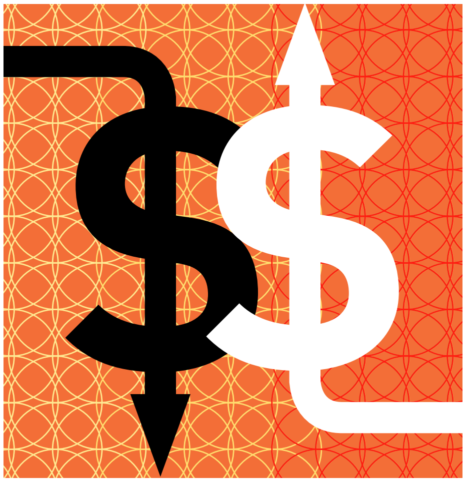
While it was reported as fact by many media organizations, their study has no credibility. Here's why:

- The study doesn't account for occupations, which are obviously the most important factor related to compensation.
- It was based on just one month of data from the Labour Force Survey (LFS), which isn't even considered reliable for headline figures on a monthly basis, let alone detailed analysis.
- It uses a technique that can easily manipulate the results, and it doesn't report on actual wage levels.

CUPE conducted analysis of this issue using far more detailed and reliable census data. We compared wages by detailed occupation and reported actual wage levels. This analysis revealed results that reflect the reality of labour markets and collective bargaining.

Public sector wages are higher for lower paid occupations like clerks, cleaners, or cooks, but are lower for higher paid occupations, like lawyers, accountants, engineers and scientists. There's also a smaller wage gap for women in the public sector thanks to pay equity legislation and union priorities.

Overall average wages are very similar, but there's far greater wage equality (by occupation, gender, age and region) in the public sector. And that's exactly what organizations like the Fraser Institute and their political friends are attacking.



If the equalizing effect of public sector wages is eliminated, workers' wages in the private sector will be further suppressed, allowing more for profits and executives at the top.

READ CUPE's report *Battle of the Wages* at **CUPE.CA/WAGES**

CORPORATE WEALTH **TAX HAVENS**

Corporations skipping out on taxes: Reducing revenues for Canadians

Canadian corporations stashed more than $170 billion in tax havens in 2012—a record high.

These reported figures are equivalent to a quarter of direct foreign investment by Canadian companies and 10 per cent of Canada's annual economic output.

But the real amounts are undoubtedly much higher. Figures for many tax havens are not available or not reported for confidentiality reasons. Up to $38 trillion is estimated to be kept in tax havens worldwide, equal to half the world's annual economic output.

Corporations and wealthy individuals use tax havens with low or zero tax rates and secrecy rules to evade taxes and to conceal their assets from authorities, creditors and ex-spouses. Tax havens are also widely used by criminals to hide or launder money.

Inadequate disclosure, tax rules and weak enforcement have allowed the use of tax havens to escalate. Wealthy countries and their financial sectors—which profit handsomely from tax havens—have been complicit in their growing use. Major banks, mining companies and other

Political tide turning toward fair taxes

For too long, conservatives have succeeded in making tax a dirty word. The result has been increased inequality and reduced public services. But after decades of anti-tax dogma, many provinces are turning the tide on taxes.

To gain the support of the NDP for their 2011 budget, the Ontario Liberals introduced a new tax bracket on top incomes over $500,000. Quebec followed, introducing a new tax bracket on higher incomes. Then in their 2013 budgets, both the B.C. Liberals and the New Brunswick Conservatives hiked taxes on upper incomes as well.

Corporate tax cuts are being delayed, and even reversed in New Brunswick and B.C. Many provinces also hiked taxes on alcohol and tobacco. Provincial sales taxes are being raised, reduced or changed.

Some provinces have a lot of latitude to make their tax systems fairer. General corporate tax rates at the provincial level range from 10 per cent to 16 per cent and from zero per cent to eight per cent for small business. Provincial tax rates for top incomes range from just 10 per cent in Alberta to 21 per cent in Nova Scotia.

But there are limits to how effective increases to provincial tax rates can be while the federal government's tax system continues to include costly and regressive tax loopholes. Not only does the stock option deduction cost the federal government $1 billion a year, but provincial tax systems using the federal base also lose out on approximately $500 million annually as a result.

Then there's the capital gains deduction, which costs the federal government over $4 billion annually, and costs provinces $2 billion a year. Weak federal prosecution of tax evasion and use of international tax havens also erodes the shared provincial and federal tax bases.

With interprovincial mobility, too much variation in tax rates at the provincial level leads to leakages and unproductive competition in tax rates. There's still much the provinces can do to make their taxes fairer, but they also need a federal government committed to a fair and progressive tax system.

CANADIAN CORPORATE CASH STASHED IN TAX HAVENS

Barbados	$59.3 billion
Cayman Islands	$30.2 billion
Luxemburg	$19.7 billion
Ireland	$15.8 billion
Bermuda	$11.8 billion

Source: Statistics Canada, Canadian Direct Investment Abroad, Cansim table 376-0051.

major corporations like Starbucks, Amazon, Apple, Microsoft, Google, and General Electric exploit weak tax rules to transfer their profits to these havens to avoid paying taxes. These practices erode public revenues and put medium and small domestic companies at a significant disadvantage.

Automatic tax information exchange arrangements, international agreements over minimum tax rates and stronger enforcement would reduce the problem. Even a withholding tax of just one per cent on Canadian assets held in tax havens would generate over $1.7 billion annually. Canadians deserve better.

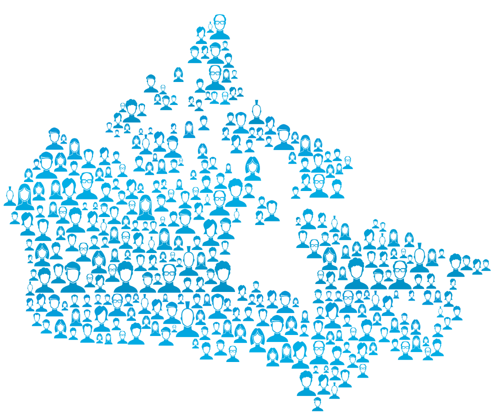
See **TAXFAIRNESS.CA** for more information.

Common themes prevail in provincial budgets

Spring means budget season. The 2013 crop of provincial budgets included many common themes and elements. Here are some examples:

All provinces factored in **SLOWER ECONOMIC GROWTH** prospects for the current year. Real economic growth is a full percentage point lower in 2012 and 2013 than the federal government had forecast just two years ago. Clearly there was a misunderstanding of the negative economic impacts of government spending cuts, which will continue to drag on growth for the next two years.

LOWER INTEREST RATES, extended to alleviate subpar economic growth, have also **YIELDED SUBSTANTIAL SAVINGS** for governments on their public debt interest charges. For example, Ontario saved an additional $250 million last year, with savings projected to rise to $1.9 billion by 2015-16. Many provinces are borrowing forward, in anticipation of future expenses. None are facing fiscal problems or impediments to borrowing in financial markets.



Despite poorer economic conditions (caused in part by public spending cuts) and low interest rates, all provinces continue to **CONSTRAIN AND SQUEEZE PUBLIC SPENDING**. In many cases provinces are planning to flatline or reduce public spending in real dollar terms.

Provinces riding the oil and gas boom had a rude awakening as **LOWER RESOURCE REVENUES** bit into their budgets. Alberta, dependent on resources for more than a quarter of revenues, raised $1.6 billion less than expected, shifting their books into the red.

DEFICIT HYSTERIA!
Some provinces—such as Alberta, New Brunswick and Newfoundland and Labrador—have been alarmist about deficits. Others have seen no problem extending deficit reduction targets, while others have reduced their deficits by more than expected.

Many provinces are pledging to **DOWNSIZE THE PUBLIC SERVICE HEADCOUNT**. B.C. is reducing full-time equivalents in its direct public service by five per cent, mostly through attrition. Saskatchewan is planning cuts of 15 per cent over four years. Ontario, New Brunswick and Newfoundland and Labrador all plan reductions of five per cent. In Newfoundland the actual job cuts have been more severe, with more than 2,000 positions eliminated.

TRANSFERS TO UNIVERSITIES AND OTHER POST SECONDARY INSTITUTIONS ARE BEING CUT in some provinces, forcing schools to make cuts or generate revenue from other sources. Caps on tuition rate increases are being extended in some provinces. Fees are frozen in Newfoundland and Labrador, indexed to growth in per capita disposable income in Quebec, and limited to three per cent annual increases in Ontario.

Quebec, Manitoba and Saskatchewan **INCREASED FUNDING FOR ADDITIONAL CHILD CARE SPACES**. Support is missing in action in other provinces.

INFRASTRUCTURE INVESTMENTS CONTINUE TO RECEIVE SUPPORT, but with an increased **FOCUS ON ENERGY, ELECTRICAL GRID AND PUBLIC TRANSIT**. Following major scandals with public-private partnerships, Quebec said they wouldn't use P3s for hospitals. Unfortunately, Saskatchewan, Alberta and Ontario are pushing ahead with P3s, particularly for public transit and water treatment.

These are just a few examples. **FIND OUT** more on our website: **CUPE.CA/ECONOMICS**

CONSUMER PRICE INDEX

Inflation remains low in most provinces

Lower gas prices and slow economic growth drove inflation lower in most provinces.

Consumer price inflation averaged just 0.8 per cent in the first three months of this year. Compared to last year, inflation dropped in every province except Manitoba, where higher gas prices pushed inflation up.

With a subdued economy and softening house prices, the Bank of Canada expects inflation to remain close to one per cent for the first half of the year, moving up to 1.6 per cent by the end of 2013. They don't expect inflation to reach the two per cent target rate until 2015. Inflation projections offered by banks average 1.3 per cent in 2013 and 1.9 per cent in 2014.

B.C.'s move back to the retail sales tax from the HST will reduce price levels in that province, with inflation projected to drop to just 0.8 per cent there this year. In other provinces rates are expected to average close to 1.5 per cent in 2013. Stronger economic growth in 2014 would mean a projected rise to two per cent in all provinces, and slightly higher in Saskatchewan, Alberta and Newfoundland and Labrador.

CONSUMER PRICE INFLATION

	2012 Actual	2013 Forecast	2014 Forecast
Canada	1.5%	1.3%	1.9%
Newfoundland and Labrador	2.1%	1.7%	2.1%
Prince Edward Island	2.0%	1.6%	1.8%
Nova Scotia	2.0%	1.6%	1.9%
New Brunswick	1.7%	1.4%	1.8%
Quebec	2.1%	1.5%	1.8%
Ontario	1.4%	1.3%	1.9%
Manitoba	1.6%	1.6%	1.9%
Saskatchewan	1.6%	1.6%	2.3%
Alberta	1.1%	1.4%	2.1%
British Columbia	1.1%	0.8%	1.8%

Sources: Statistics Canada Cansim table 326-0020 and recent forecasts by TD, RBC, CIBC and BMO Banks.

WAGES **WHO'S GETTING WHAT**

Public pay increases lower than private sector

Public sector wage settlements are taking a back seat to the private sector. Collective agreements signed in the first two months of 2013 provided just a 0.3 per cent annual average wage increase for public sector workers compared to 2.3 per cent in the private sector.

Two-year wage freezes applied to almost 250,000 Ontario public sector workers were the primary cause, but average private sector wage increases have exceeded the public sector in other jurisdictions as well.

Since 1990, cumulative wage settlements in the public sector are 10 per cent lower than the private sector, a result of significant real wage losses following the 1990-91 recession. The greatest difference between public and private sector wages is in Quebec at 16 per cent, where public sector settlements have been consistently below two per cent for most of the past decade. B.C. comes in second at 15 per cent below, after wage cuts and freezes for many public sector workers kept average increases low.

The gulf between public and private sector wage settlements is likely to grow over the next few years as both the Ontario and Alberta governments compel public sector workers to accept multi-year wage freezes.

AVERAGE WAGE INCREASES IN MAJOR SETTLEMENTS

SECTOR	2012	JAN-FEB 2013
National total	**1.7%**	**0.3%**
Public	1.7%	0.3%
Private	1.6%	2.3%
JURISDICTION		
Newfoundland and Labrador	5.0%	–
Prince Edward Island	2.0%	–
Nova Scotia	2.3%	2.5%
New Brunswick	2.0%	1.0%
Quebec	2.1%	1.6%
Ontario	1.1%	0.0%
Manitoba	2.8%	1.4%
Saskatchewan	1.2%	–
Alberta	2.8%	3.5%
British Columbia	1.2%	1.6%

Source: Labour Canada Collective Bargaining Information.

OUT OF THE BOX **VACATION**

You deserve a longer vacation. No, really.

Summer weather means it's time for a vacation! Don't take too long though. Canadian laws provide workers with less minimum paid leave than most other major industrialized countries. Only workers in the United States—the "no-vacation nation"— are guaranteed less paid leave than Canadians.

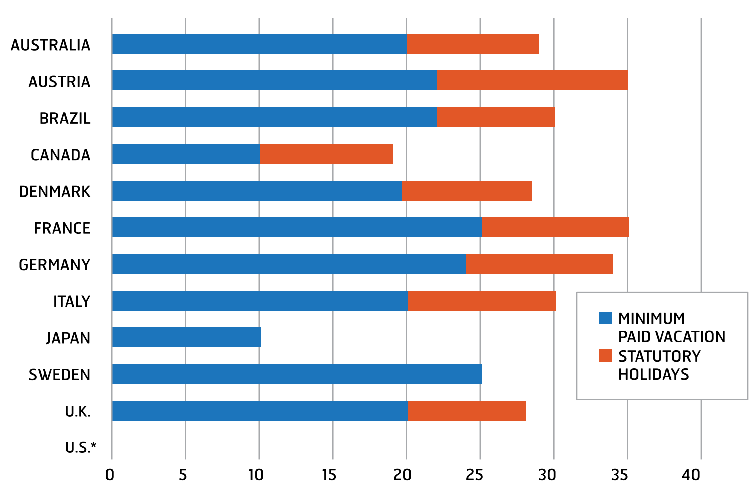
Canadian workers get a minimum ten days annual vacation after one year of work, with only Saskatchewan guaranteeing three weeks.

Statutory holidays provide workers with another five to 10 paid days off during the year, depending on the province or territory. Nova Scotia is at the bottom with five days, while Saskatchewan, B.C. and the Northwest Territories provide 10.

Other countries are much more generous. Workers in Austria, France, Denmark and Sweden are all guaranteed a minimum of five weeks vacation a year. All other countries in the European Union provide a minimum of four weeks annual leave, with a similar or higher number of statutory paid holidays. It's not just Europe that's ahead of Canada either. India, Brazil, South Africa, and many other countries provide better minimum leave as well.

Everyone needs time off to recover and regenerate—especially these days, with work-life balance becoming an increasing challenge to maintain. Increased statutory paid leave hasn't stood in the way of economic progress—and it's very politically popular. Canada has made too little progress in this area. It's time to achieve more.

PAID TIME OFF BY COUNTRY



** There is no requirement under the U.S. code for employers to provide paid leave.*
Sources include: OECD Family Database, European Union Leave and Paid leave databases, raisingtheglobalfloor.org, CEPR No Vacation Nation Revisited and specific country provisions.

TRENDS **WORKLOAD**

Working nine to ???

Canadians are overloaded

Canadian families are becoming increasingly over-worked and stressed-out because of greater demands at work and at home, according to a major study. Carleton University professor Linda Duxbury studied over 25,000 Canadians and found that 60 per cent worked more than 45 hours a week—a big increase from previous surveys.

Family demands and care-giving responsibilities for children and elderly parents are adding to the overload, leading to more work-life conflicts, higher stress and lower levels of life satisfaction. Increased absenteeism has been one result; 45 per cent reported missing at least one day of work in the previous six months because of emotional, mental or physical fatigue.

SIGN OF THE TIMES: The most popular new provision added to CUPE collective agreements over the past year? Bereavement leave.

Stress and other negative impacts can be reduced with a positive organizational culture at work, supportive managers and more control over work hours. Unfortunately, most reported little increase in flexibility regarding time at work.