INSIDE

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CUPE Canadian Union of Public Employees

BUSTING MYTHS **ECONOMICS**

Harper's economic record: GOING FROM BAD TO WORSE

The Harper government frequently emphasizes its economic record, claiming sound economic management, but the reality is very different.

Unifor economists Jim Stanford and Jordan Brennan compared the records of all federal governments over the past 70 years on 16 different widely used indicators of economic progress and well-being, including employment, job quality, economic growth, public services and debt. For 13 of 16 indicators, the Harper government ranks dead last and for the remaining three they rank second or third worst. Overall, the Harper government's economic record is by far the worst in the last 70 years.

Harper's poor economic record can't be blamed on the 2009 recession, it's the slow recovery under Harper that's to blame. There have been ten recessions since 1946, some worse than 2009. The declines in oil and commodity prices are also not to blame as the figures used in this analysis go to 2014, before the real impacts of declining oil prices were felt. Other countries, including the United States, have had a much stronger recovery. Canada's job and economic growth under Harper is well below the average for 'advanced' OECD countries.

The real problems are the regressive economic policies instituted by the Harper government since it formed its majority in 2011: austerity, cuts to public spending, tax cuts, suppression of workers' wages and a narrow focus on the resource sector.

And it's getting worse. Downward revisions to Canada's GDP by the International Monetary Fund (IMF) for this year are worse than any other advanced country. Figures released in September show we've entered another recession, with growth far below what the recent budget projected.

Despite the low dollar, which should help stimulate exports and reduce imports, Canada's international trade deficit has worsened to record levels. Although interest rates are close to historic lows, private capital investment is expected to fall by seven per cent in 2015.

Job growth in Canada has slowed to a crawl, also the worst since 2009. Around 1.3 million Canadians remain unemployed, with another 1.3 million underemployed and a growing number of long-term unemployed.

Not everyone has done badly. Corporate profits have increased by 83 per cent since 2009 and CEO compensation is up by 40 per cent, four

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ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS

WORK/LIFE

8 hour day R.I.P.?

The campaign to achieve an eight-hour day was one of the most important formative struggles of the labour movement. But our increasingly connected life through smartphones and the Internet is blurring the lines between work and home. Sixty-one per cent of workers surveyed by Careerbuilder.ca said they check or respond to emails during non-office hours. Half said they are expected to in other ways outside of ordinary work hours. The majority of employers and employees now think the idea of working 9 to 5 is a thing of the past.

INEQUALITY

Stronger unions, greater equality, stronger economy

Even the International Monetary Fund (IMF) now agrees: stronger unions lead to greater equality in society. Their analysis found that not only do unions increase incomes of low and middle incomes throughout society, but they also contain the income shares of the very wealthy. Others say that Canada's higher rate of unionization slow the growth of inequality in Canada compared to the U.S. Because the IMF, World Bank, OECD and most everybody else now agrees that rising inequality has been bad for the economy, this means that stronger unions not only lead to the greater equality, but also a stronger economy.

WAGES

$15 minimum wage spreading

More and more jurisdictions in the U.S. are introducing $15 per hour minimum wages. This year Los Angeles and San Francisco joined Seattle with legislation to ensure all workers within their boundaries get paid at least this amount per hour. This past summer New York State committed to increase the minimum wage for workers at fast food chains to $15 per hour by 2018 in New York City and by 2021 state-wide. Not only is there momentum in other cities and states—including Oregon, Philadelphia, Minneapolis, and Boston—but the U.S. Democratic Party also has a $15 per hour minimum wage in its (non-binding) platform for next year's elections. At current exchange rates a $15 per hour in the U.S. would be the highest in the world, and equal to almost $20 per hour in Canadian dollars. In Canada, the new NDP government in Alberta has committed to increasing minimum wages to $15 per hour and the federal NDP has also promised to provide a $15 minimum for federally-regulated workers.

ECONOMICS

Canadians living paycheque to paycheque

According to a BMO survey, while the average amount Canadians have in emergency savings has increased to $41,700, one-quarter are living paycheque to paycheque, 29 per cent have only enough to last a month and 56 per cent have less than $10,000 available in potential emergency funds, while one in five have more than $50,000 in emergency savings. As with income and wealth, the emergency savings held by Canadians has become increasingly inequitably distributed. That's why we need better universal social programs—including Employment Insurance, public pensions and social assistance.

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.

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CUPE Canadian Union of Public Employees

ECONOMIC DIRECTIONS
Latest economic trends at a glance

Economic growth — Despite Canada's economy slumping into recession again in the first half of 2015, forecasters still think the economy will eke out GDP growth of about one per cent this year and slightly more than two per cent in 2016.

Employment — Job growth has been meagre again this year. Employment is expected to increase by just 0.8 per cent—half the rate of the last two decades—leaving the unemployment rate for 2015 at 6.8 per cent, barely unchanged from last year.

Inflation — With the drop in oil prices but rise in food prices, inflation has averaged just one per cent this year but is expected to rise to about two per cent in 2016.

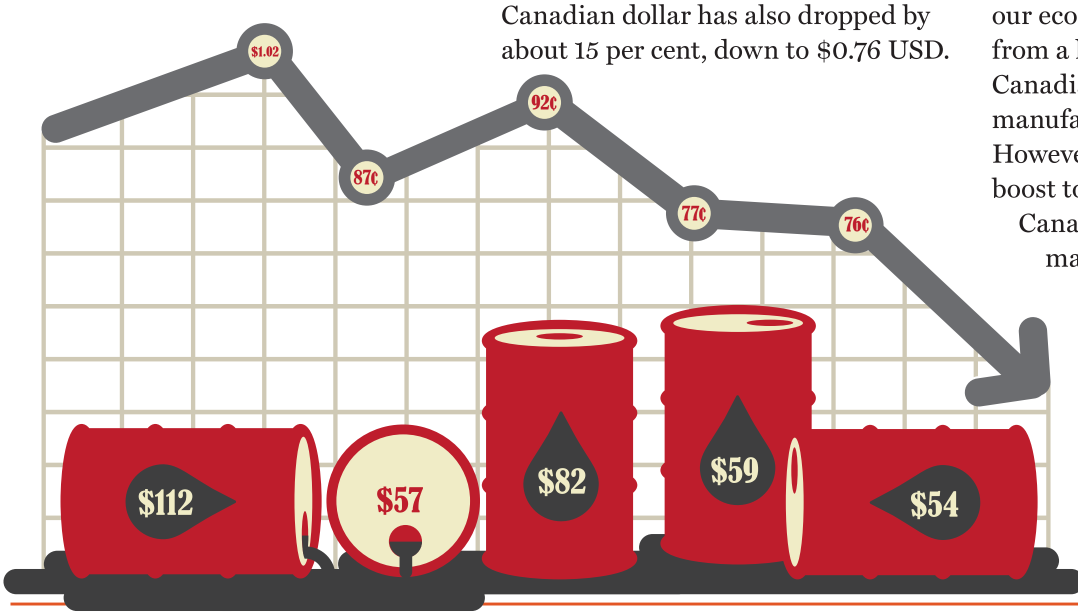
Wages — Base wage increases in major collective agreements averaged 1.7 per cent in the first half of this year. This was higher than the rate of inflation during that period, but less than what inflation is expected to average over the life of these agreements.

Interest rates — Economic weaknesses mean there is unlikely to be any increase in short-term interest rates and little increase in long-term rates for at least a year, following the Bank of Canada's rate cut in July.

SPOTLIGHT:
Canada's plummeting petro-dollar

Canada's currency became a petro-dollar about 15 years ago when our economy became increasingly dependent on the resource sector and currency traders identified the Canadian dollar with the price of oil—for better or worse.

As the price of oil spiked, so did the loonie—and now that the price of oil has plummeted, the Canadian dollar has plunged along with it. About 80 per cent of the changes in the value of the Canadian dollar can be attributed to changes in the price of oil and every 10 per cent change in the price of oil leads to about a three per cent change in the value of the loonie. With the benchmark price of West Texas Intermediate (WTI) oil down by about 50 per cent over the past year, the Canadian dollar has also dropped by about 15 per cent, down to $0.76 USD.



The drop in the value of the Canadian dollar makes our imports more expensive, which is one of the reasons the price of food and other imported goods has increased. The Bank of Canada estimates that the drop in the loonie will add 0.8 percentage points to Consumer Price Index inflation this year.

Despite higher prices for imports, our economy should eventually benefit from a lower dollar because it makes Canadian exports, and particularly manufacturing, more competitive. However it is taking some time for the boost to exports to kick-in because Canada lost so much capacity and manufacturing employment while the dollar was high and it will take years to build it back.

Lessons learned? It's better to have a diversified economy instead of hitching your wagon to the roller-coaster ride of resource prices.

75 years of (un)Employment Insurance

The well-being of Canadians, especially during difficult economic times, is dependent on a robust social safety net. What is now called Employment Insurance (EI) is a key part of this because it kicks in when workers and communities need it most. Employment Insurance helps workers make ends meet and softens the blow for communities hard hit by layoffs—or at least it should!

Canada's EI program turns 75 years old October 2015. As can be seen by the following timeline, what was once a central pillar holding up our social safety net has been eroded by successive cuts.

Major Changes to EI Program

October 1940: Unemployment Insurance (UI) established in Canada by federal government of Mackenzie King with unanimous provincial approval. Workers must have contributed to program 180 days over previous two years, benefits last 6-52 weeks, but only around 40 per cent of the workforce is covered.

1955: Benefits extended to cover close to 75 per cent of the workforce, but limited to 36 weeks.

1971: New UI Act under Trudeau extends benefits to cover approximately 95 per cent of wage/salary earners, with maximum benefits extended to 50 weeks. Benefits for illness and maternity added.

1977: Regional variable entrance requirements added: those in low unemployment regions must work longer to qualify.

1990: Federal government stops contributing to program, making it financed entirely by worker and employer contributions.

1990-96: Benefit amounts and duration reduced under Mulroney and Chretien governments.

1996: Program renamed Employment Insurance under Chretien; entrance requirements increased substantially, more than doubled in some instances. Coverage drops to around 50 per cent of workforce. Over $50 billion in surpluses from UI and EI fund used for general government revenue during 1990s and 2000s.

2012: Harper government significantly restricts access, compelling claimants to accept jobs previously considered unsuitable; also slashes staff and access to appeals process. Coverage drops to less than 40 per cent.

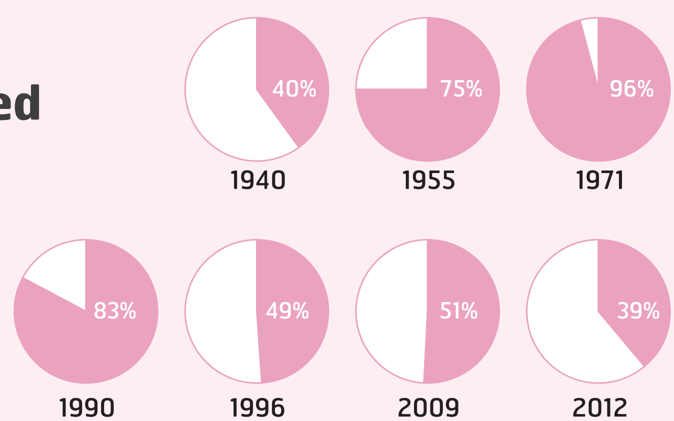
2015: Harper government takes $2.7 billion dollars out of EI Fund so it could "balance" the federal budget and help finance high income tax cuts.

Because of recent successive cuts, coverage provided by the EI program is now at the lowest share in its 75 year history, just 39 per cent of the workforce. Unfortunately, Canada's EI program is no longer working for the majority of unemployed Canadians. The good news is it could easily be fixed with a few key changes. All it will take to revitalize the EI program on its 75th anniversary is for Canadians to elect a new progressive government this October.

■ **By Angella MacEwan, CLC**

Share of unemployed covered by UI/EI

Workers are getting a smaller and smaller piece of the pie



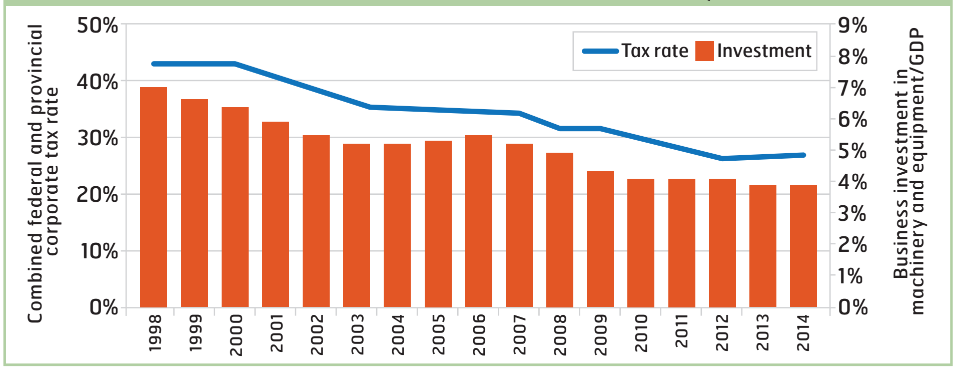
The failure of corporate tax cuts

Conservative and Liberal governments have slashed corporate taxes on the promise that these cuts would boost the economy by spurring investment and creating thousands of jobs. But evidence shows that corporate tax cuts have failed on these promises. What they have succeeded in doing is depriving our governments of billions in revenue, increasing inequality in our tax system and in our society and slowing down economic growth.

The overall general tax rate applying to corporate income/profits in Canada was slashed from 42.9 per cent in 1999 to 26.3 per cent in 2014 (see chart). The effective tax rate paid by corporations is even lower than this and has been cut by a similar degree.

These corporate tax cuts have largely occurred at the federal level, with the federal corporate income tax rate almost halved from 29.2 per cent in 1999 down to 15 per cent now, but many provinces have also cut corporate tax rates. In addition taxes on corporate capital, capital gains taxes, business property taxes and sales taxes applying to business have also been reduced or eliminated.

COMBINED FEDERAL-PROVINCIAL CORPORATE TAX RATES AND BUSINESS INVESTMENT IN MACHINERY AND EQUIPMENT



Sources: OECD tax database; Statistics Canada Cansim Table 380-0064 Gross domestic product, expenditure-based, annual; Ray Novak.

Meanwhile there's been no reduction in personal income tax rates under Harper. This year corporate income taxes now contribute just 12.7 per cent of every dollar in federal revenues, down from 16.5 per cent in 2006/7, representing a decline in federal revenues of $11 billion. Meanwhile personal income taxes now provide 49.4 per cent of all federal revenues, up from 46.4 per cent when Harper was first elected, representing an increase of about $9 billion.

Liberal and Conservative politicians from Paul Martin to Stephen Harper said that these cuts to corporate taxes would lead to an increase in business investment and thereby increasing employment and economic growth.

The clear evidence shows that this has not happened. Instead, we've seen a decline in the share of business investment as a share of the economy. It's a multi-multi-billion experiment that has failed and should be reversed.

The federal tax rate for corporate income is now only 15 per cent, almost half the top rate of 29 per cent that individual Canadians pay on their income from working. This makes it very lucrative for higher income individuals to shift their income through corporations to reduce their taxes. This type of tax shifting may create jobs for accountants and tax lawyers, but it isn't good for the economy. The lower tax rate costs the federal government over $10 billion annually in lower revenues.

Corporate tax cuts are also a very ineffective way to create jobs. Finance Canada estimates that public investment in infrastructure, housing and other areas generates five times the number of jobs and five times the economic stimulus as the same amount in corporate tax cuts. This is even truer now with Canadian corporations sitting on more than $600 billion surplus cash they aren't investing in growing the economy. It makes far more sense for the federal government to increase corporate tax rates, using the funds raised to invest in the economy and improve public services.

Harper's economic record: going from bad to worse

Continued from page 1

times the increase in average wages. While sales of luxury cars have hit new records, little has trickled down to everyday Canadians.

The policies of trickle-down economics and tax cuts haven't worked, nor has gambling our economic future on high oil and mineral prices. That's why our economy is faltering and why even the misguided achievement of a supposedly 'balanced budget' is even more of a failure. So much for the image of Conservatives as good economic managers.

Instead, we need a federal government that will put a priority on workers and creating more and better quality jobs, with decent wages and benefits; developing a more diversified, innovative and sustainable economy in collaboration with all sectors of the economy; strengthening our public services and social protections, and putting in place a fairer tax system.

The real inequalities in benefits—and pay—aren't between public and private sectors

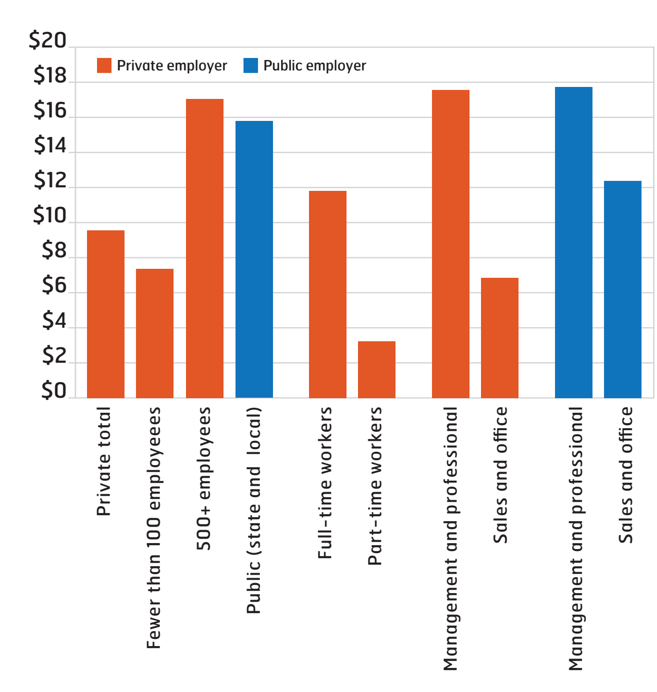
The real inequalities in benefits—and pay—aren't between public and private sectors, they're within the private sector. That's why we need stronger social protections for all.

There's been a lot of debate about who gets paid more—public or private sector workers. What is ignored is the evidence showing that within the public sector pay and benefits are more equitable. Public sector pay provides better wages for lower paid occupations which means smaller pay gaps all around, including for women and racialized workers.

The reality is large employers (500+ employees)—whether public or private sectors—provide considerably better benefits and pensions than smaller employers. Since most public sector workers are with large employers, their benefits should be compared with the benefits provided by large employers in the private sector. In Canada, 70 per cent of workers in public administration, utilities, education and health sectors work for large employers, compared to just 36 per cent of private sector employees.

Unfortunately, there's very little comprehensive data available on the costs of employee benefits in Canada, but we can look to the U.S. for some insight. A recent survey from the Bureau of Labor Statistics shows that while paid leave, health, pension and other benefits average just $9.71/hr over all for private industry, the relative cost of these benefits for large private employers, $16.21/hr, is actually higher than the public sector, at $15.92/hr.

AVERAGE COST OF EMPLOYEE BENEFITS $/HR
U.S. PUBLIC AND PRIVATE SECTORS, BY SIZE AND OCCUPATION



Source: U.S. Bureau of Labor Statistics, Employer Costs for Employee Compensation, March 2015. N.B.: public includes state and local employees, who represent over 87% of US public sector workers. Federal employees were excluded from the BLS survey.

There are much greater disparities in benefits provided by the private sector to employees by occupational level and by wage level, with the private sector providing much less in the way of benefits for lower paid workers. Average costs of benefits for sales and office occupations in the private sector are only $6.86/hr, close to half the $12.30/hr in the public sector. Private sector benefits are also much lower for part-time workers and in non-union workplaces.

The Canadian information that exists suggests similar results. With public health care, the costs of benefits are lower in Canada, but even mid-sized organizations pay about 36 per cent of their payroll in benefits, according to KPMG. Those working for smaller employers, in non-unionized workplaces and lower paid occupations in the private sector receive considerably lower benefits. The cost and value of benefits provided by larger employers, unionized workplaces and for higher paid occupations are more similar to the public sector. The difference is that public sector employers provide much more equitable benefits—and pay—to all their employees.

While employers, politicians and business lobby groups have gone on the offensive to cut public sector benefits, claiming they're much more costly and generous than the private sector, the data shows that the real inequalities in benefits aren't between public and private sector workers; they're within the private sector. This is why expanding social protections and universal public services provided to all, including public pensions such as the CPP, better quality public health care, and introducing a national pharmacare plan, are so important. They help ensure all Canadians, no matter who they work for, can have a decent standard of living.

Wage settlements

Base wage increases in collective agreements settled in the first six months of 2015 averaged 1.7 per cent, similar to the annual average for 2014, with public sector increases slightly below the private sector. The gap between public and private sector settlements has narrowed this year, but this is more due to wage increases in the private sector declining than because of an increase for public sector workers.

Workers in BC have received the lowest negotiated wage increases of all provinces with an average increase of 1.1 per cent, followed by Ontario and Quebec workers with average base wage increases of 1.5 per cent. In Alberta, base wage increases in collective agreements for the first half of this year averaged just 1.7 per cent, down from the two per cent average of 2014, mostly because of a decline in private sector settlements. Average wage increases for settlements in Nova Scotia and PEI exceeded the national average, but this is based on a small number of agreements.

TRENDS **HOUSEHOLD BUDGETS**

Rising food prices take bigger bite out of family budget

With the drop in oil prices, the rate of overall consumer price inflation has subsided, averaging just 1.0 per cent in the first seven months of this year. Economists' forecasts are for inflation to average close to or slightly above one per cent this year, but then average two per cent or higher in 2016.

While overall inflation may have waned, it's not affecting everyone in the same way. It's impossible not to notice rising food prices in the grocery aisles. So far this year, average prices for food purchased in stores have increased by an average of 4.1 per cent, four times the general inflation rate. In particular, the price of meat is up by almost 10 per cent and the price of fresh vegetables up by an average of six per cent so far this year. Rising prices for food especially hurt lower and middle income households and families with, for whom food consumes a much larger share of their budget.

And despite the plunge in global oil prices, not much of the savings are flowing through to Canadian consumers, because oil companies and refiners have increased their margins. In late August 2015, the price of a barrel of oil dropped to half what it was a year before, but prices at the pump are just 14 per cent lower. Even after excluding taxes and adjusting for the drop in the value of the Canadian dollar, gasoline prices at the pump for Canadians have declined by less than half the drop in the world price of oil.

TRENDS **WAGES**

Salary forecasts

Employers are planning to increase salaries by an average of about 2.5 per cent in 2016, according to surveys conducted by human resource firms Morneau Shepell and the Hay Group.

These salary hikes are below the increases employers had projected for 2015, "continuing a downward trend in Canadian salary increases that has developed since the start of the economic downturn in 2008-09." With salary increases in the U.S. projected at three per cent again this year, Canadians are falling further behind U.S. counterparts.

Salary increases in public sector fields of education, public administration, health care and social assistance are expected to be lower, averaging two per cent, while salaries in financial services are expected to lead the way with average increases of three per cent.

These salary forecasts by employers are just projections. As economic conditions worsened over the past year, the actual base salary increases granted fell short of what these employers had planned, averaging just 2.2 per cent. Average weekly and hourly earnings increased by just 1.9 per cent from June 2014 to June 2015, with average increases higher in the goods sector than in services.

Young workers and the future of work

Many young workers are feeling increasingly marginalized in the work force. But do young workers just expect too much? Is this rocky road just part of being young, a stage everyone has to go through before landing better-paying and more secure full-time jobs with decent benefits?

There's no question it takes time to get decent work, but the situation now seems distinctly worse. Rates of part-time and temporary employment for young workers reached a record high last year. This is the first generation that isn't expecting to have a better standard of living than their parents.

Austerity measures keep growth slow and unemployment high in what is now a growth-less recovery. While there's talk of impending labour shortages, this isn't translating into higher wages as employers and governments outsource work, exploit temporary foreign workers and extend the age of retirement.

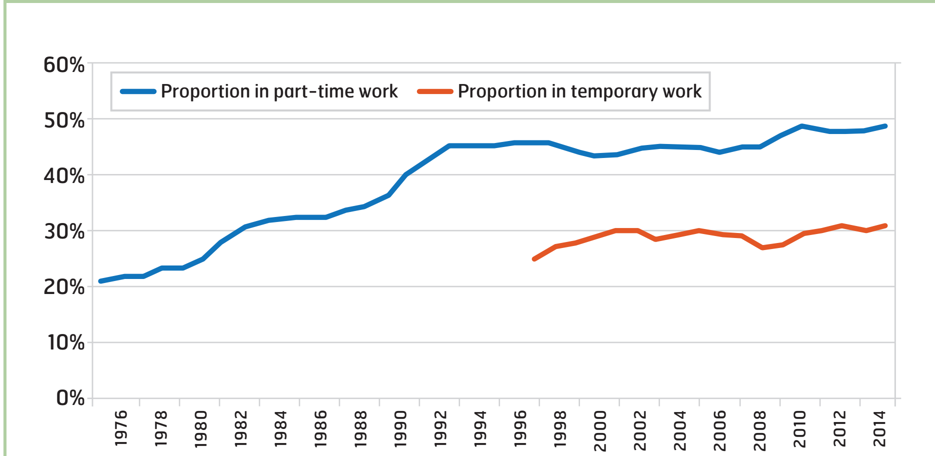
There seems to be a brave new world of work, as companies such as Uber, Task Rabbit and Amazon's Mechanical Turk promote outsourcing at the click of a button. These types of enterprises are eliminating job security, making everybody a freelancer. Many young workers are left without the protections, security or benefits of an employment contract, let alone a union.

With these changes and new relations in the workplace, are young workers really the canary in the coal mine, and their experience the future of work for everyone? Is this particular dystopic future of work inevitable? We too often forget that we created these economic and labour market relations. Corporations and property rights are no less a social construct than unions, employment legislation and minimum wages.

In face of all these challenges, we're seeing a renewed fight to increase minimum wages, introduce living wages and basic incomes, to make education affordable and squash the squeeze on tuition fees. There's also renewed interest in unions, with freelancers and workers in digital media outfits such as Gawker successfully organizing into unions.

Younger workers now have a more favourable view of unions than older workers: they just wish they could be part of them. Just as the nature of work and work relations are changing, if young—and future—workers are going to be part of unions, unions and the way they organize workers also have to continue to change and adapt. If not, then the increasingly marginalized work conditions young workers are in now could be the future we all face.

PROPORTION OF YOUNG WORKERS EMPLOYED IN PART-TIME AND TEMPORARY WORK AT RECORD HIGHS



Sources: Statistics Canada Labour Force Survey Cansim tables 282-0002 and 282-0080 . Young workers aged 15-24; also record high in P/T work for those 25-29.

WHAT YOUNG WORKERS ARE FACING

- **Jobless rates more than twice the adult rate,** and recently experienced record high rates of employment in temporary and part-time jobs.
- Much more likely to be in **precarious and insecure jobs.** Three times more likely to be in part-time, temporary and casual employment.
- Exploitation through **unpaid internships** has exploded, with an estimated 100,000 to 300,000 young people working for no pay across Canada.
- Post-secondary degrees and certificates are increasingly essential to get a job, but the average **cost of tuition has more than tripled** since 1992/93, rising at almost five times the rate of inflation since 1992/93.
- The **cost of housing** has also escalated, with little or no growth in wages, making the prospects of buying a home more remote.
- Tend to have lower, often **two tier wages, benefits and inferior pensions,** if any.
- Only **a small share** of unemployed young workers **eligible to collect EI.** This also means they can't qualify for training or other active labour market programs delivered through the EI system.