

Economic climate for bargaining

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This report provides a broad overview of the general trends in wage settlements and other economic information as it pertains to public sector collective bargaining in Canada. Information is taken primarily from the International Monetary Fund, Organisation for Economic Co-operation and Development, Bank of Canada, Workplace Information Directorate of Human Resources and Skill Development Canada, and Statistics Canada. Information for the fourth quarter and all of 2004 is generally the most recent information available now. Where possible, more recent information is included.

- **Federal Budget**

In its recent Budget, the federal government missed the opportunity to use the massive Canadian surplus to address the country's critical social and physical infrastructure deficit. There are no strings attached to the federal payments to the provinces and territories. Although there is new money for childcare, there is nothing to stop the expansion of for-profit services. The same is true of money going to urban infrastructure and health care.

The budget once again gives more money to the wealthy and the corporate sector, instead of supporting the poor and working people. It will usher in more than \$13 billion in tax cuts over the next three years, which will unfairly benefit higher income-earners.

The elimination of limits on foreign investment for pension plans and RRSPs has huge implications. It kicks open the gates for capital flight out of

the country and undermines the potential use of pension funds for public investment in infrastructure. It makes pension investments in public bonds for infrastructure development even less attractive in comparison to risking investments on larger returns from investment in low-wage countries.

There are no fixed targets on Kyoto. There is little support for post secondary education and housing, and a disappointing allocation of resources for Aboriginal peoples.

- **Forecasting**

The Bank of Canada is unlikely to increase interest rates in the near future. A few months ago, the Bank thought that the Canadian dollar was strengthening because of global demand for Canadian commodities, such as minerals and oil. However, the massive trade deficit in the United States is causing increased concern among investors who have caused the U.S. dollar to fall in global currency markets. This is the primary factor contributing to a stronger Canadian dollar. There is still a concern that we are going to see a continued decline in Canadian manufacturing exports to the United States.

The Bank of Canada expects economic growth will not be as strong as was forecast in October 2004, but is expected to remain around 3 per cent.¹

It is expected the Canadian economy will continue to be influenced by the price of oil, the economic expansion of

China, as well as imbalances in East Asian and U.S. balance of trade.²

The International Monetary Fund is pleased with Canada's "business friendly environment", and credits low inflation strategy of the Bank of Canada, as well as debt reduction and budget surpluses of the Liberal government. The IMF warns, however, that Canada is vulnerable to changes in the global economy, especially the anticipated slowing of the U.S. economy, and will have to increase "labour market flexibility" as a result. The IMF further advises "fundamental reform to control health-care costs", continued "fiscal

prudence" as well as ongoing debt-reduction.³

The Organisation for Economic Cooperation and Development (OECD) is even more direct. It recommends that Canada should cut public health costs by, among other things, encouraging contracting-out.⁴ It further suggests Canada should liberalize services, decrease income supports so that people will take jobs they wouldn't otherwise; and reduce barriers to foreign ownership.

Table 1: Indicators and Projections of Growth and Inflation by Province, Percentages

	Projected GDP 2005 RBC Financial	Projected GDP 2005 BMO Financial	CPI 2004	Projected CPI 2005 RBC Financial	Projected CPI 2005 BMO Financial
NF	1.6	1.4	1.8	2.4	1.7
PEI	2.2	2.0	2.1	1.4	2.1
NS	2.4	2.5	1.8	1.9	1.8
NB	2.7	2.5	1.5	2.4	1.5
PQ	2.8	2.6	1.9	2.0	1.5
ON	3.0	2.6	1.9	2.2	1.4
MB	2.7	2.4	2.0	1.5	2.0
SK	2.9	2.8	2.2	1.8	1.9
AB	3.9	4.0	1.4	2.4	1.5
BC	3.7	3.4	2.0	2.8	1.5
CAN	3.0	2.8	1.9	2.2	1.5

Sources: RBC Financial Group, "Provincial Forecast Details" and "Economic and Financial Market Outlook", December 2004. <http://www.rbc.com/newsroom/pdf/20041216economic-table.pdf>; Derived from Statistics Canada, CPI, January 2005, Table 7 All-items CPI (Not seasonally adjusted) Provinces, Whitehorse, Yellowknife and Iqaluit, 2000-2005, 1992=100; BMO Financial Group, "Canadian Provincial Outlook", February 2005 <http://www.bmo.com/economic/regular/regtable.html>.

• Inflation

In January 2005, the CPI increased by 2.0 per cent over the costs of basic consumer items at the same time last

year. Gasoline prices as well as housing, property taxes, and restaurant meals contributed to the increase.

Table 2: Inflation and Core Inflation in Canada, 2002 to present

	2002	2003	2004Q1	2004Q2	2004Q3	2004Q4	Annual Average	Latest Data
CPI	2.2	2.8	0.9	2.2	2.0	2.3	1.9	2.0 Jan
Core inflation	2.3	2.2	1.3	1.7	1.6	1.6	1.6	1.6 Jan

Adapted from, Statistics Canada, *Consumer Price Index*, January 2005, Table 4, p.19; Bank of Canada, *Indicators of Capacity and Inflation Pressures for Canada*, www.bankofcanada.ca/en/indinf.htm, December 1, 2004.

• Public Sector Workers and Globalization

Public sector workers and private sector workers are both affected by what is happening in the global economy. Most governments at the provincial and federal level continue to orient our regional and national economies towards the global economy. Even though public sector workers tend to be more insulated from the direct effects of the world economy, there are many ways in which globalization has a direct impact.

These are examples of globalization having to do with *international trade*:

- If Canadian exports to the U.S. decrease and jobs are lost, not only is the tax-base weakened, but the only remaining wage in a family might be the public-sector wage;
- Public service employers buy supplies that are either sourced outside of Canada, or affected by rising fuel costs;
- Our economy depends significantly on trade with the U.S. and its instability affects us all.

These are examples of globalization having to do with *international finance*:

- Governments borrow money from international lenders, or force public sector employers to do so themselves;
- Public sector pension funds are allowed to flow outside of Canada;
- The International Monetary Fund pressures countries in the South to pay back their debts by cutting social spending. As a result, trained nurses from the Philippines are exploited in Canada as private health-care workers under the live-in caregiver program.

These are all examples of globalization having to do with *international investment*:

- Global corporations try to force governments to allow foreign investment in the provision of public services in Canada;
- Governments change tax-policies in order to encourage investments;
- International performance measure are used in the public sector to re-organize work according to "industry standards". This allows companies to compare workplaces for profitability, increase workload, decrease staff and make a case for privatization;
- Global corporations might set up call-centres or data-processing centres serving Canadians outside of the country.

• Corporate Profits

Canadian corporations declared record high profits in 2004. Companies accumulated \$204.5 billion in profits, or 18.8 per cent more than 2003. Banks announced record profits of \$21.3 billion in 2004. As a whole, the financial sector reported an increase in after-profits of 27.3 per cent over 2003.

The first two quarters of the year were the most profitable because of rising resource prices, consumer spending, rising employment levels, low mortgage rates, building construction and export demand for Canadian goods. As the U.S. dollar lost strength towards the end of the year, Canadian manufacturing export sales slowed down.⁵ Profit-taking in the financial, energy, automotive, primary metal producers, petroleum and coal sectors slowed

down in the fourth quarter. However, wood, paper and chemical sectors reported record high profits in the fourth quarter.

- **Unemployment**

The unemployment rate was 7.0 per cent in January, unchanged from the previous month. Job losses were high among youth but the youth unemployment rate did not show the whole story. Officially, 12.8 per cent of youth were unemployed in January, but

the situation was even more serious because of the number of youth that gave up looking for work during the month. As a result, they were not counted. Across Canada, there was a decline of 48,000 jobs in the public sector in January, including 14,000 jobs in healthcare and social assistance, and 14,000 jobs in public administration. Private sector jobs increased by 42,000 in January. Public sector employment was up 0.9 per cent in the past 13 months. Private sector employment was up 1.5 per cent over the same period.⁶

Table 3: Cross-Canada Unemployment Rate, December 2004-January 2005, Seasonally Adjusted, percentages

	December 2004	January 2005	Change
Canada	7.0	7.0	0
Newfoundland And Labrador	14.4	14.4	0
Prince Edward Island	10.4	10.5	0.1
Nova Scotia	8.9	8.7	-0.2
New Brunswick	9.4	9.7	0.3
Quebec	8.6	8.4	-0.2
Ontario	6.8	6.7	-0.1
Manitoba	5.0	5.1	0.1
Saskatchewan	5.3	4.9	-0.4
Alberta	4.4	4.4	0
British Columbia	6.2	6.5	0.3

Source: Statistics Canada, Labour Force Survey, February 4, 2005

- **Wage Adjustments from Major Settlements**

The 2004 average rate of wage adjustments in bargaining units of more than 500 employees was 1.7 per cent across Canada. Wage reductions and

freezes in British Columbia and Air Canada had an impact on this figure. When the parties to these settlements last bargained, wage adjustments averaged 3.1 per cent.

Table 4: Average Wage Settlements, Major Collective Bargaining, 2003 -2004

	2003	2004 Q1	2004Q2	2004Q3	2004Q4	2004
All	2.5	2.8	1.3	1.3	2.2	1.7
Public Sector	2.9	2.8	-0.4	1.6	2.1	1.3
Private Sector	1.2	2.7	2.5	0.9	2.6	2.2

Source: Human Resources and Skills Development Canada, Workplace Information Directorate, Wage Adjustments from Major Settlements, *Wage Settlements Bulletin*, 15:11, November 2004.

On a jurisdictional basis, wage increases averaged 3.0 per cent in Ontario. New Brunswick reported the largest increase, at 4.3 per cent. The average wage adjustment in the Maritimes was 3.4 per cent, while wage adjustments in the Atlantic region was

2.3 per cent. Wage adjustments in British Columbia averaged -1.6 per cent. In Quebec, wage increases averaged 2.5 per cent and adjustments in the Prairie provinces averaged 2.8 per cent.

Table 5: Jurisdictional Wage Adjustments (average percentages), 2003,2004

	Nfld -Lab	PEI	NS	NB	Que	Ont	Man	Sask	Alta	BC	Multi- Prov.	Fed. Jurisd.	Public Sector	Private Sector
2003	3.1	3.2	3.3	2.8	2.2	3.3	2.8	3.0	3.0	1.3	2.5	1.8	2.9	1.2
2004	1.0	2.4	3.6	4.3	2.5	3.0	2.6	0.9	3.1	- 1.6	2.8	1.6	1.3	2.2

Source: Workplace Information, Wage Settlements Bulletin, February 2005 16:2, p.5

Sectoral Differences - Major Settlements in 2004 (percentages)

- Primary 2.9
- Utilities 3.1
- Construction 2.7
- Manufacturing 2.4
- Wholesale and Retail 1.5
- Transportation 0.5
- Information and Cultural 2.8
- Finance, Prof. Services 1.3
- Education, Health, Soc.Serv. 0.7
- Entertain/Hospitality Indy 2.6
- Public Administration 2.4

Source: Human Resources and Skills Development Canada, Workplace Information Directorate, "Wage Settlements Bulletin", February 2005

- **Wage Adjustments from Small, Medium and Large Bargaining Units, 2004**

Small bargaining units (between 100-499 employees) reported an average increase of 2.7 per cent. In this category, public sector settlements were 2.8 per cent, and the private sector, 2.5 per cent.

In Medium bargaining units, wage adjustments averaged 2.8 per cent in 2004. Public sector settlements averaged 2.9 per cent, while settlements averaged 2.6 in the private sector.

In the Largest bargaining units, settlements averaged 1.3 per cent. Public sector settlements increased 0.7 per cent. Settlements in the private sector averaged 2.1 per cent.⁷

Table 6: Selected Recent Settlements – October, November, December 2004

Employer	Classification	Average Annual Percentage Increase	# of Employees	Duration (months)	Expiry
B.C Ferry Services, BC	Ship personnel	0.4	4,500	60	2008-10-31
Rentokil Initial Canada, ON	Security guards	2.0	1,400	36	2007-06-30
Board of School Trustees of School District No.39, BC	Office employees	0.0	1,100	24	2005-06-30
Conseil scolaire de district catholique Centre-Sud, ON	Teachers	2.0	730	24	2006-08-31
Government of New Brunswick, N.B	Non-medical employees	3.0	5,760	48	2007-06-30
Ottawa Hospital, ON	Health and social care professionals	2.3	2,000	36	2005-03-31
City of Montreal, PQ	Outside workers	0.8	6,860	68	2007-08-31
Government of Canada CAN	Social science	2.3	2,730	36	2006-09-30
Ottawa Police Services, ON	Police Officers	3.8	1,090	24	2004-12-31
Conseil scolaire de district du Grand Nord de l'Ontario, ON	Teachers	2.0	270	24	2006-08-31
Le Réseau de transport de la Capitale, PQ	Bus drivers	2.3	700	72	2009-06-30
Continuing Care Employers Association, AB	Nurses	3.2	500	36	2006-03-31
University of Manitoba, MB	Support workers	3.0	1,600	36	2007-09-19
City of London, ON	Outside workers	2.9	550	24	2005-12-31
Gov't Saskatchewan, SK	Inside and Outside workers	0.7	10,000	36	2006-09-30
Securicor, PQ	Couriers	6.6	220	26	2006-12-31
Telebec, S.E.C. PQ	Technical	3.0	340	24	2006-07-22
Conseil scolaire de district catholique Franco-Nord, ON	Teachers	3.0	260	48	2008-06-30
Lord Selkirk School Division, MB	Teachers	3.0	340	36	2006-06-30
Vancouver Opera BC	Stagehands	3.0 (COLA)	260	48	2008-06-30
Ontario Power Generation, ON	Scientific and (nuclear) professionals	3.0	900	12	2005-12-31
Laidlaw Transit, ON	Bus drivers	2.5	190	36	2007-08-31
CSD des écoles catholiques de Sud-Ouest ON	Teachers	2.0	420	24	2006-08-31
University of Moncton, NB	Support workers	3.0	170	60	2008-04-30
Corporation of the City of Vaughan, ON	Outside workers	3.5	150	36	2007-03-31

National Capital Commission, ON PQ	All categories	2.4	360	48	2007-12-31
Ontario Power Generation, ON	Scientific and (non-nuclear) professionals	3.0	2,100	12	2005-12-31
United Parcel Service, CAN	Truck-drivers	2.6 (COLA)	3,800	72	2010-07-31
Ottawa Public Library, ON	Librarians	2.7	650	36	2006-12-31
Insurance Corporation of BC	Service and Maintenance	0.0	4,200	36	2006-06-30
Board of Trustees, RVSD, No.41, AB	Teachers	2.6	840	48	2007-08-31
Calgary RCSSD, No.1, AB	Teachers	2.3	2,700	24	2006-08-31
Carleton University, ON	Teaching Assistants	3.0	1,200	24	2006-08-31
Health Employers Ass'n BC	Health and Social Care Professionals	0.0	580	24	2006-03-31
Nova Scotia Ass'n Health Organizations, NS	Health and Social Care Professionals	2.9	3,300	24	2006-03-31
Ontario Hospital Ass'n, ON	Health Professional	2.5	1,650	24	2006-10-10
University of Toronto, ON	Service and Maintenance	2.5	580	24	2006-06-31
Winnipeg Regional Health Authority, MB	Administrative and support workers	3.2	580	36	2006-03-31
Canada Revenue Agency, CAN	Administrative and support workers	2.4	33,160	48	2007-10-31
Parks Canada Agency, CAN	Administrative and Program workers	2.4	4,320	48	2007-08-04
Regional Municipality of York, ON	Inside workers	3.0	1,890	36	2007-03-31
Regional Municipality of York, ON	Non-medical employees	3.0	520	36	2007-03-31

Source: Workplace Information Directorate, Human Resources and Skills Development Canada, *Wage Settlements Bulletin*, December 2004 pp.4, 8; January 2005, pp.4, 8; February 2005, pp.6-7

Recent Settlements:

- Ontario Council of Hospital Unions (OCHU), representing 22,000 hospital workers, has reached a tentative agreement with the Ontario Hospital Association. The agreement includes a 3 % wage increase in the first year, and 2.5 % in the second year, as well as a 1 % signing bonus in the first year. There are improvements to medical, bereavement, compassionate leave, as well as significant gains to job security language;
- CUPE 3906 reached an agreement with McMaster University that provides for a 2.2 % and 2.3 % increase in years one and two for graduate teaching assistants:
(A) Undergraduate teaching assistants will receive increases of 5.7% and 4.5%
(B) The Local also won stronger language on discrimination and harassment; training and hours of work language. Other TAs with Bachelor's degrees have been included in the A rate. This means that they will receive a 104 % increase in the first year of the contract. CUPE 3906 has 1,850 members;
- CUPE 784 reached an agreement with Edmonton Public Schools that will give members a 5.25 % increase over two years and protections against contracting-out union work, as well as a signing bonus and improved benefits;
- Nova Scotia Highway Workers' Union has accepted a new agreement with the provincial government. 1,600 workers will receive wage increases of \$1.35. Other improvements include greater job protection, seniority, overtime, a study of classifications, and protection against lay-offs.
- After eight months on the picket line, the 30 mental health workers of CUPE 3253 have ratified an agreement that provides for a 6.3 % increase over 4 year, a \$3,000 signing bonus, improvements to mileage provisions and vacation.

¹ Over the past two years, the Canadian dollar has appreciated by about 25 per cent in relation to the U.S. dollar. In January 2003, the Canadian dollar averaged 65 cents U.S., while in January 2005, the Canadian dollar averaged 82 cents U.S.

² Bank of Canada, "Update: Monetary Policy Report", January 2005

³ International Monetary Fund, "Article IV Consultation with Canada: Preliminary Conclusions of the IMF Mission", December 2, 2004. <http://www.imf.org/external/np/ms/2004/120104.htm>

⁴ Organisation for Economic Cooperation and Development, "Economic Policy Reforms 2005: Canada, a Country Note", March 1, 2005

⁵ Statistics Canada, "The Daily" Friday February 25, 2005 www.statcan.ca/Daily/English/050225/d050225b.htm

⁶ Statistics Canada, "Labour Force Survey", Friday February 4, 2005

⁷ Human Resources and Skills Development Canada, Workplace Information Directorate, "Wage Settlements Bulletin", February 2005, p.9.

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