INSIDE

CUPE Canadian Union of Public Employees

United for good jobs: Bargaining policy moves CUPE members forward

Faced with ongoing employer pressure for concessions and two-tier contracts, CUPE's National Executive Board is working to ensure our locals are equipped to stand firm and resist the rise of precarious employment, with an updated bargaining policy.

More than a third of Canadian workers are in contract, temporary or part-time jobs, or face irregular hours, low pay and few or no benefits. Women, low-income, young and racialized workers are more likely to be in precarious jobs. There's been a significant increase in precarious work in the public sector, with the share of public sector workers on temporary contracts up by about 50 per cent. One-quarter of CUPE members are considered to be in precarious jobs.

Employers are increasingly demanding rollbacks to job security, wages, benefits and pensions. Restructuring and privatization add to the downward pressure. We are seeing governments claim they are facing a fiscal crisis and uncertain finances, while doing little to close tax loopholes or reverse tax cuts.

"We must resist concessions, two-tier contract provisions, and precarious work. If a contract provision is not good enough for our current members, it is not good enough for the next generation of workers," said CUPE National President Mark Hancock.

CUPE's revised policy focuses on member engagement and mobilization, strengthening solidarity between locals, and coordinated bargaining.

"Together as members, staff and leaders at all levels, we will send a strong and forceful message to our employers. United, we can oppose concessions and defend our free collective bargaining rights," said CUPE National Secretary-Treasurer Charles Fleury.

ECONOMIC BRIEFS

UK P3s bought out, bailed out or gone bust

The birthplace of P3s is the subject of a new report documenting the failures of these privatization schemes. Research from the European Services Strategy Unit (ESSU) identifies 74 Private Finance Initiative (PFI) projects that public bodies have bought out, bailed out or terminated – or that have other major problems.

The cost to the public so far: nearly $12.5 billion. And that's not counting the high costs of negotiating PFI contracts, plus expensive private financing. Factor in those costs and the estimated price tag balloons to nearly $46 billion.

The majority of failed projects were in health, transit, housing, IT services or education, with most of the projects located in England.

ESSU researcher Dexter Whitfield's report identifies the many fundamental flaws in PFI/P3 privatization. His recommendations include terminating the entire PFI program and instead increasing direct public infrastructure investment.

The public cost of the UK's entire PFI program is pegged at nearly $490 billion.

Pension funds in better financial health

Rising stock prices and bond yields are restoring pension funds to stronger health. Canadian defined benefit pension plans achieved an average return of 6.8 per cent on their investments in 2016. Aon Hewitt's quarterly survey found the median solvency ratio for Canadian defined benefit pension plans reached 95 per cent on January 1, 2017, up 8.8 per cent from the previous year. While higher stock prices did the most to boost returns, rising interest rates and bond yields were responsible for most of the solvency improvement.

These stronger returns and financial conditions should help reduce pressure from employers for concessions to defined benefit pension plans – or their elimination. CUPE's new pension database shows almost 92 per cent of CUPE members have some type of registered pension plan at their workplace and two-thirds belong to locals with access to secure defined benefit pension plans.

Privatization damages the economy

Privatization and selling off public assets damages the economy because it leads to private monopolies that hurt productivity and jack up prices. That's what Australia's consumer and competition watchdog now believes after being a proponent of privatization for decades.

Rod Sims, chair of the Australian Competition and Consumer Commission, told an economic forum he'd been a proponent of privatization for 30 years but now says "it's severely damaging our economy," is being done by governments to receive short-term proceeds and is leading to slower productivity as the resulting private monopolies significantly increase prices for consumers and businesses.

Canadian policymakers should pay close attention. Some governments here are taking a page from Australia's privatization playbook. Privatization has meant higher electricity prices in Ontario – and we could see a lot more privatization and increases in prices and user fees if the federal infrastructure bank becomes a "bank for privatization."

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CUPE Canadian Union of Public Employees

ECONOMIC DIRECTIONS
Latest economic trends at a glance

With Donald Trump as President of the United States, there's more uncertainty about our economic prospects – and greater overall insecurity. It's hard to predict where Trump's right-wing policies will lead, and what the impact will be on Canada. But these are some likely economic directions.

Economic growth

Trump's plans for massive tax cuts and infrastructure spending will provide short-term economic growth, but create problems down the road. Canada's economy could get a bump from exports, but could also get slammed by tariffs and trade actions. Our economy is forecast to grow by two per cent in 2017 and 2.1 per cent in 2018, with longer-term growth between 1.4 and 1.8 per cent.

Jobs

Trump has promised to create millions of jobs – for Americans. The U.S. jobless rate is down to 4.7 per cent and expected to fall to 4.2 per cent. Canada's job growth was slow last year because of the decline in the resource sector and austerity. Job growth is expected to pick up, bringing the unemployment rate down to 6.8 per cent in 2017 and 6.7 per cent in 2018 – unless auto and other export-focused sectors get hit by Trump on trade.

Wages

Despite falling unemployment rates, Canadian and American workers have had little in the way of wage increases. Increases in major collective agreements settled in Canada averaged just 1.3 per cent in 2016, slightly below a 1.4 per cent increase in consumer price inflation. Average hourly earnings increased by just 1.1 per cent.

Trump's stimulus could result in some long-overdue real wage increases but they'll be counteracted by his anti-labour and privatization policies. In Canada, base wages for CUPE members are expected to increase by an average of just 1.5 per cent this year, reflecting slow economic growth, as well as wage freezes and public sector austerity in some provinces.

Inflation

Inflation is expected to rise next year, thanks in part to both U.S. stimulus and the recovery in oil prices. After rising by just 1.1 per cent in 2015 and 1.4 per cent in 2016, Canada's consumer price inflation is forecast to average about two per cent in 2017 and thereafter.

Interest rates

Stronger U.S. economic growth and an expected rise in inflation mean we're finally seeing increases in interest rates, especially long-term ones, after they hit record lows last year. Canadian short-term rates, including the Bank of Canada target rate and business prime rates, probably won't increase until 2018. On average, forecasters expect longer-term rates to increase by about 50 basis points (or half a per cent) over the next two years. This will increase the cost of mortgage payments and could contribute to declines in house prices. If so, we can expect the Bank of Canada to be very cautious about raising rates further.

False fiscal crises undermine the public sector

The deficit made me do it. It's becoming a distressingly predictable excuse. A new (or old) government suddenly finds a larger-than-anticipated deficit, claims it's facing a fiscal crisis and uses this as cover to freeze or slash wages, demand concessions and two-tier contracts, lay off workers, cut public services and privatize.

We've seen this show many times across the country, with devastating consequences.

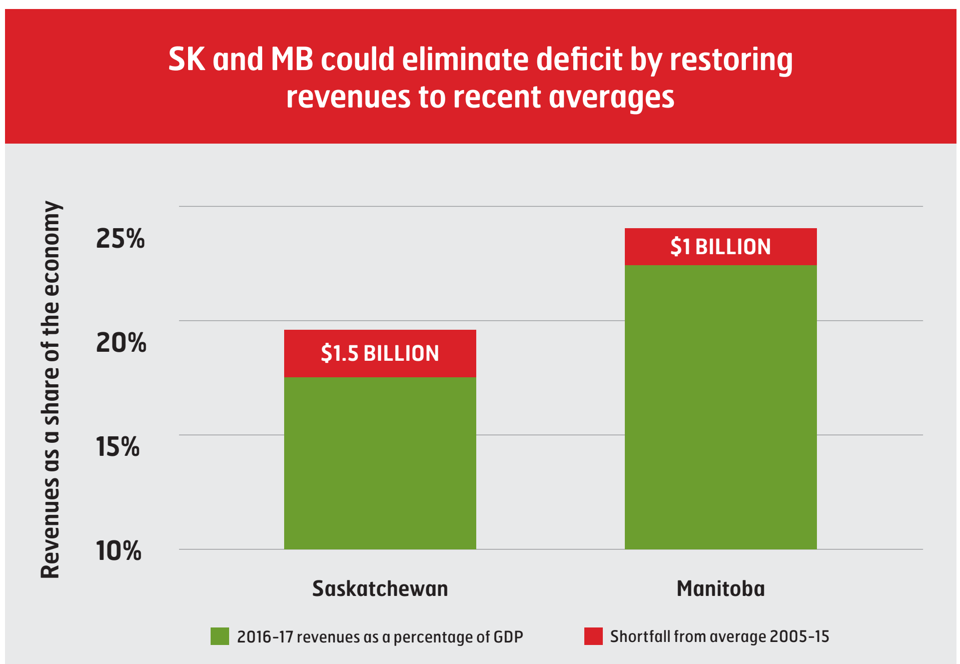
Wage freezes, layoffs and public spending cuts don't just hurt workers and people who rely on public services – they also slow down economic and income growth, which squeezes government revenues. Economic models show cuts to public spending are worse for the economy and jobs than tax increases.

In almost all cases where governments claim they're in a fiscal crisis, they don't have a spending problem, they have a revenue shortfall.

Over time, these governments could balance their budgets by allowing the economy to grow, and reversing tax cuts so revenues return to the same share of the economy they'd been before the cuts. Raising revenues can be done with a few fair tax measures, including closing tax loopholes and increasing taxes on corporations and top income earners.

For example:

- In Saskatchewan, Premier Brad Wall is threatening deep cuts and wage rollbacks to deal with the province's estimated $1 billion deficit. However, if he just restored Saskatchewan's revenues to the same share of the economy they'd averaged over the past decade, the province would have an extra $1.5 billion: more than enough to eliminate the deficit.
- Manitoba's new Conservative Premier, Brian Pallister, claims the province's spending is unsustainable in light of a $1 billion deficit this year. He's already enacted deep cuts, laying off hundreds of public sector workers, and is threatening to open collective agreements and roll back wages. But if he just increased Manitoba's revenues to the same 24.1 per cent share of the economy they'd averaged over the past ten years, the province would have an extra $1 billion in revenues: enough to balance the budget.



Tax fairness key to better public finances

There are many ways governments can increase both tax fairness and their revenues. The federal government promised to reduce regressive tax loopholes and tax expenditures. These would provide significant additional revenues for the federal and provincial governments.

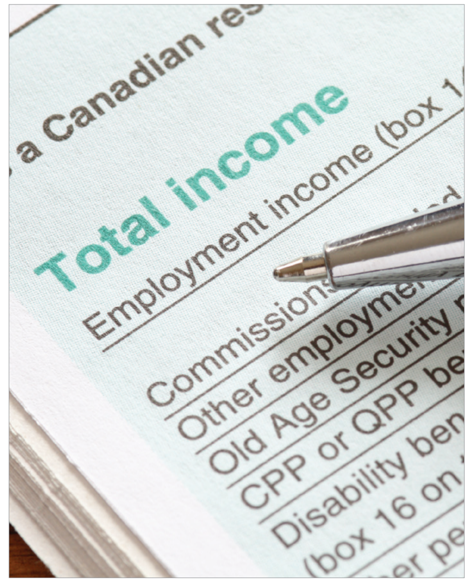
For example:

• Eliminating the stock option deduction which allows CEOs to pay tax at half the rate that workers do, would provide the federal government with an additional $700 million annually and about $400 million more annually for provincial governments.

• Taxing income from capital gains and investments at the same rate as other income would provide the federal government with at least $10 billion more annually, and provinces with at least $5 billion more annually.

• Increasing the federal corporate income tax rate to the 21 per cent rate it was in 2006 would provide the federal government with an additional $10 billion in revenues.

• Leveling the playing field and taxing foreign e-commerce companies like Uber, AirBnB, Netflix, Facebook, Amazon and Google on the business they do in Canada would generate about $1 billion, and would help preserve jobs in Canada.



Decoding Social Impact Bonds

Social Impact Bonds (SIBs) are a newer form of privatization allowing private investors to profit from social services under the guise of "impact investing." Investment firms provide up-front money for social programs. If particular outcomes are met, the government pays back the investor — with a profit. They're like public-private partnerships (P3s) for social programs.

This model outsources the financing, planning and evaluation of social programs to consultants and corporations. Multiple consultants, earning hefty payments, negotiate the SIB contract, manage the project and evaluate the outcomes.

SIBs, also known as Pay for Success Bonds or Social Benefit Bonds, have been used in programs for homeless people and to rehabilitate convicted people, as well as for early childhood education and care.

Originally from the United Kingdom, SIBs now exist in the United States, Australia and Canada. SIBs are in place in Saskatchewan and federally, and Ontario is considering two projects. The federal Public Health Agency of Canada has just launched a SIB aimed at reducing high blood pressure among seniors that will be delivered through the Heart and Stroke Foundation. It will pay investors, including the Royal Bank of Canada, up to an 8.8 per cent annual return.

SIBs create many problems for workers, clients and the public. They allow investors and consultants to profit from publicly-funded social programs. The profit motive distorts programs and puts pressure on workers to achieve narrow outcomes that lose sight of quality. The most hard-to-serve people may be excluded from services in order to reach targets that trigger investor payouts. And, as with P3s, its unlikely SIBs will transfer much risk to the private sector.

Ultimately, publicly-financed social programs can best evaluate innovative pilot projects that improve services for everyone. They are the most efficient and democratic way to deliver social services.

Sarah Ryan

Basic income doesn't guarantee end to poverty

A number of governments across Canada are considering Basic Income (BI) programs to replace social assistance and other income support programs. Quebec, Prince Edward Island, and mayors of several cities have shown interest, but Ontario is furthest along and is designing a BI pilot that's expected to begin this year. But the pilot – and current BI models - have serious flaws.

The pilot's goal is to "test whether a basic income would provide a more efficient way of delivering income support, strengthen the attachment to the labour force, and achieve savings in other areas, such as health care and housing supports." The plan is to modestly improve cash transfers to social assistance recipients, cut administrative costs, and eventually reduce spending on public services.

There is, of course, a dire need to improve incomes for social assistance recipients. In 1995 the Ontario government slashed assistance rates by 21.6 per cent. Increases since then haven't kept up with inflation. It would take an immediate increase of 58 per cent to restore purchasing power to the pre-1995 level. Many question why the Ontario government is embarking on a pilot project that will take about five years to complete instead of improving conditions for social assistance recipients now, including by raising benefits above their current abysmally low rates. Ontario's basic income pilot project may appear progressive, but it diverts resources away from and delays substantive changes.

If Ontario's form of BI is implemented as a full program, 'efficient delivery' is likely to mean service cuts and job losses for social assistance workers. For some, the aim is to convert public services into a simple cash transfer, expecting that people will be able to buy services they need on the market. For these and other reasons CUPE Ontario is opposing this program.

The goal of "strengthening labour market attachment" really means expecting that social assistance recipients will get jobs. The problem? There aren't enough jobs for everyone, and there has been a decline in the quality of jobs. Pushing more people into the labour market without creating more jobs will lead to lower wages. Without improvements to employment and labour standards, the trend towards precarious employment will worsen, as competition for scarce jobs increases the bargaining power of employers.

Raising social assistance rates is important, but it's not enough.

Without a full employment strategy, stronger employment standards, and robust public services, raising incomes can't eliminate poverty.

The private market doesn't provide everything we need, and it certainly doesn't provide what we need at a price we can all afford. Ending poverty begins with strong public services that support people with low incomes.

■ Dan Crow

Execs cash in while workers wait for raises

Canadian workers need a decent pay raise. Wages continue to rise slowly, and have increased at far lower rates than CEO pay – including public sector CEOs.

Base wages in major collective agreements settled in 2016 increased by an average of just 1.3 per cent, well below the rates of inflation expected for the duration of these agreements. As the table shows, with the exception of PEI, average negotiated wage increases from 2016 will fall below the expected Consumer Price Index increase over the next two years.

Average weekly earnings and average hourly earnings for all workers, unionized and non-unionized, increased by just 0.4 per cent and 1.1 per cent in 2016, the lowest in decades. Meanwhile the average annual compensation paid to Canada's top 100 CEOs reached $9.5 million each in 2015, 6.8 per cent above the previous year's average. Much CEO compensation comes as stock options and shares. Stock options, and any increase in share value, are taxed at half the rate that ordinary workers' pay on their employment income.

Public sector wage scales are more equitable than in the private sector, but compensation for many public sector executives is also getting disturbingly high, while pay for most public sector workers languishes. For example, over the eight years from 2008 to 2016, the pay for BC's top civil servant increased by 25 per cent to $366,000, twice the 12.6 per cent average base wage increase for BC public sector workers during the same period.

Pay for Ontario's top civil servant increased by 33 per cent to $427,326 between 2008 and 2015, more than twice the average pay increase for Ontario public sector workers during that period. Meanwhile, annual compensation for the CEOs of Ontario Power Generation and the newly privatized Hydro One could soon reach $4 million each.

We need to put a stop to runaway CEO pay and ensure workers get decent pay raises instead.

WAGE AND PRICE INCREASES

	Canadian average	Federal	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
Average base wage increase in major settlements 2016	1.3%	1.3%	1.3%	1.2%	1.0%	1.7%	1.5%	1.1%	1.8%	1.7%	2.6%	1.9%
CPI inflation 2016	1.4%	1.4%	1.8%	1.1%	1.1%	1.3%	1.8%	0.7%	2.2%	1.2%	1.2%	2.7%
Inflation average forecast 2017*	2.2%	2.2%	2.0%	1.9%	2.1%	2.2%	2.3%	1.8%	2.4%	2.1%	2.1%	2.9%
Inflation average forecast 2018*	2.0%	2.0%	1.8%	2.1%	2.2%	2.1%	2.0%	1.9%	1.9%	2.0%	2.0%	1.9%

* Based on latest forecasts by TD Bank, RBC and BMO banks to Nov 8, 2016, and wage settlements from Labour Canada http://www.labour.gc.ca/eng/resources/info/datas/wages/index.shtml

Even it up: Oxfam demands an economy that works for women and the 99%

Oxfam Canada

Growing income inequality is regularly in the public spotlight, with Canada's top 100 CEOs making 193 times the average worker's wage. But there's less attention on the even starker inequalities around wealth, and its gendered impacts.

Oxfam recently reported that eight multi-billionaires – all men – now own the same wealth as the poorest half of the world. The richest 1% of the world's population owns as much as the other 99% of humanity. Canada's two wealthiest multi-billionaires, David Thompson and Galen Weston, have as much wealth as the poorest 30 per cent of Canadians. Both men inherited their wealth.

Focusing on wealth is important because it's a reflection of economic power and security. It provides self-determination and control as well as the capacity to earn income and influence political power. Globally, women have far less wealth than men – and less power. Although the report doesn't apply this lens, it's crucial to remember that racialized, Indigenous and other marginalized women experience even larger wealth and power gaps.

In Canada, men are more likely to operate and work for private corporations, while women make up 63 per cent of the public sector workforce. Women are much more likely to work in the "care economy" – including health care, child care, long-term care, social services, personal and community services – often in part-time and precarious jobs. They also provide unpaid care for their families, households and communities.

As wealth has become increasingly concentrated, so has corporate power. A handful of highly profitable mega-corporations increasingly control their markets, and have the ability to buy up competition and influence governments – including pushing them to privatize services. Tax policies have enabled the rich to get richer – overwhelmingly benefiting wealthy men – while public sector austerity, wage freezes and cuts to public services hit women hardest, both as providers and users of public services.

A key focus for Oxfam Canada (whose staff are members of CUPE 2722) is on improving women's rights as key to ending global poverty and building an economy that works for the 99%. Oxfam Canada is advocating for greater tax fairness and is calling for the federal government to make women's work paid, equal and valued by:

- Ensuring living wages in Canada, including introducing a $15/hour minimum wage, and requiring Canadian companies working abroad to ensure decent work standards for women.
- Closing the gender pay gap and making sure women are treated fairly at work no matter what their job, including introducing proactive pay equity legislation and protecting the rights of domestic workers.
- Investing in public services, like child care and elder care, that reduce and redistribute women's unpaid care work.
- Increasing the aid budget to tackle global poverty and advance women's rights around the world.

Learn more at **shortchanged.ca**.