INSIDE

CUPE Canadian Union of Public Employees

TRENDS **STAGNATION**

Slow economic growth: A problem with a solution

Canada's economy is growing at a slow pace coming out of the economic crisis and recession, about 30 per cent weaker than recoveries of the 80s and 90s. An increasing number of economists claim this is the new normal – "secular stagnation" – but are we really condemned to a future of diminished economic expectations?

Some say we have to get used to slower potential growth because of our aging population, slower labour force growth and because we can't count on productivity growth like we used to. Others say we can grow a bit faster, either through even more market-friendly policies, or by boosting government investment and reducing inequalities. Still others welcome slow or even no growth as the only way to prevent ecological catastrophe.

A national public child care program, which can pay for itself through higher government revenues, would also help to increase labour force participation, employment and economic growth.

Why is this issue important? At a fundamental level, the revenues governments raise to pay for public services are closely linked to economic growth,and increasingly governments are linking the transfers they provide to rates of economic growth. The way governments perceive and respond to the challenge of sluggish growth with labour market, economic and social policies will affect everyone. Slower economic growth also implies low interest rates are likely to persist for some time.

At the heart of the matter is a simple equation: economic growth = employment growth + productivity growth.

As baby-boomers retire over the next two decades, our working age population is expected to slow to growth of just 0.5 per cent annually, about a third of the average annual rate during the last 40 years.

Most of this growth will come from immigration, with natural population growth contributing only a quarter. Higher labour force participation of seniors will contribute some, but it's being offset by lower labour force participation of younger workers.

However, labour force growth doesn't count for much if workers are unemployed. Instead of pushing more seniors into the workforce, governments should focus on creating more jobs and helping underemployed groups obtain decent work.

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ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS

CAPITAL Top-selling book calls for a global tax on wealth

A 685-page book by a French economist has achieved unlikely success, rocketing to the top of both the New York Times and Amazon's best-seller lists. Thomas Piketty's Capital in the 21st Century has received rave reviews and breaks new ground in economic analysis. He argues that the post-World War II period of strong economic growth and greater equality was an exception. The norm under capitalism is more concentration of wealth and power, increasing inequality and slower economic growth. Piketty calls for a global tax on wealth and other measures to reduce inequality and stimulate economic growth.

INEQUALITY Study illustrates wealth distribution in Canada

Is Canada really a fairer, more equitable nation? It doesn't look like it anymore. The richest 86 Canadians now have the same amount of wealth ($178 billion) as the poorest 11.4 million Canadians. It's all in a new study published by the Canadian Centre for Policy Alternatives. These 86 richest Canadians each have an average wealth of over $2 billion. That's about the same amount as over 130,000 Canadians, or the population of Saint John, NB. The study says removing the preferential tax rate for capital gains and other loopholes would help reduce these inequalities.

WAGES Harper government cuts wages to minimum

The federal government is now paying minimum wages to thousands of its temporary and contract workers, even for positions requiring three years of experience, bilingualism, or specialized education. Staffing agencies estimate that the federal government has cut some wages by 50 per cent. These cuts follow Harper's elimination of the Fair Wages and Hours of Labour Act in the 2012 omnibus budget bill.

ROBOTICS Baxter enters the job market

Meet Baxter the Robot, who may be coming to a workplace near you soon. Baxter is the world's most humanoid, adaptable and affordable production line robot. At a height of 5'10" (adjustable to 6'3") and weighing 306 lbs, Baxter easily learns and performs repetitive tasks at a human pace. And for just $25,000, Baxter is being promoted as a way to reduce offshoring, though perhaps not as a great way to save jobs. Only available in red and black (so far) and no word yet on whether it has developed the skills to negotiate collective agreements.

Baxter may be eyeing up your job.

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	Forecasters keep expecting stronger growth just around the corner. After expanding by two per cent last year, they expect GDP growth to average 2.3 per cent this year and 2.5 per cent in 2015.
Employment	There's been virtually no job growth in recent months; employment is barely above what it was six months ago. Our unemployment isn't expected to decline much below 6.9 percent until 2015.
Inflation	After averaging just 0.9 per cent in 2013 consumer prices are expected to rise by an average of 1.6 per cent in 2014 and 1.9 per cent in 2015.
Wages	In the first quarter of 2014, public sector wage settlements averaged 1.5 per cent, below the private sector average of 1.7 per cent, but above last year's average of one per cent.
Interest Rates	With little growth in the economy, jobs, prices or wages, the Bank of Canada is expected to keep its target interest rate steady at one per cent until mid-2015.

SPOTLIGHT:
Are we overqualified?

Since the myth of widespread skills and labour shortages has been thoroughly debunked, does that mean we have skills surpluses with Canadian workers overqualified for their jobs or for the work available? Many no doubt feel so, especially those with university degrees who are unemployed or working in retail or manual jobs.

Overqualification is particularly high among immigrants and especially immigrant women with university degrees from outside of Canada or the U.S. This problem suggests systemic barriers—such as lack of recognition of foreign credentials, lack of connections or racism—remain as much a problem as "overqualification."

Overall, overqualification rates for recent university graduates have changed little in the past two decades. About 18 per cent of university graduates aged 25-34 work in jobs requiring just a high school education, and 40 per cent work in jobs requiring a college-level education or less.

During this period, overqualification rates for those with a college diploma or trades certificate declined significantly, but still over 30 per cent of those young workers had jobs requiring a high school education or less.

Overqualification rates decline with age and experience in the workforce, but still average close to 20 per cent.

Does this mean higher education doesn't pay off? Not at all. With rising tuition fees and the resource and construction boom, the returns to education have declined, but college and university graduates still earn considerably more over their lifetime than those with a high school education.

University and college graduates also have lower rates of unemployment, and can enjoy greater flexibility as the economy changes. Those with higher education also live on average about five years longer, thanks to better socio-economic conditions and safer jobs. And the value of that? Priceless.

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Bridge on the highway to Elbow Falls, Alberta wiped out by rushing flood waters making their way to High River and Calgary in June 2013.

Climate change costs a lot, and the price isn't coming down

The costs of climate change are no longer a hypothetical problem for our children. They're hitting us right now, increasing costs for our communities and our household finances.

The average number of natural catastrophes in Canada has doubled over the past three decades and quadrupled from fifty years ago. Before 1990, only three Canadian disasters exceeded $500 million in damages. In the past decade we've had ten natural disasters that caused a total of $6.2 billion in infrastructure damage alone. This figure includes flooding in Alberta and in Toronto last summer that caused about $2 billion and $1 billion in infrastructure damage respectively. Natural catastrophes are expected to cost Canada $5 billion annually by 2020 and $21-$43 billion by 2050, up from an average of $1 billion in recent years.

These costs don't just hit municipalities and homeowners. We all pay the price through disaster support, higher costs for products, or higher insurance premiums. The insurance industry is developing more detailed calculations of the costs and risks expected from climate change and passing them on to customers. The cost of homeowners' insurance in Canada has more than doubled since 2000, rising at almost three times the rate of general inflation. These costs are expected to keep rising.

It makes sense to try to limit these damages. Estimates show that every dollar invested in climate adaptation can save $9 to $38 in future avoided damages.

Much of the costs of climate change and of adaptation to climate change are at the municipal level. These costs include higher capacity sewer mains to help reduce flooding, other flood, fire and storm protection measures, and more resilient infrastructure. New building standards and urban design can limit water runoff and reduce urban heat build-up.

However, it is better to prevent climate change from getting worse in the first place by reducing use of fossil fuels and other greenhouse gases. Unfortunately, under the Harper government Canada has become an obstacle to progress on climate change issues.

A $30/tonne progressive carbon tax on emissions could generate $15 billion annually, with half the funds going to a green tax refund to ensure a majority of households are better off. The rest could be invested to help communities mitigate and adapt.

Action is needed in many different areas. We can either pay a bit now, or a lot more later.

CUPE's green union policy means a brighter future

In March 2013, CUPE adopted its first National Environment Policy: *Working harmoniously on the earth.* It spells out CUPE's position on today's most urgent environmental issues: climate change, water, energy, waste and environmental toxins, green jobs and greening the workplace.

At a political level, the policy states that CUPE supports actions to cut greenhouse gases that cause climate change, moving "to an economy that favours renewable sources of public energy rather than energy derived from fossil fuels" and for a price to be applied to carbon emissions.

CUPE's green union policy also calls for greater action in areas where our members can really make a difference: adopting greener work practices in existing CUPE jobs, and a just transition to good green jobs that reduce the environmental harm in the Canadian economy. The policy includes promoting all facets of greening the workplace, through green bargaining language, workplace environmental stewards and committees, workplace environmental policies, green audits and other programs.

CUPE put these policies into practice by quantifying emissions associated with our 2013 National Convention. Despite increased attendance, estimated overall emissions were 31 per cent lower than at the 2011 convention. A high proportion of emissions for convention and CUPE's ongoing work are related to travel.

■ **Matthew Firth**

CUPE LOCALS GOING GREEN

The energy conservation program developed by **CUPE 4156 (District School Board of Niagara)** helped save more than five million kilowatt hours of power, which reduced carbon dioxide emissions by about 2,000 tonnes.

CUPE 2202 (City of Kingston) set up a voluntary environment committee among its library workers. Workers set up the committee to promote carpooling, recycling, food composting, and cutting back on materials and supplies to save money and reduce waste.

CUPE members from the **Hospital Employees' Union** in BC have a workplace environment committee at the **100 Mile House Health Centre**. Known as the Green Team, the committee has put a recycling system in place at the health centre, run a successful recycling awareness program, and plans to implement a composting program.

Join Green Economy Network's one million green jobs campaign

GEN
GREEN ECONOMY NETWORK

Wouldn't it be great if the environment and the economy were not seen as opposites, but treated with equal importance?

Wouldn't it be fantastic if we could take on the climate change crisis and turn it into an opportunity to create hundreds of thousands of decent new jobs?

Wouldn't it make sense if unions and environmental organizations worked together to make it happen?

Well, that's exactly what the Green Economy Network (GEN) is all about.

GEN – its member organizations include CUPE, other major unions, and environmental and social justice organizations – is involved in campaigns on three fronts:

1) Clean, safe transportation, including public transit and higher speed rail.
2) Clean, renewable energy like solar, wind, and geothermal power.
3) Greener building construction to create energy efficiency through retrofits.

These initiatives would help protect our environment while creating thousands of jobs.

GEN is leading a campaign to create one million good, green jobs in our communities over ten years. Solutions do exist that can help us resolve the climate change crisis and the unemployment crisis at the same time.

GEN will be holding a variety of events – round tables, workshops, public forums – with unions, environmental groups, social justice and youth organizations near you.

For more information on GEN or on the one million green jobs campaign, visit: greeneconomynet.ca

■ **Pierre Ducasse**

Literacy and basic skills training make everyone better off

When it comes to investing in the economy, the best investments are usually in people and basic skills training.

It is becoming ever more necessary for people to obtain and improve these basic skills for lifelong learning as technology and expectations of basic skills advance.

Consider these facts:

- Investment in education is three times as important to economic growth as investments in physical capital, such as machinery and equipment.
- Improving basic skills has a greater impact on the economy than increasing skills of those with higher literacy skills.
- 17 per cent of adult Canadians are at or below the bottom level for literacy. About half are below the minimum needed for many jobs.
- Those with lower literacy and basic skills are more likely to be long-term unemployed, depend on social assistance, or stay out of the labour force altogether.

Many people with only basic literacy and essential skills were forced to leave school early to support their families or couldn't afford the rising cost of further education. But it's not just those with less formal education who can benefit from literacy and essential skills' upgrading: about 6 per cent of those with post-secondary education are also at basic literacy levels.

The benefits of improving literacy and essential skills are much more than just economic. In some cases it can mean a difference between life and death if workers can't understand health and safety instructions. These skills are also important for financial literacy, so workers can be sure they're receiving what they're owed by employers, governments, or businesses.

Adult learners who have been through literacy training have had their lives positively transformed. Their confidence increases, they get better jobs, and some have gone on to teach, write books or become political leaders.

The benefits span generations. Members enrolled in CUPE 500's essential skills program reported that one of the most important benefits was being a better role model for their children.

Because those with lower literacy and essential skills also tend to have lower incomes and are less likely to vote or be politically engaged, improving these skills can make a major difference in reducing inequalities of income and of political power.

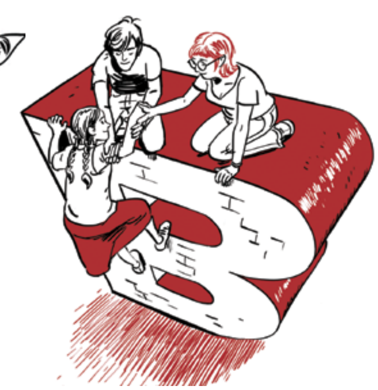
Funding for these programs comes from a variety of sources, but largely from the provinces. Public funding is especially important because Canadian employers invest little in training for workers themselves. Liberal and Conservative governments have gradually eliminated federal skills training programs, in some cases transferring programs, staff and funding to the provinces.

The $500 million provided in annual support through Labour Market Agreements to the provinces has been a major part of funding for literacy and basic skills. LMA funding is geared towards the majority of workers who don't qualify for employment insurance-funded programs, and these programs have been very successful. Eighty-seven per cent of LMA participants get a job, 87 per cent gain specific skills credentials, and participants increase their earnings by an average of $323 a week following the program. By this measure alone, every dollar of federal funding helps provide fifteen times that in higher earnings for these workers for just one year.

Unfortunately, in its 2013 budget the Harper government announced they planned to slash funding for these programs by 60 per cent. In May 2014, literacy organizations across Canada that received core funding through the federal Office of Literacy and Essential Skills saw their applications for further funding denied.

If there's good news it's that opposition has unified, with CUPE joining literacy organizations across Canada, along with all provincial governments, experts and those affected to condemn the cuts.

"We hear over and over about how the labour force and quality training are the backbone of our economy. We couldn't agree more," said CUPE National President Paul Moist. "That's why I'm so stunned that the Harper government would go after basic training and skills programs like this. If the economy really is a priority for this government, you'd think they would invest in training workers."



CUPE has been a labour movement leader in promoting literacy and essential skills. We have an active Literacy Working Group with members and activists in every province. Our locals have initiated a number of successful literacy programs through their workplaces that have helped many members. CUPE is also active in the LMAworks.com coalition where supporters share stories of success and advocate for continued funding for these programs.

Visit LMAworks.com or contact Isabelle Boucher, CUPE's Literacy Coordinator (iboucher@cupe.ca) for more information.

■ **Toby Sanger and Isabelle Boucher**

Illustrations by Pascal Colpron

Slow economic growth

Continued from page 1

A national public child care program, which can pay for itself through higher government revenues, would also help to increase labour force participation, employment and economic growth.

Demographics and better employment of workers is only part of the story. Most of our economic growth over the past 70 years has come from productivity growth rather than labour force growth. And that's more complicated. Productivity doesn't mean working harder, as management often puts it to workers. Productivity really means producing more with the same or fewer resources through technological advances, investments, greater efficiency and less waste.

Underemployment and productivity are linked: workers' skills rust and degrade if they aren't being utilized, a phenomenon called hysteresis. Under and unemployed workers who stay home are often scarred for life with lower earnings.

Despite record profits, corporations have reduced their rate of investment in the economy and instead put much of their excess cash into share buybacks and speculative investment, which helped cause the financial and economic crisis. They have little reason to invest in productive capacity when there's little demand, in part because of slow wage growth.

If corporations aren't investing it makes sense to tax back some of this excess cash with higher corporate tax rates and have the public sector increase investments in economically and socially productive purposes. Since those with lower incomes spend a higher share of their income, reducing inequality will also boost demand and thereby productivity.

Boosting economic growth is important, but ultimately our economy should serve the people. We need an economy that's more socially equitable and environmentally sustainable, where our goals and measures of growth reflect these broader measures of wellbeing. But in the transition to a more sustainable and equitable economy, many things can be done that would both improve our short-term economic growth and our long-term wellbeing. Secular stagnation is more of a threat for the state of our minds than for the state of our economy.

CRUNCHING THE NUMBERS **CHILD CARE**

The benefits of a public child care program go further than you think

When it comes to important economic programs, most people wouldn't put child care at the top of their list, but that's starting to change.

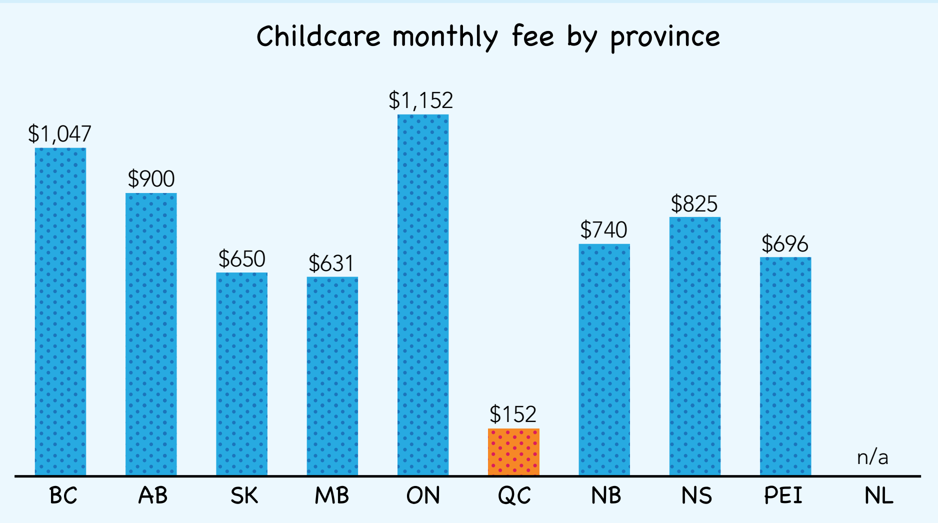
We've known for years that quality child care programs can return more than $2 in benefits for every $1 invested, primarily as a result of better socio-economic outcomes for children.

Other analysis has shown that child care and early learning programs produce strong job creation and economic stimulus. One billion dollars invested in child care creates an estimated 30,000+ jobs, compared to just 3,000 jobs for $1 billion in corporate tax cuts.

More recent analysis shows public investment in a universal affordable quality child care program can more than pay for itself. Analysis by one of Canada's top economists found that for every dollar the Quebec government spent on its $7-per-day child care program, it gained $1.05 and the federal government gained an additional $0.44. These benefits came from increased tax revenues because parents and child care workers were employed, and from lower spending on tax expenditures and social programs.

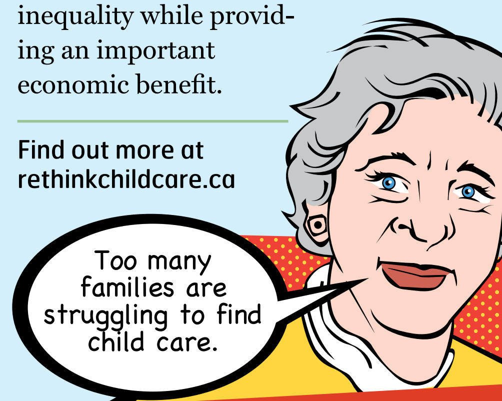
Women aged 25 to 54 are eight to ten per cent less likely to be employed outside the home than men in the same age range. Many would like to return to their careers but find it's just not worth the high cost of child care.

By providing greater opportunities to lower and middle income families, quality public child care helps reduce inequality while providing an important economic benefit.



Median for infants, full-day care 2013 *Source: Childcare Resource and Research Unit, Early childhood education and care in Canada 2012.*

Find out more at rethinkchildcare.ca



OUT OF THE BOX **YOUTH EMPLOYMENT**

A guarantee for young workers? Great idea!

Canada has a youth unemployment problem. The youth unemployment rate was at 13.9 per cent in 2013, more than twice the rate of those above 25. Youth employment has barely improved since the worst of the recession, and youth labour force participation has declined substantially.

At the same time, the economic costs are immense. Youth who experience periods of unemployment earn less than their peers over their career. Even without personally experiencing unemployment, individuals who graduate during periods of high youth unemployment make smaller starting salaries and earn less. A 2013 TD Economics report estimated the cost of youth unemployment at about 1.3 per cent of Canada's GDP, or more than $23 billion.

Clearly, this problem needs a solution and a new European approach might be the answer.

The European Commission's Youth Guarantee is a series of programs with a very basic idea: within four to six months of unemployment, a young person should be offered a decent job placement, more education, an apprenticeship or a skills training placement. Several European countries have adopted this approach with good results, and the EU has recently committed €6 billion in multi-year funding for a Europe-wide youth guarantee.

A made-in-Canada guarantee would be one good way to tackle our youth unemployment problem. Clearly, doing nothing isn't working.

■ **Kayle Hatt, CCPA**