INSIDE

ALL ARTICLES WRITTEN BY TOBY SANGER

CUPE Canadian Union of Public Employees

ELECTIONS **NDP**

Alberta shows progressive alternatives can win

Photo: Don Voaklander

The NDP is celebrating a historic election win in Alberta. Premier-designate Rachel Notley ran an exhilarating campaign, leading the party to an unprecedented landslide, after 44 years of Conservative government. But the election wasn't just about rejecting the out-of-touch Conservatives. At its core the NDP's campaign was a comprehensive, progressive and fully-costed platform that clearly appealed to ordinary Albertans, despite the CEO scare-mongering during the campaign.

The NDP's platform, now their mandate, includes **progressive tax measures** that would increase Alberta's corporate income tax rate from 10 per cent to 12 per cent, reintroduce a progressive income tax so the richest 10 per cent pay more than the current 10 per cent flat rate, and reverse regressive health care levies and user fees that cost families the most. The new government has also promised a resource royalty review to ensure that Albertans receive a fair share of revenues from the exploitation of their natural resources.

They also pledged to take action to **create jobs, increase wages, and diversify the economy** by restoring the province's youth job creation program, introducing a new job creator tax credit, raising Alberta's minimum

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ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS

YOUNG WORKERS

Debt shows generational divide

The average Canadian household debt increased by 64 per cent between 1999 and 2012. While this increase was counterbalanced by the rising value of assets for many households headed by older individuals, for couple families with children under 18 and those in the 35-44 age range, the average rise in debt was much higher than the rise in the value of their assets. Household debt rose to a new record, over 163 per cent of household disposable income at the end of 2014.

RETIREMENT

Never stop working?

A survey by HSBC bank found that 15 per cent of working age Canadians never expect to retire, while another 45 per cent plan to semi-retire. Only 17 per cent of current retirees report semi-retiring. Rising debt levels, the erosion of workplace pension plans, lack of federal support for an expanded Canada Pension Plan, and the federal government's delay of retirement to age 67 have no doubt reduced expectations for working Canadians.

LIFE

Are you satisfied?

People in Saguenay and Trois-Rivières, Quebec are the most satisfied of all cities in Canada, while those in Vancouver and Toronto are the least satisfied, according to a Statistics Canada study of life satisfaction. Despite their lower incomes, people in Eastern Canadian and Quebec cities reported higher levels of life satisfaction than the Canadian average, while those in Ontario and the western provinces reported lower levels.

CORPORATE TAX

Canada: Tax haven

The largest corporations in the world are avoiding over $100 billion CDN in taxes every year, according to estimates from international stock market firm MSCI. But that's not the worst of it. Their analysis found that at least 40 per cent of the largest global corporations based in tax havens such as Bermuda, Ireland, Switzerland, Belgium, Hong Kong, Luxembourg, and Canada pay abnormally low taxes. Yes, that's right: Canada is now considered a tax haven!

ALBERTA

Restore the royalties

Analysis by Alberta's Parkland Institute calculated that Alberta could eliminate 40 per cent of its budget deficit just by returning its oil, gas and mineral royalty rates to what they were in 2009. The changes introduced at that time were supposed to increase revenues by $2 billion annually, but instead they've cost the province $13.5 billion over five years.

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	Another quarter, another downward revision. Economic growth is now forecast to average 2.0 per cent at best this year and 2.2 per cent in 2016, down from 2.6 and 2.4 per cent forecast from last September.
Employment	With little job growth since the start of 2015, there's been no decline in the unemployment rate so far this year. The jobless rate is expected to average 6.8 per cent this year and to decline only slightly in 2016.
Inflation	Inflation has averaged close to one per cent so far this year and that's what it's expected to be for 2015, with the 2016 average forecasted at 2.2 per cent.
Wages	Base wage increases in major agreements averaged 1.9 per cent in the first quarter of 2015. Public sector workers averaged 1.8 per cent, slightly lower than the private sector average of 2.1 per cent.
Interest Rates	The Bank of Canada is now expected to hold its key interest rate at 0.75 per cent until mid-2016, while longer-term rates are forecast to gradually increase by 100 basis points (one percentage point) over the next year.

SPOTLIGHT: RISING DEBTS

Household debt in Canada is reaching higher records, with the total now over $1.8 trillion. That's almost the size of Canada's total annual economic output, and represents a record 163 per cent of household disposable income.

Meanwhile federal and provincial governments are creating more alarm over their own finances, claiming they need to reduce spending and introduce austerity measures to reduce their debt. But cuts to public sector wages and public services reduce incomes and increase costs for people, making the household debt situation worse. And if households cut back on spending, that slows down the economy, making government finances worse.

So what's the solution to this debt quandary?

It's important to understand that any one person's debt is someone else's financial asset. On the national balance sheet, financial debts and assets all balance out to zero.

From the late 1990s, low wage increases and rising house prices have meant that the household sector has gone increasingly into debt. Meanwhile the corporate sector—with high profits, lower taxes and low-wage increases for workers—has piled up ever larger surpluses. The recession forced governments to run deficits after 2007, but now their debt-GDP ratios are declining again. and the debt ratios of households have kept increasing, which is the real debt crisis.

The solution is clear: we need to rebalance our national balance sheet. Since corporations aren't investing their surplus cash back into the economy to create jobs and increase incomes, our governments should increase corporate taxes and use the increased revenues to improve public services and reduce pressures on households.

For more information, see The Big Picture on page 4.

The Big Picture

Debts, deficits and surpluses: Where are the real problems?

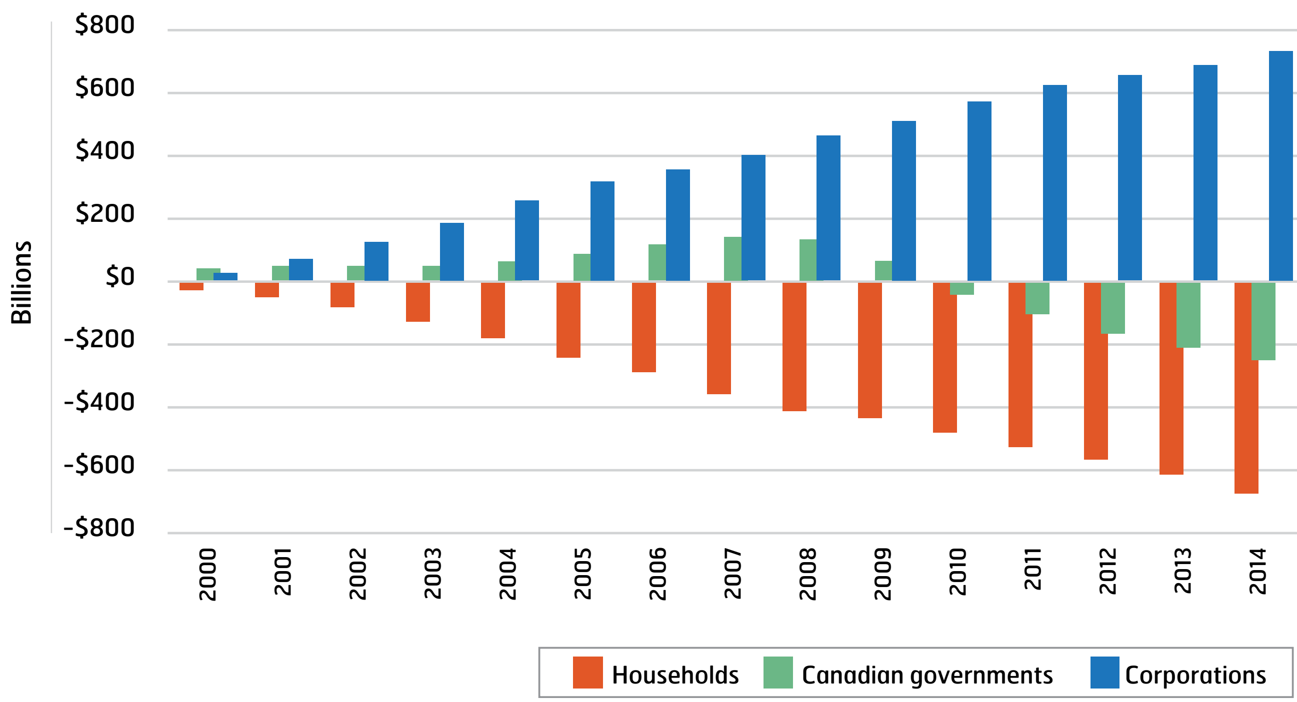
This chart shows how changes in the balance sheets of governments have been dwarfed by changes in the balance sheets of households and corporations in Canada over the past 15 years. Households are going increasingly into financial debt while corporations accumulate growing financial surpluses. The two are almost the mirror images of each other.

Canadian governments ran surpluses and reduced their overall debts from the late 1990s to 2007, then ran deficits following the economic crisis—although those are now shrinking. Up until the mid-1990s, Canadian households were net lenders to corporations and governments. But with low wage increases and rising house prices, those tables turned and households went further and further into financial debt.

Meanwhile, with high profits and low rates of re-investment, Canadian corporations have racked up large financial surpluses since 2000. In the past 15 years, the surpluses of Canadian corporations have totaled over $700 billion, while households have taken on an additional $660 billion in debt during that same period. These amounts are equivalent to over $50,000 per Canadian household.

What these national balance sheet figures show is that while government deficits and debts get a lot of media attention, what we should really be concerned about is growing household debt and rising corporate surpluses.

ACCUMULATED SURPLUSES AND DEFICITS HOUSEHOLDS, GOVERNMENTS AND CORPORATIONS



Source: Statistics Canada Financial Flow Accounts (Cansim table 378-0119), net lending or borrowing by sector.

In Conservative budgets sexism is apparent

One thing that stands out about the Conservative government budgets is just how heavily they focus spending on male-dominated sectors while ignoring sectors where women predominate.

The 2015 federal budget, like previous budgets, gave priority to infrastructure, construction, resource industries, and to defence. Employment in each one of these sectors is dominated by men, with women making up less than a fifth of their workforces. Sectors of the economy where women form a larger share of the workforce—health care, education, and social assistance—are almost completely ignored, as they have been for many years.

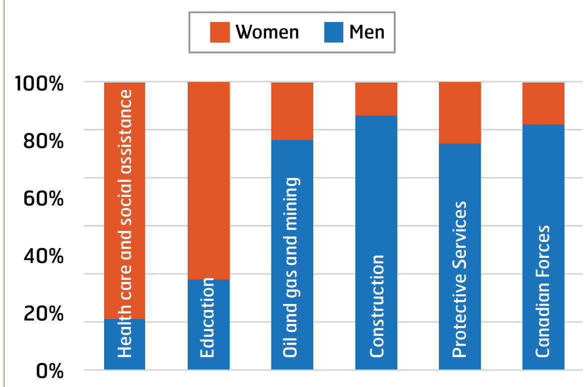
Federal transfers for health care—the biggest employer of women—will be constrained in coming years, reducing federal support for health care by $36 billion over ten years.

The only specific measures aimed at women in the 2015 federal budget are minor; they help women entrepreneurs, and try to increase the number of women on corporate boards. These aren't exactly areas that will help the vast majority of working women.

The Conservative government's heavy focus on the private sector to the detriment of the public sector also does little to help women. Women not only make up a smaller share of private sector employment, but pay gaps for women—together with Aboriginal and racialized workers—are much larger in the private sector than in the public sector.

The federal government is long overdue for a more balanced approach in its social, economic and spending policies.

MALE AND FEMALE EMPLOYMENT SHARES OF DIFFERENT INDUSTRIES AND OCCUPATIONS



Sources: Labour force Survey Cansim Table 282-0008, 282-0010, and "Women in the Canadian Armed Forces" backgrounder.

Alberta election: historic win for the NDP

Continued from page 1

wage to $15 by 2018, and by increasing value-added processing of natural resources instead of relying on exports out of the province.

Protecting and improving public services was a major element of their platform, particularly in contrast to the Conservative government's threatened cuts. Commitments include stable and predictable funding for health care, education and municipalities. In health care, priorities include expanding public long-term care beds, improving primary care, ending the province's costly experiments in privatization, and redirecting the funds to public services. In education it includes phasing in all-day kindergarten, investing in child care, and a tuition freeze for post-secondary education.

On **environmental issues**, the Notley government plans to take leadership on climate change by phasing out coal fired electricity generation, establishing a green retrofitting loan program, and strengthen environmental standards, monitoring and enforcement.

Promotion of equality is an important part of their agenda. The new government proposes to create a women's ministry, more family friendly employment standards, more spaces in women's shelters, and offer more support for family, children's and community services. The new government's mandate also includes commitments to a **renewed partnership with Indigenous Peoples** of Alberta.

Increasing honesty and ethics in government and in decisions over government contracts was a major issue in the campaign. The Conservative government was seen as running the province as its own crony fiefdom, not interested in increasing transparency, accountability or democratic oversight.

Democracy responded loudly. Voter turnout in this election increased to the highest rate in 22 years, with many, especially younger Albertans, voting for the first time. And they voted for an indisputably progressive, reasonable agenda given where Alberta's policies have been, without pandering to powerful corporate and business interests.

Yes Alberta was due for a change, but the success of the Alberta NDP also shows there is a strong political alternative to austerity, inequality and regressive neoliberal policies—and that voters will support it.

Banks are suddenly interested in job quality. The reason might surprise you (or not).

All of a sudden, banks seem interested in the quality of new jobs being created—but not for the reasons you might think.

Not all aspects of good jobs can be easily tracked, so employment quality or good jobs indexes typically include a selection. CIBC's Employment Quality Index has just three indicators: the growth of full-time high paying jobs, the share of full-time and part-time jobs, and paid employees vs. self-employed. The international Just Jobs Index covers opportunities for work, income, employment security, pensions, benefits, gender equality, and social dialogue. Not to be left out, the TD Bank now claims it has developed one labour market indicator to rule them all.

Central banks are also getting more methodical about measuring broader labor market conditions. The US Federal Reserve includes 19 indicators in its Labor Market Conditions Index. The Bank of Canada includes just eight in its new Labour Market Indicator.

Some might wonder why central banks are now interested in monitoring job quality. Aren't they more interested in the financial side of the economy?

Historically there has been some relationship between lower rates of unemployment, higher wages and higher inflation. It had a name: the Phillip's curve. That relationship has almost entirely broken down. Lower rates of unemployment haven't resulted in much wage growth, or a revival of economic demand and growth. Without increases, there's little pressure on prices from the demand side. That's why central banks have kept interest rates so low for so long, and it's why they've started monitoring employment quality. It's also why other banks are also interested; they want to know where the Bank of Canada will make its next move on interest rates.

Monetary policy and low interest rates aren't boosting growth because they're being stymied by government policies—spending cuts, wage freezes, contracting out, regressive tax measures, deregulation, and more—that undermine wages, the power of labour and equality.

Even major international economic organizations, the International Monetary Fund, OECD, International Labour Organization, World Bank, all agree that we need stronger wage growth and greater equality to achieve greater economic growth.

Oh, and those job quality indexes? They've all been pointing in the same direction: down.

CIBC's employment quality index is now at a record low, 15 per cent below the early 1990s. TD's index recently showed its widest gulf in job quality since the 2008-9 recession. Canada's rank on the most recent international Just Jobs Index dropped to 12th, the lowest in a dozen years. There's been little improvement in the Bank of Canada's Labour Market Indicator in the past few years, even as the unemployment rate has declined.

As long as our governments work against our economic needs, we're not going to have much improvement in job quality, or economic growth.

Wages trends in collective agreements

Labour Canada forecast an average 1.8 per cent increase of base wages in major collective agreements negotiations scheduled for 2015. So far the increase has averaged 1.9 per cent. While this increase is higher than price increases so far this year, it could be slightly below inflation over the life of the agreements, which average almost four years.

With the exception of Ontario, negotiated wage increases so far have been highest in the east and lowest in western provinces, as forecast (see Figure 1). Base wage increases in BC have averaged just 1.1 per cent so far this year, slightly below Ontario's average of 1.2 per cent. Moving east, wages rise, up to an average of 2.3 per cent in Nova Scotia (see table below).

By sector, base wage increases are forecast to average just 1.6 per cent for education, health and social services, 1.9 per cent for public administration, and up to 2.7 and 3.0 per cent for workers in utilities and primary industries. These wage forecasts were developed before oil prices plummeted earlier this year. The oil price decline will undoubtedly reduce wage settlements in primary and associated industries.

While wages continue to be a top priority in bargaining, major public sector negotiations are being held up by employers insisting on significant concessions over non-wage factors. For instance, the federal government is legislating sick leave provisions. The Ontario government is pushing to increase class sizes and control teachers' non-classroom time.

Inflation rising again, fuelled by food price increases

Oil prices have gradually climbed back to $60 per barrel in the past few months, and with rising gas prices, inflation has also nudged up from the one per cent rates recorded at the beginning of 2015. The forecast for inflation this year is slightly below one per cent, but if oil and gas prices continue to climb, it will be higher. The lower Canadian dollar is pushing up consumer prices for imported goods, most immediately for food, clothing, and footwear. All these goods have increased at more than twice the overall rate of inflation in recent months.

FIGURE 1 FORECAST WAGE ADJUSTMENTS BY PROVINCE/ REGION. LABOUR CANADA, WAGE FORECAST FOR COLLECTIVE BARGAINING 2015.

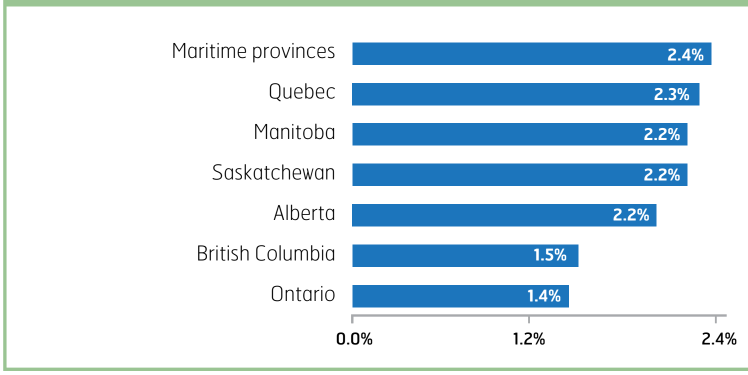
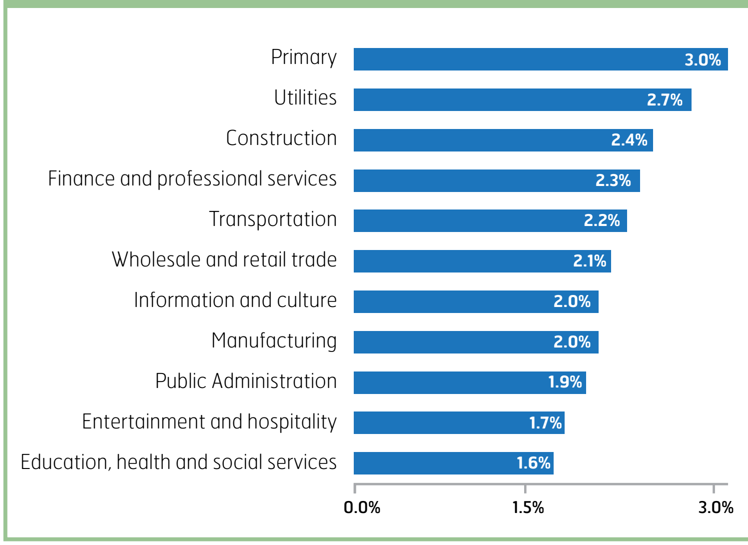


FIGURE 2 WAGE FORECAST BY INDUSTRY, LABOUR CANADA.



WAGE AND PRICE INCREASES

	Canada	Federal	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
Average base wage increase in major settlements from 1st quarter 2015	1.9%	3.1%	1.1%	1.8%	1.9%	2.0%	1.2%	2.0%	-	2.3%	-	-
CPI Inflation in 1st quarter 2015	1.1%	1.1%	0.8%	0.6%	1.3%	0.9%	1.5%	1.1%	0.0%	-0.1%	-1.4%	0.0%
Inflation average forecast 2015*	0.9%	0.9%	0.8%	0.7%	1.1%	1.0%	1.1%	1.0%	0.8%	0.8%	0.4%	0.4%
Inflation average forecast 2016*	2.3%	2.3%	2.3%	2.2%	2.4%	2.4%	2.4%	2.3%	2.3%	2.5%	2.2%	2.2%

Photos: The All-Nite Images

NEWS **ACTION**

Fight for $15! Protests spark discussion about higher minimum wages

Tens of thousands people joined together in what British Newspaper the Guardian called the "largest protest by low wage workers in US history" on April 15, 2015 in New York City.

The fight for a $15 minimum wage gained a lot of momentum with protests in over 200 cities across Canada and the US on April 15. The protests were reportedly the largest by low-wage workers in US history.

Here's a roundup of some recent analysis on a higher minimum wage:

Broadbent Institute fellow and economist Angella MacEwan has done some mythbusting about who low paid workers are. She notes that a majority of workers earning less than $15 per hour are over 25 years old. More than a third are women aged 25 to 64. And 80 per cent of them are not students. *Visit broadbentinstitute.ca for the full story.*

UBC economist David Green explains why it makes good economic sense to increase the minimum wage to $15. Higher minimum wage leads to lower turnover rates, which creates more stability for both workers and employers, reducing costs. *Find the report at policyalternatives.ca*

RankandFile.ca has assembled a reader on the Fight for 15 with stories from across the country. *Find out more and get involved at RankandFile.ca*

Unfortunately, even $15 per hour is no longer enough to make ends meet in a big city like Toronto, where Kaylie Theissen of CCPA-Ontario calculates the living wage to be $18.52/hour. *Check out the report at policyalternatives.ca*

CUPE is also committed to a higher minimum wage. At the 2013 CUPE National Convention, delegates voted to bring the wages of the lowest paid CUPE members up to a minimum rate of $18 per hour by 2018—an increase that would raise the standard for all workers. *Find out more at cupe.ca*