INSIDE

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CUPE | Canadian Union of Public Employees

POLITICAL TRENDS **ELECTION**

Sunny ways?

Trudeau made big promises— now he needs to keep them

In his election victory speech, Prime Minister Justin Trudeau invoked former Prime Minister Wilfred Laurier in attributing his victory to "Sunny ways, my friends, sunny ways. This is what positive politics can do."

In his election campaign 120 years earlier Laurier said he would use a "sunny way" of getting people onside politically instead of the divisive approach used by his opponent, Sir Charles Tupper.

This approach won both Wilfred Laurier and Justin Trudeau solid election victories. The question is how far these sunny ways can go— and whether Canadian workers, after a decade of attacks, division and dark days under Harper can also expect "sunny days" ahead.

Trudeau has started off well. His cabinet is the most diverse in Canadian history and includes many self-described progressives. However, once again the Finance Minister is a Toronto financial sector businessman.

Trudeau has pledged much greater openness in government, respect for diverse opinions, and collaboration and engagement with the opposition, media and stakeholders including organized labour.

He says he's committed to a new, respectful nation-to-nation relationship with Indigenous peoples. He's already met with Premiers and pledged to working with other nations to achieve progress on climate change.

He's the first prime minister in 50 years to meet with labour leaders at the Canadian Labour Congress. He's committed to repealing the anti-union bills C-377 and C-525,

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ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS

SUBSIDIES

Fossil fuel companies get major government backing

Government subsidies to the oil, gas and coal industry cost G20 countries $450 billion annually, according to a detailed report from Oil Change International. This figure includes $US 1.6 billion in tax subsidies from the federal government and another $US 1.1 billion from provincial governments, mostly Alberta and BC. This figure doesn't include at least $2.5 billion in export promotion support through Export Development Canada, nor does it include public subsidies for the cost of clean-up and decontamination. CUPE has signed onto the Leap Manifesto, which calls for an end to fossil fuel subsidies and a transition to clean energy.

ENVIRONMENT

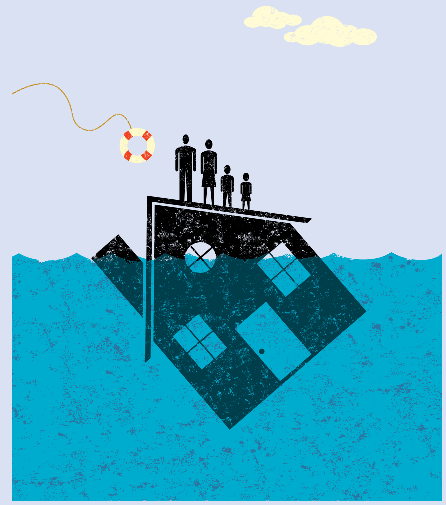
Climate change could impoverish 100 million

Climate change could result in an additional 100 million people living in extreme poverty by 2030, according to a report by the World Bank titled Shock Waves. Climate change hurts the poor in many ways, including through drought, floods, and crop scavenges that wipe out food production. Rising food prices, disease, and extreme weather events make the problem worse. While some level of climate change is inevitable, we can help reduce these impacts with well-designed support and adaptation for the poor.

TRADE

TPP deal worst thing Harper left us

Harsh criticism of the Trans-Pacific Partnership (TPP) investment and trade deal has come from an unlikely corner: Jim Balsillie, the co-founder of Blackberry. Although the list is long, Balsillie described the pending TPP deal as "the worst thing Harper has done for Canada" because it will stifle innovation and force Canadian companies to pay billions more in intellectual property fees to U.S. firms. The international humanitarian organization Doctors without Borders is also campaigning vigorously against the TPP, calling it "the most harmful trade pact ever," in part because it will sharply increase the cost of medicine for the world's poorest.



HOUSING PRICES

Young and indebted

If housing prices drop by 20 per cent as some have suggested, young homeowners would be hardest hit. This decline would put 169,000 families under age 40 underwater, and would erase 39 per cent of their net worth according to a report by David MacDonald at the Canadian Centre of Policy Alternatives. Debt to income levels have increased for all age groups as housing prices have increased far faster than wages, but they're highest for those in their 30s, whose average debt levels are now almost four times their incomes.

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: After slumping into recession in the first half of 2015, Canada's economy started to expand again mid-year. Growth remains slow. It is expected to come in just slightly above one per cent this year and close to two per cent in 2016.

Employment: Job growth has been meager this year, though it picked up in recent months. The unemployment rate is expected to average 6.9 per cent in both 2015 and 2016—no better than 2014.

Inflation: Inflation has averaged 1.1 per cent so far this year. It's expected to stay there in 2015 before rising to an average of 1.9 per cent in 2016.

Wages: Base wage increases in major collective agreements averaged just 1.6 per cent in the first nine months of 2015, with public sector increases slightly below the 1.7 per cent average in the private sector.

Interest rates: When will rates rise? With slow economic growth and low inflation, the day of reckoning keeps being put off. Now it isn't expected until late 2016 or even in 2017, but it could come sooner if the economy strengthens earlier.

SPOTLIGHT:
Labour's declining share of income

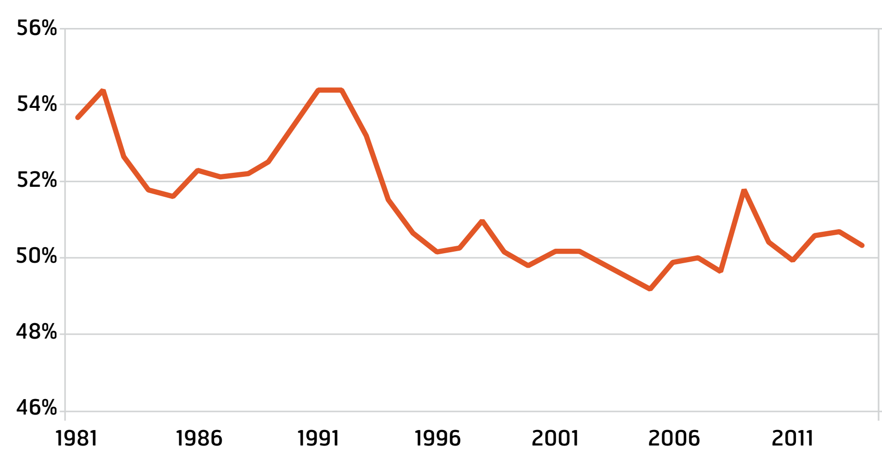
Labour's share of the Canadian economic pie has declined over the past quarter century. Except for the occasional blip, it shows no sign of recovering either. The chart to the right illustrates labour's share of GDP in Canada. Following spikes 80s and 90s, we've seen a decline, hovering around the 50 per cent mark.

This isn't just a Canadian, American or industrialized country phenomenon: labour's share of income—in the form of wages, salaries and other income—has been falling across the world.

In the post-war period labour's share of national income was so steady, some considered it a constant. Then along came Thatcher, Reagan and neo-liberal economic policies aimed at reducing public spending, tax cuts for corporations, deregulation, and more.

Since that time, despite more investment by workers in education and increasing employment rates, labour's share of income has trended downward while the share of corporate profits has increased.

LABOUR SHARE OF GDP, CANADA 1981–2014



Source: Statistics Canada, GDP by Incomes, Cansim table 380-0063.

There have been some upward blips during recessions, but that's because corporate profits have declined, not because of rising wages. Labour's low share is holding back economic growth because it has reduced demand.

How can we increase labour's share of the economic pie? There are a number of ways, including hiking minimum wages, strengthening labour standards, creating more jobs, and increasing the bargaining power of workers. One thing's certain: further squeezing and freezing workers' pay, as a number of provincial governments are doing again, will only make the situation worse.

CUPE will hold Trudeau government to account

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implementing a modern fair wages policy, and bargaining in good faith with public sector unions.

What else can we expect from the new federal Liberal government? They've committed to many more policy changes. Here's a list of just some of the Liberals' promises where CUPE will be holding them to account:

- **Reform the Employment Insurance system,** including reducing the waiting time to one week, reversing recent punitive changes, and increasing access to benefits.
- **Enhance benefits** through the Canada Pension Plan.
- **Restore the age of eligibility for Old Age Security (OAS) to 65,** increase benefits under the Guaranteed Income Supplement (GIS) by 10 percent, and index OAS and GIS payments to a seniors price index.
- **Improve access to good quality job training**, including funding training delivered in partnership with labour unions.
- **Make post-secondary education more affordable** for students from low- and middle-income families.
- Create a national framework with provinces to develop **affordable and quality child care.**
- Increase the number of **good quality, permanent jobs** for younger workers.
- Maintain **door-to-door postal delivery**.
- **End the politically-motivated harassment** of charities by the Canada Revenue Agency.
- **Launch an inquiry** into missing and murdered Indigenous women and girls.
- Apply **gender analysis** to federal policies.
- **Add gender identity as a prohibited ground of discrimination** under the Canadian Human Rights Act.
- Provide significantly more **infrastructure funding** for provinces, territories and municipalities, focused on public transit, social infrastructure and green infrastructure.
- **Eliminate the "P3 screen"** from the Building Canada Fund that biases projects towards costly public-private partnerships.
- Develop a **new multi-year health accord** with the provinces and territories, including improved access to necessary prescription medicine.
- **Cancel income splitting** and the doubling of Tax-Free Savings Accounts.
- **Increase the tax rate on top incomes**.
- **Increase benefits** to lower and middle-income families with children.
- Restore the **tax credit** for labour-sponsored investment funds.
- Develop a federal **Canadian Poverty Reduction Strategy**.
- Increase the availability of **affordable housing**.

It's an ambitious agenda that includes numerous progressive elements—even though some of the more important commitments remain vague and other important measures are missing.

Some important parts of Trudeau's agenda aren't progressive at all. For instance he supports the Comprehensive European Trade Agreement (CETA) and appears supportive of the Trans-Pacific Partnership (TPP), which will largely benefit corporations and investors at the expense of working people. And as we've seen, many Liberal governments soon veer to the right with privatization and cuts to public services and public sector workers wages.

But after a decade of Harper's divisive, dark and increasingly regressive government, we shouldn't lower expectations, or lie back and hope there will be sunny, sunny days ahead. If so, others will control the agenda and shift it rightward. We need to fully engage, raise the bar and push the government toward the real progressive change they have committed to, and then further. Because if we don't, the sunny ways and sunny days won't last long at all.

BARGAINING TRENDS **NET ZERO**

Net zero agreements undermining workers and economy

It's a doubly disturbing development.

After freezing wages for two years, a number of provincial Liberal governments across the country are again forcing public sector workers to accept "net zero" agreements requiring any wage or benefit improvements to come from savings or limited spending increases.

The "net zero" approach was started by the BC Liberal government shortly after the - 2009 recession. It effectively involved wage freezes for all provincial broader public sector workers, which meant real wage losses after accounting for inflation. This tactic was followed by limited wage increases in subsequent agreements.

Now other provinces (like Ontario) that already demanded two-year wage freezes from their public sector employees are insisting on net zero increases in subsequent agreements. It's just extending the number of years public sector workers in these provinces receive very limited or no wage increases.

The Liberal government in Nova Scotia is also demanding "net zero" increases in collective agreements with provincial broader public sector workers, with the threat of legislating these terms looming.

The province was demanding three years of zeroes followed by just one per cent increases in the fourth and fifth years. This proposal would mean annual wage increases averaging less than 0.4 per cent, well-below the rate of inflation. After inflation it amounts to a loss in real wage value of more than seven per cent after five years. The province is now settling for slightly less draconian terms, but is still asking for a two-year wage freeze and subsequent

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GOVERNMENT **PRIVATIZATION**

Hydro One privatization:

A gift to Bay Street bankers paid for by Ontarians

Ontario's independent budget watchdog confirmed what CUPE has been saying all along: privatization of Hydro One is a terrible financial deal for the government and for the people of Ontario.

Stephen LeClair, Ontario's Financial Accountability Officer, reported that Ontario's budget balance will be worse in the years following the 60 per cent selloff. Ontario's net debt will actually soon be higher from the loss of about $500 million in annual income, which would grow over time.

Less revenue for the province means less money to pay for public services—and less money to pay for workers' wages.

The evidence is in:

- A large majority of Ontarians is opposed to the privatization of Hydro One.
- 185 Ontario municipalities have passed resolutions opposing the sale.
- All eight of Ontario's independent legislative officers, including the Auditor General, have strongly criticized the sale of Hydro One because it will severely reduce accountability.
- Privately-owned electrical utilities charge their customers higher rates than publicly-owned utilities.
- CEO and executive compensation is skyrocketing with the privatization of Hydro One, with the CEO pay package rising by up to 400 per cent to $4 million.

If there's no rationale, financial or otherwise, for the privatization of Hydro One, why is Ontario's Liberal Premier Kathleen Wynne insisting on doing it?

Only one answer makes sense; it's a multi-billion dollar gift to her friends on Bay Street paid for by the people of Ontario.

In coalition with community groups and other unions, CUPE Ontario is conducting a vigorous campaign to #KeepHydroPublic.

SEE MORE AT KEEPHYDROPUBLIC.CA

WHO'S GETTING WHAT **WAGES**

Wage and inflation trends

Average base wage increases in major collective agreements settled in the third quarter of 2015 remained modest at 1.4 per cent, continuing to trend down from the 1.8 per cent average achieved in the first quarter of 2015.

Average wage increases for public sector workers have been slightly below average in private sector settlements as they have been for four of the past five years. As more provinces are demanding wage freezes from their employees, this gap between public and private sector wage increases can be expected to widen in the last quarter of 2015.

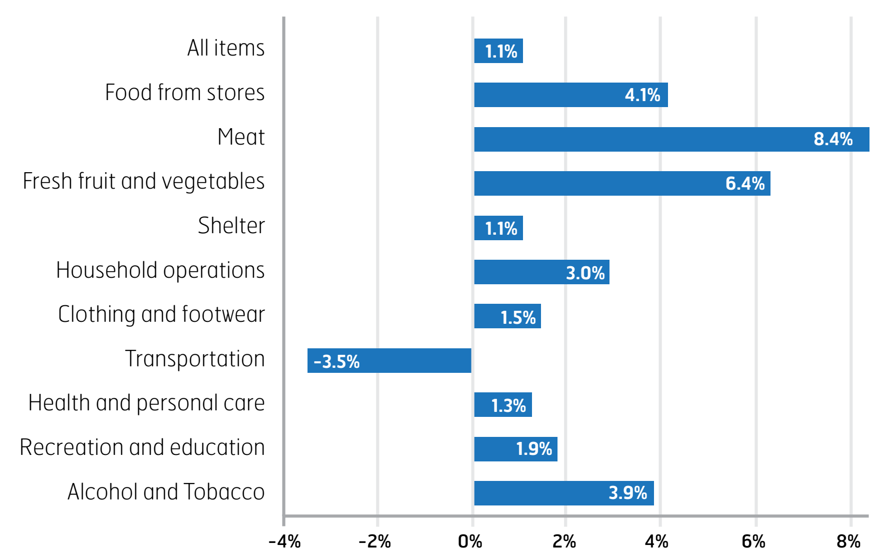
The gap is also growing between workers under provincial jurisdiction and those under federal jurisdiction.

The slowdown of wage increases in collective agreements was matched by lower wage increases in the broader economy. In August, average weekly earnings rose by only 0.8 per cent compared to a year earlier—the lowest increase in over a decade. This very slow growth in earnings was the result of not just slower wage growth, but also a drop in hours worked and a loss of higher wage jobs.

With the decline in gas prices, inflation has remained low in 2015, averaging just 1.1 per cent in the first nine months of the year. Meanwhile the price of food purchased from stores has increased by 4.1 per cent nationally so far this year, fresh fruit and vegetables are up by 6.4 per cent and meat up by 8.4 per cent.

Overall consumer price inflation is expected increase by almost two per cent in both 2016 and 2017.

INFLATION BY COMPONENT, JANUARY - OCTOBER 2015



Source: Statistics Canada, Canada Consumer price Index, Cansim table 326-0020

WAGE AND PRICE INCREASES

	Canada	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
Average base wage increase in major settlements to 3rd quarter 2015	1.6%	1.4%	1.7%	1.8%	1.8%	1.4%	1.8%	1.2%	1.1%	2.4%	-
Inflation year to date Oct 2015	1.1%	0.9%	1.0%	1.5%	1.1%	1.2%	1.1%	0.4%	0.3%	-0.8%	0.3%
Inflation average forecast 2016*	1.9%	1.6%	2.0%	2.0%	1.9%	2.0%	1.6%	1.6%	1.8%	1.7%	2.0%
Inflation average forecast 2017*	2.0%	2.1%	1.8%	1.9%	2.1%	2.1%	2.0%	1.9%	2.0%	2.0%	1.9%

ECONOMIC TRENDS **FORECASTING**

Austerity will hit the world harder in 2016

More than 70 per cent of countries around the world are planning public spending cuts and austerity measures in 2016, up from under 50 per cent in 2015 and the previous three years.

The most widely-planned austerity measures around the world include:

- Capping or cutting the public sector wages
- Eliminating or reducing subsidies for food, fuel and electricity (especially in developing countries)
- Reforming and reducing benefits for old age pensions and health systems
- "Rationalizing" social safety nets
- Labour market reforms to increase "flexibility" and reduce job security
- Increasing consumption taxes
- Privatizing public services and assets

Analysis by the International Labour Organization (ILO) of International Monetary Fund reports for 187 countries calculates that austerity will decrease world economic growth by 5.5 per cent over the next five years and reduce employment by 12 million worldwide.

This is a very disturbing trend as countries around the world struggle with already slow economic growth after the 2008-9 financial crisis and the austerity measures that were introduced after it. The coming austerity measures could have an even more severe impact than the ones that were initially introduced in 2010 and 2011.

Canadians elected a new federal government with a platform to stimulate the economy, expand social protections and reverse the austerity of the Harper years. Unfortunately many provincial governments in Canada continue to implement damaging austerity measures.

As the ILO report emphasizes, austerity doesn't need to happen and shouldn't be done. Instead governments should focus on promoting socio-economic development with job growth and by expanding social protections. It's a lesson we've learnt at the federal level; now provincial governments need to catch up.

Employers demand net zero agreements

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increases below the rate of inflation. It still adds up to real wage losses of 4-5 per cent over the terms of the agreements. The Nova Scotia government is demanding these real wage cuts from their workers even though they are expecting to run a surplus next year.

Liberal governments in New Brunswick and Quebec are also demanding another round of concessionary wage settlements from their public sector workers, claiming these are necessary to help them balance the books.

It adds up to a disturbing state of affairs. While Justin Trudeau was elected on a platform that included stimulating the economy, helping the middle class and bargaining in good faith with public sector workers, his provincial counterparts are undermining his positive approach. As Canada's new prime minister has emphasized repeatedly, it's time to move beyond the politics of fear and division. The Canadian economy depends on its workers; it's better if we work.

OUT OF THE BOX

Full employment and decent work for all by 2030?

Along with 192 other nations, Canada recently committed to achieve a sweeping set of 17 UN Sustainable Development Goals (SDG) by 2030.

Together with commitments to protect the environment, reduce poverty and reduce inequality, they included for the first time commitments to achieve full employment and decent work for all.

"By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value" and to "protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment."

There are many problems with the UN's SDG goals, including the degree of corporate involvement, inadequate appreciation for public services and lack of a fundamental challenge to business-as-usual capitalist economic policies.

Despite these problems, this appears to be the first time Canada and other countries around the world have committed to achieve full employment and decent work for all. So what should this mean?

Decent work is defined by the ILO as:

> "Work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men."

"Full employment" is when:

> "Virtually everyone who is able and willing to work is able to find employment at prevailing wage rates."

Full employment doesn't mean zero employment because there will always be some "frictional unemployment" of people moving between jobs, but it translates to unemployment rates of no more than two to four per cent. Canada hasn't had unemployment rate this low since the 1960s, when economic growth was much stronger.

What would it take to achieve full employment and decent work for all, besides stronger economic growth?

When private businesses and households aren't investing enough in the economy to generate full employment, then governments should, through increased public investment and an expansion of public services, particularly those that generate good jobs.

A number of European countries have introduced a "youth guarantee" that provides all young people with appropriate education, training or job opportunities. This could be expanded to offer everyone, not just young workers, a "job guarantee", where the public sector offers fixed wage employment for work of public benefit to anyone willing and able to work.

But with growing productivity, consumption and a planet that isn't getting any bigger, the only way we can probably achieve full employment and decent work for all will be with reduced working hours, sharing available work, and increases in wages to go with it.