INSIDE

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CUPE Canadian Union of Public Employees

THE BIG PICTURE **ECONOMIC RECOVERY**

REBUILDING OUR ECONOMY:

INVEST IN THE PUBLIC SECTOR AND FIGHT INEQUALITY

The plunge in oil prices has exposed deep cracks and imbalances in Canada's economy. Slumping growth and rising joblessness demand positive action and a fundamental change in approach by our governments to grow the economy, create jobs and reduce inequality.

Eight years after the Great Recession we still haven't fully recovered. Economic growth is a third lower than previous recoveries, we've already had a mini-recession and may be entering another one. The immediate response to the global financial crisis averted a depression, but since then governments have relied too much on low interest rates while cutting spending, which slows the economy.

The new federal Liberal government appears on the right track with a stimulus budget boosting spending on infrastructure and some public services. Unfortunately, too many provincial governments are undermining progress with spending cuts and continued austerity.

Increased stimulus spending is a good start, but inequality is holding back economic growth. A healthy economy needs more good jobs and stronger wage growth. Instead of persisting with neoliberal policies that destroy jobs and undermine wages – including "free trade" agreements and privatization – we need to strengthen collective bargaining, raise minimum and public sector wages, and eliminate pay gaps.

Quality public services and universal social programs, including health care, education, and public pensions, don't just generate good jobs and provide a strong economic boost. They're also the best way to strengthen equality. Public services and programs need to be improved and expanded.

We also need progressive tax reform, not just to generate funding for public services but also to reduce inequality. Repairing the cracks and rebuilding our economy will take time. We need to start now.

ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS

TAX FAIRNESS

Corporations not all that responsible

Corporations with the highest "corporate social responsibility" (CSR) rankings tend to pay lower taxes – and spend more lobbying against taxes – than lower-ranked firms, accounting experts have found. While claiming to do great things, these corporations actually contribute less to society through funding for public services. Is this because they see CSR as a way to cover up their tax dodging, improve their bottom line, or both? Whatever their motives, huge corporations like Starbucks, Amazon and Google are being shamed for avoiding taxes, and facing growing public pressure to pay their fair share.

TRADE

Massive TPP deal a Transnational Profit Plan

The Trans-Pacific Partnership (TPP) trade deal will cost over six million jobs, including 58,000 in Canada, according to a Tufts University study. The deal also won't deliver much of an economic boost – if any – for Canada. The TPP is less about trade and more about corporate power and profit. The clear winners are corporations, who gain expanded power and control at the expense of citizens and governments. Under the TPP, wages and labour's share of national income will decline, and inequality will grow. Canada signed the TPP in February, but ratification could take up to two years.

INTERNET FOR ALL

ACORN aims to bridge digital divide

The rising cost of living, especially for food, has meant low-income families are cutting back on food, rent and other necessities to maintain their internet service. Home internet service is essential for children doing homework, for job searches, and to access government services. Low-income advocacy group ACORN is calling on the federal government to force telecom companies to provide low-income families and individuals with $10-per-month high-speed internet service.

WOMEN'S WAGES

CUPE calls for action to close gender wage gap

Canada's gender pay gap is one of the largest among industrialized countries. The gap has grown recently, and is often worst for Aboriginal and racialized women, and women with disabilities. Closing this gap is a CUPE priority – and finally some governments are listening. At an Ontario government consultation, CUPE Ontario called on the province to close the gender wage gap through more funding and targeted wage increases to occupations and sectors dominated by underpaid women. The province must also strengthen and fund pay equity commitments; implement employment equity; stop contracting out and privatization; protect precarious workers; raise the minimum wage to at least $15 an hour; reduce barriers to unionization; and provide affordable child care. Federally, MPs have passed NDP MP Sheila Malcolmson's motion calling for action on pay equity.

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.

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CUPE Canadian Union of Public Employees

ECONOMIC DIRECTIONS
Latest economic trends at a glance

Economic growth	Canada's overall economy is wallowing in the sinkhole of low oil prices. Our economy is expected to grow by just over 1.4 per cent this year, and by two per cent in 2017.
Employment	Job growth is expected to slow further this year, expanding by just 0.5 per cent with the national unemployment rate rising to 7.1 this year from 6.9 per cent last year. The jobless rate is expected to rise most severely in Alberta.
Inflation	Overall consumer price inflation is expected to rise to 1.6 per cent this year and approach two per cent in 2017.
Wages	Average wage increases in major collective agreements settled in 2015 declined to 1.4 per cent overall, down from 1.7 per cent in 2014. This is slightly above last year's inflation rate of 1.1 per cent, but wage increases could fall below inflation over the life of the agreements.
Interest rates	Any expectations of interest rate increases in the near future have evaporated along with prospects for stronger economic growth. Don't expect an increase in the central bank rate for at least a year, although longer-term rates and mortgages could edge up sooner.

SPOTLIGHT:
An economy for the 1%

Inequality is quickly becoming even more extreme. The richest 1% now have more wealth than the rest of the world combined, and the 62 wealthiest people have as much as the 3.6 billion poorest people, Oxfam recently calculated.

Economic wealth translates to political power, and the wealthiest have used their influence to change the rules to further increase their wealth and power through privatization, deregulation, trade deals, and tax avoidance. Most of the world's wealthiest individuals and 90 per cent of the world's largest companies use tax havens. This tax avoidance isn't just unfair, it also means many billions less in revenues to support public services in Canada, and especially in poorer countries around the world.

As a priority Oxfam, along with organizations like Canadians for Tax Fairness, is calling for a global tax body that will ensure multinational corporations and the world's wealthiest pay their fair share.

To close the growing gap for the vast majority, Oxfam is also calling on countries to increase minimum wages towards living wages, strengthen workers' rights, promote women's economic rights and end the gender pay gap. Other key demands include accountability and transparency measures to keep the power of the 1% in check, universal access to appropriate and affordable medicine, targeted progressive public spending to tackle inequality, as well as a shift to wealth, capital and income taxes, instead of taxing labour and consumption.

(adapted from Oxfam.ca)

Rising unemployment highlights need for EI reform

It's a disturbing sign. For the first time in six years, the increase in the number of unemployed people exceeded the number of new jobs created over the past year.

It's usually only during recessions that the number of unemployed people increases more than the number of new people employed – but that's what happened in the past year. The number of unemployed increased by 128,000 while the number of people employed increased by only 122,000 over the past twelve months to January 2016. It's not a big difference, but it's an ominous initial sign that could herald another real recession unless quick action is taken to grow the economy and increase employment.

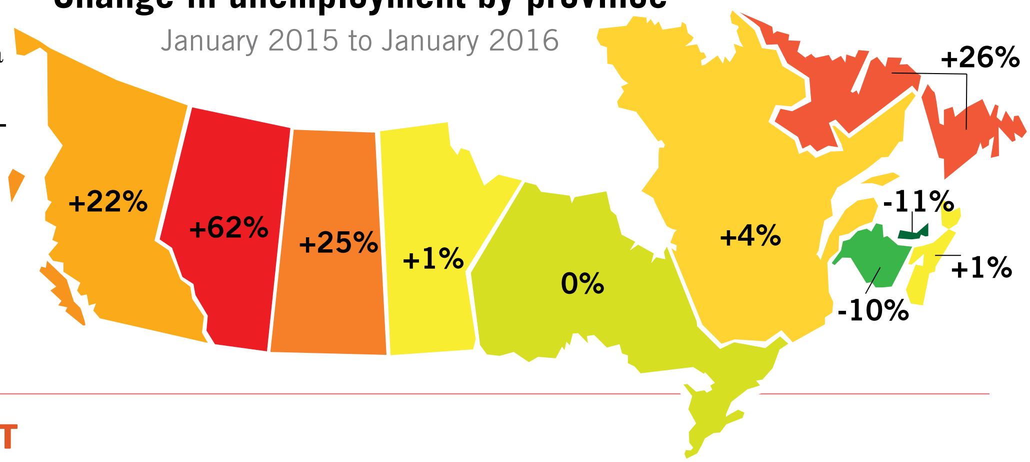
Except during recessions, the number of jobs in Canada grows by an average of about 200,000 a year, keeping pace with population and labour force growth. The total number of unemployed people increases much more modestly, by an average of about 15,000 as the labour force grows.

Over the past year unemployment increased the most in Alberta, Saskatchewan, Newfoundland and Labrador, and British Columbia. In all these provinces, as well as in Manitoba, unemployment rates are expected to rise in 2016.

The fact that unemployment is increasing rapidly in regions that traditionally have lower unemployment rates underlines the need to reform the Employment Insurance system. We need to increase benefits and reform eligibility requirements to ensure EI meets the needs of all unemployed workers and their families.

Change in unemployment by province

January 2015 to January 2016

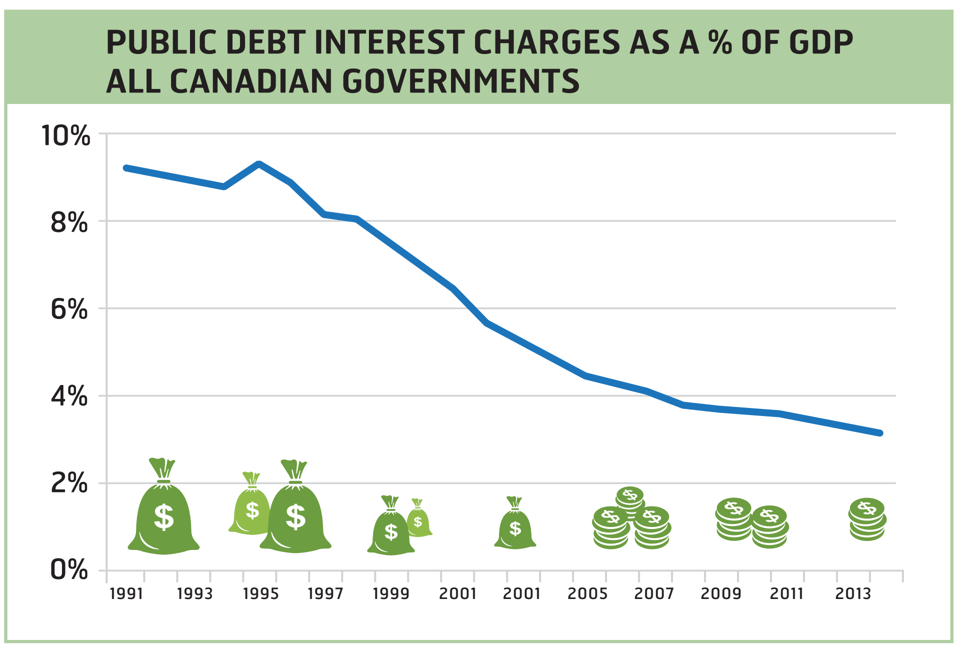


MYTHBUSTING **PUBLIC DEBT**

Public debt sustainable, good for the economy

A number of provincial governments – including New Brunswick, Nova Scotia, Quebec and Newfoundland and Labrador – say they need to cut funding for public services to eliminate their deficits because of the high cost of servicing their debts.

But the facts don't support this claim. In fact, debt payment ratios are at or close to recent record lows. On average, the amount that Canadian governments pay in interest on their debt as a share of their economies is less than half what it was 20 years ago. This is partly because borrowing costs are also close to record lows. With interest rates expected to stay low for some time, it's a very good time for governments to invest in growing their economies instead of cutting services.



Sources: Statistics Canada Cansim Tables 385-0032 and 380-0064.

WHO'S GETTING WHAT **WAGES**

Wage and inflation trends

The average base wage increase in large collective agreements declined to 1.4 per cent in 2015, down from 1.7 per cent in 2014. This was above the rate of inflation for the year, but is unlikely to be above the rate of inflation during the average 45-month duration of these agreements. Average wage increases in public sector settlements at 1.2 per cent trailed the private sector average of 1.8 per cent, as they have for five of the last six years.

With the decline in the resource economy and continued austerity, wage settlements declined in particular in natural resource-based industries, utilities, construction and the public sector. Average wage increases declined in Nova Scotia, New Brunswick, Quebec, Ontario and Alberta from 2014 to 2015, but rose in Prince Edward Island and for agreements in workplaces covered by federal legislation, reflecting the different economic and political climates in these jurisdictions.

WAGE AND PRICE INCREASES

	Canada	Federal	BC	AB	SK	MB	ON	PQ	NB	NS	PEI	NL
Average base wage increase in major settlements 2015	1.4%	2.4%	1.4%	1.7%	1.8%	1.8%	0.9%	1.8%	1.2%	2.1%	2.4%	--
CPI Inflation in 2015	1.1%	1.1%	1.1%	1.1%	1.6%	1.2%	1.2%	1.1%	0.5%	0.4%	-0.6%	0.5%
Inflation average forecast 2016*	1.6%	1.6%	1.9%	1.5%	1.8%	1.8%	1.9%	1.7%	1.8%	1.8%	1.8%	1.7%
Inflation average forecast 2017*	2.0%	2.0%	1.9%	1.6%	2.0%	1.9%	2.0%	1.9%	1.9%	2.0%	2.0%	1.9%

* based on latest forecasts by TD Bank, RBC and BMO Banks to 29 Feb 2016.

TRENDS **HOUSEHOLD BUDGETS**

Rising food prices hit family budgets hard

The overall cost of basic consumer goods in Canada may seem to be rising slowly, but increased food prices mean the cost of living is shooting up faster for many people.

Anybody who's shopped for groceries recently has been hit with sticker shock. Prices rising up to $10 for a cauliflower and $5 for celery in major cities in January are some of the most extreme examples. Overall, prices for fresh fruit and vegetables rose 13 per cent in 2015. In 2015 families faced beef price increases of up to 30 per cent, and double-digit increases for other foods, like pasta.

According to Statistics Canada, the cost of an average family's food basket increased by 4.1 per cent in 2015, almost four times the average rate of inflation. Food prices are expected to outstrip inflation again this year, rising by between two and four per cent according to the University of Guelph Food Institute. The institute forecasts higher prices for meat, fruit, vegetables and nuts.

Higher food prices hit middle and lower income families hard, because they spend a much larger share of their budget on essentials like food. Households in the lowest income group are hardest hit, because they spend about twice the share of their budget on food as households in the top income group. Although gas prices dropped by about 16 per cent last year, the average family spends about four times as much on food as on gasoline. So food price increases have exceeded what most people

Continued on page 7

MUNICIPALITIES

Canada's infrastructure needs immediate attention

One-third of Canada's existing municipal infrastructure is in need of urgent repairs and upgrades, according to the annual Canadian Infrastructure Report Card.

The survey looked at the state of water, transportation, recreation and transit infrastructure, and found one third of these systems were in very poor, poor or fair condition.

The total value of these core municipal assets is $1.1 trillion, or about $80,000 per household. Local infrastructure is part of our common wealth, but unless it is repaired soon it could rapidly deteriorate and depreciate in value and then cost far more to fix. Most in need of repair now are public buildings, sports and recreation facilities, roads and public transit systems.

GOVERNMENT

The progressive potential of infrastructure spending

The new Liberal government has pledged to increase infrastructure spending by over $5 billion. This includes an additional $1.67 billion annually each in the areas of public transit, green infrastructure and social infrastructure. There's a real opportunity to get the most bang for our buck and have a long-lasting progressive impact, because spending in these areas can have significant environmental and social benefits.

While the Harper government increased infrastructure funding, the only strings they attached were ideological. Forcing municipalities to engage in public-private partnerships was costly and caused lengthy delays.

There was little to no funding to improve the environment and make the transformation to a low-carbon economy. And the funding had a gendered impact. Spending on traditional physical infrastructure largely generates private sector jobs for men, who make up 87 per cent of the construction industry workforce.

Infrastructure investments can and must have broad social and environmental benefits, both in terms of the services being delivered and their economic impacts. Infrastructure funding should be subject to a gender-based analysis, along with other government programs and initiatives. Increasing funding for social infrastructure – including affordable housing, child care centres, seniors' facilities, transition homes, and cultural, recreational and community facilities – will be a positive step, as will public transit and green infrastructure investments.

Infrastructure investments can also be an important step in reconciliation with Indigenous peoples. First Nation communities are in urgent need of vastly improved water and wastewater infrastructure, as well as better health, education and social infrastructure.

Public infrastructure should be publicly financed and delivered and the benefits from this economic activity should be shared equitably. The federal government can do this by attaching positive strings to federal infrastructure funding and contracts. These conditions can include setting living wages, mandating pay and employment equity, respecting labour rights and providing training and job opportunities for disadvantaged and equity-seeking groups.

ENVIRONMENT

Good green jobs key to low-carbon future

For many years, CUPE has pushed federal, provincial and municipal governments to spend more on environmental priorities. Together with other members of the Green Economy Network we've called for investments in public transit and high speed rail, building retrofits and other energy efficiency measures, and public renewable energy.

Now the new government says it is making the environment a priority, and has signed the climate change agreement reached last December in Paris. It's urgent that our federal and provincial governments follow up with action.

The Paris agreement signals progress on climate change, but cuts in greenhouse gas (GHG) emissions need to intensify to slow the worst effects of a warming world. The Harper government set emissions reduction targets that were widely criticized as too low. Canada's GHG emissions are now projected to overshoot even the Harper government's 2020 target by 24 per cent, or by 146 megatons of carbon dioxide and other climate-altering gases.

Our governments must take urgent action on climate change by making public buildings and facilities more environmentally friendly and energy efficient, investing in clean public power generation, and expanding public transit networks. Fully public services and infrastructure are the best way to meet our climate goals, and will create good, green jobs.

The Green Economy Network has estimated that investing $80.9 billion over five years in their three priorities will create one million person years of employment – a million green jobs – and reduce Canada's GHG emissions by between 88 and 261 megatons. Even at the lower end, this would go a long way to achieving and exceeding the reductions Canada has pledged for 2020.

Continued from page 5

have saved from lower gas prices.

What's driving up food prices? The falling Canadian dollar is an obvious culprit – the loonie lost 15 per cent of its value in 2015. Canada imports 81 per cent of the vegetables and fruit we consume, most from California and Florida.

Our increasing dependence on imported food has made us more vulnerable not only to exchange rate changes, but also to environmental problems. Climate change is causing large fluctuations and increases in the price of food with droughts and floods creating greater uncertainty and reducing supplies – and that's a world-wide phenomenon.

Free trade has increased our dependency on imported food. With fewer protections for local growers, many large food processors have moved south. Between 2006 and 2014, 80 food manufacturing facilities closed in Canada and 34,000 fewer hectares of land were devoted to vegetable production.

There's also increasing concentration in the food supply and retail industry, with a few large companies and supermarket chains squeezing out independent operators. Just three companies – owners of Loblaws, Sobeys, Metro, Safeway, Extra Foods, Thrifty Foods and associated retailers – control over 60 per cent of all food sales in Canada, with five companies controlling 80 per cent. These corporations are also tightening their control of supply lines and distribution, making it very hard for independent retailers to exist.

With greater control over the market and reduced competition, supermarket chains are raising prices even higher. Profits at Loblaws and Metro increased by 17 per cent and 14 per cent respectively in the third quarter of 2015. Profits for these corporations are expected to continue to grow – while Canadians, especially low-income families, pay more.

OUT OF THE BOX

Basic income guarantee: What's the BIG idea?

There's new interest in an old idea: a basic income guarantee (BIG), also known as a guaranteed minimum income (GMI) or a universal basic income (UBI).

While names and proposals vary, the key concept is that government should ensure a basic minimum income for all. Many countries already do to some extent through social assistance and other income support programs, but these often involve means-testing and provide below poverty-level incomes.

A GMI would replace or supplement existing income support programs with a simple basic income guarantee, with the goal of eliminating poverty.

It may seem radical, but the idea's been around for a long time and has support that spans the political spectrum. Former conservative senator Hugh Segal has advocated a GMI for years, many anti-poverty activists support it, Scandinavian countries are trying it and now Canada's new federal Minister of Families, Children and Social Development wants to examine the idea.

There's renewed interest because we haven't made real progress on improving social assistance, precarious employment is on the rise, and robotic automation may lead to economic growth with few jobs.

A GMI would have to be carefully designed and implemented. Some conservatives like the idea because they see it as a way to dismantle the social welfare state and replace it with a monthly cheque. Some businesses like that it could subsidize them paying low wages. Others are concerned it wouldn't reduce poverty, would cost too much and could reduce incentives to work.

Few people know Dauphin, Manitoba, was the site of a pilot basic income project 40 years ago. The provincial NDP and federal Liberal governments introduced a "Mincome" in 1974. The project was cancelled five years later when federal and provincial Conservative governments took over. It was never officially evaluated.

The GMI was hotly debated at the time. Unions and other progressive groups supported a basic income, but only as part of a comprehensive program that attacked the root causes of poverty by providing decent jobs, adequate incomes and quality public services for all. This position is as relevant today as it was then.

In 2011, analysis of the Dauphin project's archive files found many positive social and health benefits, and that it didn't really reduce incentives to work. When it did, it was often for positive reasons, like caring for infants or completing education.

A guaranteed income isn't enough on its own. We need fundamental changes that make our economy work for everyone. That means decent well-paid jobs, so everyone can contribute productively to society in a dignified way, and higher minimum wages. It also requires improving universal public services, so we can participate in society according to our needs and as equals, and a more progressive tax system.