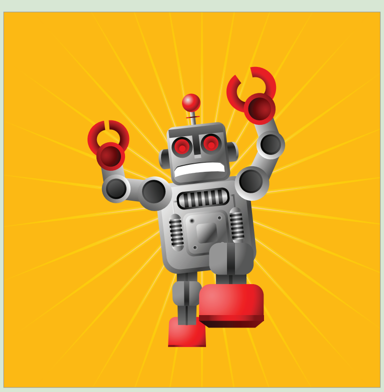
INSIDE



CUPE Canadian Union of Public Employees

Workers and the economy need a raise

Canadian workers have been waiting eight long years for a decent pay increase. Better wages are well overdue – and are necessary to get the economy growing and reduce inequality.

Base wages in collective agreements have increased at an average of less than two per cent a year since 2009. This has meant real wage losses in most years since then, as the rising cost of living outpaces wage gains.

Other wage measures show an equally sorry trend. In the first four months of 2017, average hourly wages increased by only 1.1 per cent. This is the slowest annual rate of growth in at least 20 years and well below the 1.9 per cent increase in the cost of living to date this year.

Public sector austerity, wage freezes and cuts have been especially harmful. Public sector wage increases have lagged behind private sector wages in all but one of the years since 2009, with annual average increases of just 1.4 per cent since 2009. These increases have been below inflation, with the result that most public sector workers across Canada have had no improvement in their standard of living since 2009 – and instead have suffered from ongoing real wage losses.

Most provinces have imposed wage freezes of at least two years on public sector workers. And now Saskatchewan Premier Brad Wall is demanding public sector workers take a 3.5 per cent wage cut followed by three years of wage freezes. This will mean at least a 10 per cent cut in real wages. Meanwhile Wall is cutting tax rates for corporations and personal incomes, which will benefit top income-earners the most.

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ECONOMIC BRIEFS

Elder care costs rising for children

Taking care of aging parents costs their children over $33 billion annually in time off work and out-of-pocket expenses, according to estimates by CIBC economists Benjamin Tal and Royce Mendes. Close to 30 per cent of workers with parents over 65 take time off work for elder care, averaging nine hours per week. The amount of money spent and time taken off work are significantly higher for women and people with lower incomes. These costs are expected to rise faster as our population ages and as costs of caring for the elderly increases.

Tax us, we're rich!

While Donald Trump wants to slash taxes for corporations and top incomes, a group of wealthy New Yorkers is rebelling and is lobbying for the state to increase their taxes instead. Eighty millionaires and billionaires wrote to Andrew Cuomo, the Democratic governor of New York, and other lawmakers, saying they and other top earners should pay more to support schools, roads, bridges and programs to help poor and homeless residents of the state. They estimate another higher top rate could generate an additional $32 billion annually.

Swedish secrets to a strong economy

It may be at odds with conventional economic views, but Sweden is showing that strong unions and greater equality are the recipe for strong economic growth. Sweden's economy has grown an average of 3.5 per cent annually since the Social Democratic Party formed government in 2014 – well above Canada and other European countries. This has been associated with strong job growth, rising real wages, rising productivity, low inflation, high tax rates, increased social spending, and balanced budgets. Sweden's finance minister Magdalena Andersson, an economist, sums up their success in three points: "It's the jobs, it's our welfare and it's our redistribution," she says. Sweden also has the highest rate of labour force participation in the European Union thanks to publicly-funded parental leave and affordable daycare, which make it easier for all parents to work.

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ECONOMIC DIRECTIONS

Economic growth After dismal growth in the past two years, Canada's economy is now expected to grow by about 2.4 per cent in 2017 and by 2.0 per cent in 2018.

Jobs Job growth is also expected to pick up this year, with employment rising by up to 1.4 per cent – twice last year's rate of growth – and then moderate to about a 0.8 per cent increase in 2018. The jobless rate, now down to 6.5 per cent, isn't expected to decline much further.

Wages Collective agreements signed in the first three months of this year provide average base wage increases of 1.6 per cent, with a 1.5 per cent average for public sector workers and a 2.0 per cent average for private sector workers.

Inflation The cost of living – consumer price inflation – is expected to pick up to 2.1 per cent both this year and next.

Interest rates Major commercial banks expect the Bank of Canada to start increasing its key lending rate in fall 2018 and for longer term and mortgage rates to resume their gradual rise later this year, increasing by a half to full percentage point over the next two years.

SPOTLIGHT ON HOUSING BOOMS AND BUSTS

Rising house prices are causing heightened concern, both because of declining affordability and the impact of a housing price bust.

Average house prices have increased by at least 25 per cent in Toronto over last year – where the average price for a detached house now tops $1.2 million. Over the past 12 years, average house prices across Canada have more than doubled, far outstripping wage and income growth.

There have been many warnings of an impending real estate bust in Canada over the past decade. But prices have continued to rise as borrowing rates declined. If mortgage rates finally rise, a drop in house prices could quickly follow.

This would affect the economy in several ways:

- a decline in construction and real estate activity;
- a drop in consumer spending;
- increased bankruptcies; and
- lower revenues from taxes, and lower government spending.

A drop in construction activity to its historical average would mean about 250,000 fewer jobs and 1.8 per cent lower GDP. An average house price drop of 20 per cent would wipe out $700 billion of Canadian household real estate wealth. This alone could lead to $40 billion less in consumer spending, through the "wealth effect," as households can't use their homes to finance ongoing consumption. This would be equivalent to reducing Canada's economic growth by about two per cent – enough to drag us into a recession.

The stakes are high, which is why the Bank of Canada has been so reluctant to raise interest rates, even though low rates have fueled ever-higher house prices. Governments are finally taking some steps to contain house price increases, like more funding for affordable housing and taxes on foreign buyers to reduce speculation. But there's little attention on the fact that we need a more sustainable driver of economic growth than low interest rates and rising asset prices – and that must come from higher wages and rising household incomes.

Privatized airports: Will this disaster land in Canada?

The federal government owns 26 airports across Canada. The airports are privately managed by non-profit airport authorities that pay rent to the government and reinvest revenues back into the facilities. Airports are essential to travelers and our economy. But the government is now considering privatizing them.

Traveler frustrations make it clear Canada's airports can do better. Canadians pay some of the world's most expensive ticket taxes and airport charges. Landing fees for airlines also rank among the highest. Even though things aren't perfect, a recent poll shows that most Canadians think airport privatization is a bad idea.

Norway's publicly owned and operated airports have much lower passenger taxes and charges. Airport privatization in Australia and the United Kingdom has meant large increases in taxes, charges, and fees.

Privatization will further increase costs and leave Canadian airlines struggling to compete. A drop in business for Canadian airlines means job cuts, including for CUPE members. To maximize profits, airline owners will likely introduce cost-cutting measures that affect the quality of air travel and continue to place pressure on their employees' wages and benefits.

To cut costs and maximize profits, private airport owners will contract out services like cleaning, de-icing, and maintenance. Privatization will also likely increase airline operators' costs, driving airlines to look for cheaper servicing contracts. Service providers may cut corners to stay profitable, including cabin cleaners bypassing cleaning protocols. Internationally outsourced maintenance services are increasingly relying on temporary and uncertified mechanics. These shortcuts pose a major danger to the health and safety of passengers and of CUPE members who work in the industry.

It's clear that Canada's airport authorities can do more to improve air travel for Canadians. However, selling airports to private investors is not the solution. Privatization would be disastrous for Canadians. The government would make short-term financial gains by selling the airports. But, the long-term costs of privatization will inevitably fall upon the shoulders of CUPE members and Canadian travelers.

Air Canada, the Ottawa, Calgary, and Vancouver airport authorities, city councillors from Toronto and Montreal, as well as other unions, including PSAC, Unifor, and IAM have joined CUPE in opposing airport privatization. Our message is clear: Canada's airports must remain in public hands.

Amanda Vyce

Infrastructure bank a jackpot for corporations

In a move that breaks key election promises, the federal Liberals are ramming through an infrastructure "bank of privatization" designed by Bay Street and Wall Street financiers.

The bank was designed in close collaboration with US-based Blackrock Inc., the largest financial asset manager in the world, and other financial sector CEOs: the very people who will profit from it. The Liberals promised that the bank would provide low-cost financing for municipalities, but the current plan won't do that.

The federal government will finance the bank with an initial $35 billion, but it will rely mainly on much higher-cost private financing. Effectively all the projects the bank finances will be privatized, with minority public financing and ownership through the bank. The Liberals say the bank will finance "revenue-generating infrastructure" like toll roads and bridges, public transit, rail lines, water and wastewater systems, and electrical grids and utilities.

Higher project costs will mean Canadians get less bang for their infrastructure buck. Projects financed through the bank could cost twice as much over their lives than if they were publicly financed.

While firms like Blackrock may provide up-front financing, the public will ultimately pay for this infrastructure through annual payments from governments and higher user fees. Tolls and fees will hurt middle and low income-earners the most, restrict access to services, and damage the economy.

Details of the bank's deals will be kept secret, even though it will use public funds. The bank won't be subject to the stronger transparency and accountability rules that govern public projects. Those who disclose information could face fines and jail time. The federal Auditor General's oversight of the bank and its projects will also be limited.

The bank will be entirely controlled by private finance and Bay Street representatives, with no seats on the board for federal or any other government representatives.

The bank will also be allowed to entertain "unsolicited bids", which means the corporate interests running the bank will cherry-pick the public assets and infrastructure projects they think will be most lucrative, behind closed doors. It has the potential to be a jackpot for private investors, while leaving the cupboard bare for the public sector.

Privatization threatens good jobs

When public infrastructure and public services are privatized, there's a significant erosion in the quality of workers' jobs.

Wages: Those in higher-paid and executive positions may get an increase in compensation, but most workers – if they still have a job – are forced to take a wage cut, especially those in lower-paid occupations. We've seen this many times when public services are contracted out or privatized in other ways. Statistics show that pay scales in the public sector are much more equitable than the private sector. There's a smaller pay gap for women, Indigenous and racialized workers in the public sector, and pay is generally better for lower-paid positions, but lower for higher-paid professional and managerial occupations.

Benefits: Close to 90 per cent of public sector workers have some form of pension plan at work, with a majority in secure, defined benefit plans, while less than 25 per cent of workers employed in the private sector have a workplace pension plan. Other non-wage benefits are generally better in the public sector, particularly for middle and lower-paid occupations.

Job security: Public sector workers have better job security, including being more likely to have permanent and full-time job status, and longer tenure in their jobs. They are also less likely to be laid off or fired, and far more likely to be protected by a union and collective agreement, with 76 per cent of public sector employees protected by a union compared to just 16 per cent of private sector employees.

Workers' shrinking slice of the economic pie

Economists used to think that labour and capital's shares of national income would remain relatively stable, but that hasn't happened. Instead, with relatively stagnant wages, workers are getting a smaller share of the economic pie, as capital owners take an ever-growing portion through corporate profits and income.

Labour's share of our national income – wages, salaries and other compensation – has been on a generally downward trend in Canada since the early 1990s, declining from about 61 per cent to 56 per cent more recently.

Labour's declining share is now attracting the attention and concern of international financial institutions like the International Monetary Fund (IMF), because it is related to stagnant incomes, rising inequality and slowing economic growth. These factors are now boiling over into support for more radical or right wing politicians.

What's behind this downward trend for workers' share of national income – and what, if anything, can we do to reverse it?

According to the IMF, about half of the overall decline worldwide can be traced to the impact of technology and automation of routine tasks. Offshoring and globalization have also played a significant role, as has integration of global financial markets. Companies can more easily shift production overseas, and use this as a threat to keep wages low. Together, these have increased returns to corporations while squeezing wages – particularly for middle-skilled and middle-income workers, who have been displaced into lower skilled and lower paid occupations.

Political changes that erode workers' bargaining power have also contributed, including lower rates of unionization, weaker regulations and employment standards, and deregulation. The IMF study doesn't look at the expansion of corporate control through stronger "investment protection," property rights and trade deals, but other studies highlight the harmful effects of these policies.

Other economists trace labour's declining share to growing monopolization of markets by mega-corporations combined with increased exploitation of labour through outsourcing and precarious work.

To reverse this trend we need to do much more than the education, training and minor redistribution measure that the IMF and business-friendly governments propose. Instead, we need to confront the many economic, political and legislative factors that caused this decline in the first place. These root causes include attacks on labour rights, cuts to taxes and public spending, shrinking economic regulations and corporate-friendly trade agreements. Tackling these issues will shift political and economic power back to workers, and away from corporations, capital and the top one per cent.

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In Manitoba, the Pallister government is threatening public sector workers with another two-year wage freeze followed by maximum wage increases of 0.75 and one per cent in years three and four. This would mean a real wage cut of six per cent in four years, if inflation averages two per cent annually as forecast.

These attacks on public sector workers are unfair and likely unconstitutional. They'll also do serious damage to the economy. While business lobby groups and some politicians like to sow division between workers, public and private sector wages are linked. Suppressing public sector wages will eventually drive down private sector wages. Keeping wages down is one of the worst things to do to our economy.

Labour compensation and household spending are responsible for well over half of our country's national income and spending, and for more than 60 per cent of our economic growth since 2009. If labour compensation and consumer spending don't increase at a decent and sustainable pace, then our economy won't grow at a decent pace either.

Households have maintained consumer spending by increasing their debt to record levels and leveraging equity in their homes as house prices have escalated. This has been affordable with low interest rates, but won't be sustainable as interest rates rise and real estate prices plateau or decline.

Governments have used low interest rates and infrastructure spending to try and get the economy to grow. These have helped, but we need a stronger foundation to establish stronger growth. It's time to grow our economy from the bottom up with decent wage increases and a fairer share going to workers.

Public sector wages not on pace with inflation

There's been a welcome increase in average base wage increases settled in large collective agreements in the first quarter of this year to 1.6 per cent, up from 1.3 per cent last year.

However, these agreements represent a small number of employees, and average wage increases will likely decline as additional settlements are factored in this year. Governments in Newfoundland and Labrador, Manitoba, and Saskatchewan are now either imposing or pushing wage freezes and/or cuts on public sector workers in their provinces.

Over the past seven years, base wage increases in collective agreements for public sector workers across Canada averaged just 1.4 per year, while consumer price inflation increased by an average of 1.7 per cent annually. This adds up to a real wage decline of more than two per cent since 2009. Further wage freezes and cuts will mean even deeper real wage declines for public sector workers.

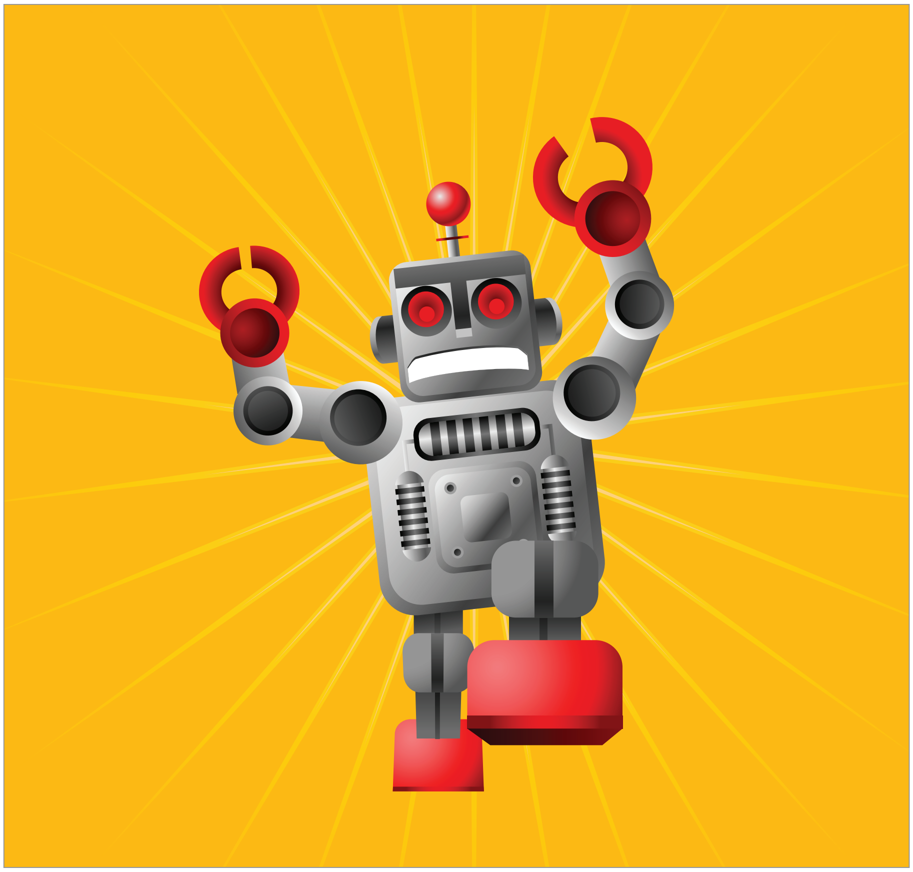
Meanwhile consumer price inflation is predicted to increase in coming years, with major banks forecasting that consumer prices will increase by an average of at least two per cent this year and next. Inflation will be higher where provincial governments are increasing or plan to increase sales and other consumption taxes, such as Newfoundland and Labrador, New Brunswick and Saskatchewan.

WAGE AND PRICE INCREASES

	Canadian average	Federal	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
Average base wage increase in major settlements 2017 Q1	1.6%	1.9%	2.3%	1.2%	1.9%	--	2.1%	1.3%	--	--	--	--
Inflation average forecast 2017*	2.2%	2.2%	2.1%	2.4%	2.1%	2.1%	2.2%	1.8%	2.6%	2.1%	2.3%	3.2%
Inflation average forecast 2018*	2.1%	2.1%	1.9%	2.2%	2.3%	2.1%	2.1%	1.9%	2.0%	2.1%	2.0%	1.9%

* Based on latest forecasts by TD Bank, RBC and BMO banks to 10 May 2017, and wage settlements from Labour Canada http://www.labour.gc.ca/eng/resources/info/datas/wages/index.shtml

Will robots steal your job?



Several recent studies have made headlines with their findings that nearly half of all jobs in industrialized countries, including Canada, are at threat of being automated, or replaced with robots.

There are already over 1.5 million industrial robots in operation, with more than half being used in the auto and electronics industries. These robots are expected to multiply, tripling or quadrupling to more than five robots in operation for each thousand American workers by 2025.

This is far from the first time workers have confronted transformative technological change affecting their jobs and lives. Every industrial revolution has involved major shifts of labour. In each case, transformation and disappearing jobs have been accompanied by jobs in new sectors and fields.

The first industrial revolution in the 18th and 19th centuries mechanized production through water and steam power. The second used electricity and ushered in mass production. And the third, digital, revolution used electronics and information technology to automate production and more routine tasks.

Some studies show that automation has led to greater inequality and polarization of jobs, with an erosion of middle-skilled jobs. Evidence from the deployment of robots in manufacturing suggests that every additional robot per thousand workers has reduced local employment by about three to six workers and reduced wages by 0.25 to 0.5 percent.

Others argue that zombie robot apocalypse fears are overblown. There's no evidence automation has led to increased joblessness. Stagnant wages and growing inequality are not the inevitable result of automation. Instead, they are consequences of political and economic measures that have weakened workers' bargaining power.

While there's understandable concern about job loss from automation and the introduction of robots, we shouldn't get overly fearful. Canadian employment is concentrated in industries with a low risk of automation. This includes the sectors where most CUPE members work, like health care, social services, education, public administration, utilities, and information, culture and recreation. Most jobs in these sectors involve a lot of interpersonal interaction.

Even in truck driving, an industry singled out as at higher risk of automation, some of the dire predictions don't stand up to scrutiny. Some predict that self-driving cars and autonomous vehicles could eliminate trucking jobs. However, this ignores the fact that truckers and drivers, like many other jobs, employ a diverse range of skills and have many different tasks.

Many CUPE agreements include provisions around technological change, as well as job security provisions. CUPE locals and their staff representatives should re-examine these clauses and be proactive about any areas where automation could appear. But there's no reason to let fears of robots and automation undermine other bargaining priorities.