ECONOMIC CLIMATE
for BARGAINING

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Frontline Summary

New Frontiers for the Boomer Economy
Canada has experienced one of the longest expansions in its economic history. Despite strong job growth, few real gains have gone to wages and labour income. Profits have escalated, but without a corresponding increase in capital investment. The shift in wealth towards financial capital has led to successive booms and busts that generate large short-term profits, but little in terms of lasting real benefits or productivity growth.

With the latest real estate and resource booms set to run their course, economic growth is slowing. Financial capital is pursuing the next sources for high return investments. Privatization of public services through P3s and privatization of climate change solutions are among its new frontiers. This section also provides a consensus forecast of major economic indicators for Canada and the provinces.

Job market strength continues to surprise
Canada continued to create new jobs at a rapid rate in the first two months of 2008, continuing the strong pace of job growth from last year. This includes surprising growth in construction, public administration and higher-paid private services. But monthly labour force survey figures can be variable and need to be interpreted with caution.

Back to the Future: average real wages finally rise above 1991 levels
Most workers have benefited from rising real wages in the past few years, but the average real wage has only just risen to its 1991 level. This section illustrates how real wages have fared by province: rising in the east, falling in Central Canada, with little real wage growth in the West.

Women's wages: still behind and not catching up
Progress in reducing the wage gap between men and women is still stalled and in many cases has got worse in the past few years. The wage gap is worse for some of the lowest paid jobs, but is much smaller among unionized workers. Many more women than men also work in different forms of precarious work, which provide lower wages, less security and fewer benefits than more secure employment. Privatization of public services hurts women's progress in multiple ways, reducing the services needed to support secure work on top of reducing opportunities for good jobs.

Consumer price inflation shows few signs of subsiding
The high Canadian dollar and GST cut should have trimmed the inflation rate, but it shows few signs of subsiding. Higher prices for energy, mortgage interest and public services have helped keep the rate up. The impact of these higher prices continues to bear more heavily on lower-income Canadians.

Agreements in 2007 provide largest real wage gains in 20 years
The gains are modest and long-overdue, but the collective agreements signed in 2007 provided workers with their largest real wage gains in 20 years. Workers in most provinces achieved base wage increases approximately 1% above inflation, but wage increases in Alberta continued to lag behind the province's inflation rate.

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New Frontiers for the Boomer Economy

Canada has experienced one of the longest economic expansions in its history. We've had over sixteen years of uninterrupted national economic growth since the last recession ended in 1991. Since then:

- The size of our economy – the value of what we produce and sell– has grown by 63% in real terms, after adjusting for inflation.
- Canada's GDP has increased by 38.5% in real terms per person: from $32,142 to $44,504 last year (in 2007$)

Yet most Canadians probably do not feel 38.5% better off than they did 16 years ago.

And there's good reason for this.

Average real hourly wages across Canada increased by only 0.7% for the entire period from 1991 to 2007[1].

That works out to an average raise of 12 cents an hour over sixteen years – which translates to little more than $200 a year. If we account for an error that Statscan made in calculating the inflation rate and never revised, then it works out to a raise of only 3 cents an hour or about $50 a year.

In a number of provinces – including Quebec, Ontario, Manitoba, Saskatchewan and B.C. – average hourly wages are below what they were in 1991 in real dollar terms (*See page charts on page 7 which illustrate real wage trends by province*). For many lower wage occupations, wage growth has been slower than the average, resulting a decline in real dollar terms.

Many other factors that affect our cost of living and quality of life are not accounted for in inflation measures, including availability of public services, time spent commuting, increased obsolescence of consumer goods, tax rates, and the distribution of income.

There is little wonder that many Canadians may feel worse off than they did when the current boom began.

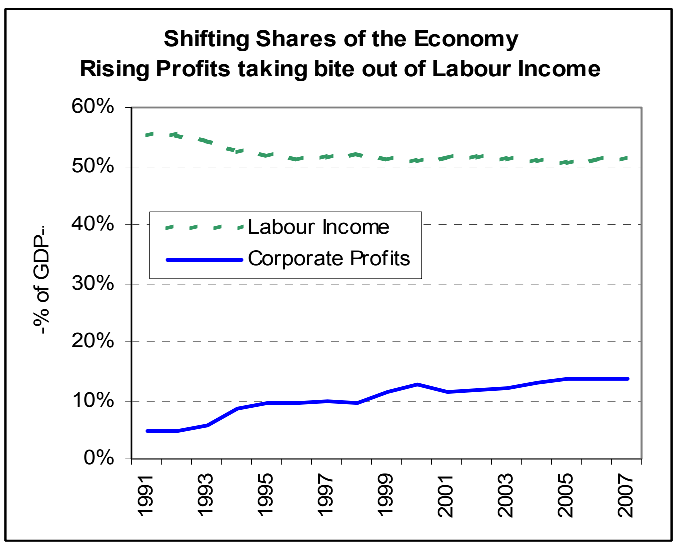
The only way that many families have been able to get ahead is by working longer and harder. The average Canadian household with children works 200 more hours a year compared to ten years ago[2].

Where has the wealth gone?

Part of it has gone to increased employment and longer working hours. There are 4.2 million more people working and our unemployment rate has been halved, from over 11% to 5.8%. This is largely a very positive development.

But despite the large increase in employment, total labour income in Canada, which includes wages, salaries and benefits, dropped from a share of 55% of Canada's GDP during the 1991 recession down to 51% last year.

The big winner over this period has been corporations. Corporate profits increased from $32.9 billion in 1991 to $210 billion in 2007, an increase of over 530%. If adjusted for inflation and population growth, corporate profits tripled over this period. They have also tripled as a share of our economy, rising from 4.8% in 1991 to 13.7% in 2007 – the highest level recorded in Canada.



1 Average hourly earnings excluding overtime, data from Statistics Canada's *Survey of Employment Payroll and Hours*, deflated by the Consumer Price Index.

Profit shouldn't be a dirty word. They are necessary to provide incentive to invest in the economy to generate future growth. But the current rate of profits has been excessive, with too much going into speculative investments, mergers and acquisitions, share buybacks, and simply cash – and far too little into productive investments in the Canadian economy. This has distorted investment decisions and has also appeared to have driven up the value of the Canadian dollar[3].

Since 1998, corporate profits have increased at an average rate of 10.4% a year while business capital investment has only increased at an annual rate of 5.2%. Business investment in machinery and equipment has only increased at a rate of 2.9% a year. The low rate of re-investment is a major reason for Canada's low productivity growth.

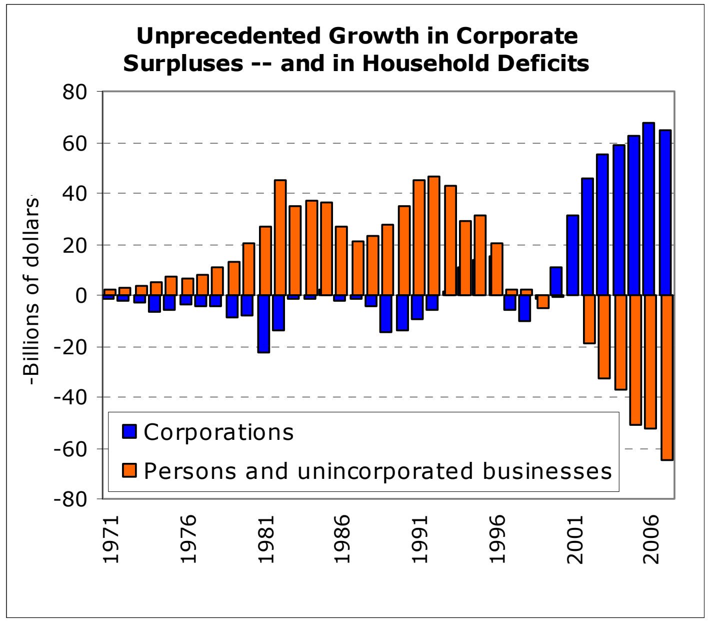
As a result, Canadian corporations have accumulated unprecedented surpluses[4]. In the eight years from 2000 to 2007, these corporate surpluses added up to $397 billion, equivalent to $32,000 for every household in Canada.

At the same time, the personal sector (households and unincorporated businesses) have racked up growing deficits and debts thanks to slow wage growth and the rising cost of houses. In the past eight years, these household deficits have added up to $258 billion – equivalent to $20,750 for each household.

The government sector has also built up close to $100 billion in surpluses during these years, resulting in a drop in its borrowing costs – and less secure government-backed debt available for investors.

This has led to a radical shift of wealth in the economy:

- within the household sector towards those with higher income and assets,
- away from the household sector towards the corporate sector, and
- within the corporate sector away from industrial capital towards financial capital.



These growing massive pools of financial capital, much in private equity and hedge funds, are also radically reshaping the nature of our economic growth and development.

Financial capital is increasingly chasing high rates of return through risky speculative investments, thanks to:

- low interest rates (with less government debt),
- low rates of investment into productive capital,
- low rates of taxation on short-term capital gains, and
- very little downside risk – either through personal losses or prosecution – for the finance industry actors who profit the most from these speculative investments.

Canada has particularly poor levels of prosecution, losses or penalties for those who have benefited enormously from fraudulent and misleading corporate activities, or from highly risky speculation. The ones who primarily lose out from this activity are often pension funds and small time individual investors.

When the financial sector does suffer substantial losses itself, our governments are quick to bail them out in the interests of maintaining "financial market stability".

This mis-match of risk and reward[5] and lack of effective regulation has fuelled successive booms and busts in the past decade.

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2 See Armine Yalnyzian, *The Rich and the Rest of Us, Canadian Centre for Policy Alternatives*, March 2007. http://www.growinggap.ca/files/RichandtheRestofUs.pdf

3 See Jim Stanford, *Building a Diversified, Value-Added Productive Economy,* Canadian Auto Workers Union, 2008. http://www.caw.ca/whoweare/CAWpoliciesandstatements/pdfs/CompetitionInvestmentPanel.pdf

4 The surplus or deficit of a sector is equivalent to its income minus current expenditures and capital investments.

5 In economic terminology, these represent well-known "market failures" dubbed the "principal-agent problem" and "asymmetric information".

The Internet boom of the late 1990s made some very wealthy, but also destroyed the savings of many. It resulted in some technological advances, but also diverted funds from more productive investments. Little trickled down to ordinary Canadians.

The most recent sustained boom in Canada has been based on investments in real estate and the resource sector. Lax financial market regulations and tax loopholes also helped to fuel a uniquely Canadian mini-investment boom in income trusts, but it was closed down before it could do too much damage.

Just as the real estate boom ended in the U.S last year, it is likely to run its course in Canada this year. With commodity prices continuing to rise, the resource sector still has some boom left in it, but a slowing U.S. and Chinese economy will soon take its toll. Many of Canada's largest resource companies have already been sold off, so less of the profits and spin-off benefits will accrue to Canadians in any case.

Forecasts of economic growth for Canada have already been cut by one percentage point for this year (see *Canadian Economic Outlook* table on following page), Employment growth is expected to fall to 1.2%, down from 2.3% last year. The U.S. slowdown could cut another two percentage points off Canada's GDP, while a housing slowdown in Canada could do the same[6].

High rates of consumer spending have kept the Canadian economy growing at a high pace in the past year, but with low savings rates and higher interest rate they can't be sustained without faster wage growth, which is unlikely to happen. Business investment is expected to increase this year, but there are limits to how much corporations will invest in a slowing economy.

Financial capital is already pursuing the next sector for high return investments. To provide high profits and large bonuses for the finance industry, it needs to generate a buzz and the expectation of high real or perceived returns for investors.

Two of the most promising new areas in Canada – and in the United States[7] are: the financing of public infrastructure, with low risk high returns guaranteed by the government through public-private partnerships; and investments in "clean" environmental technologies and carbon emission permit trading. Investments in water – what Fortune magazine called the "oil of the 21st century" – are also being heavily promoted.

The promotion of public infrastructure P3s is already well underway in Canada, but is really just beginning in the United States.

Canada is behind the U.S. in alternative energy and green economy investments, but the buzz is building fast. The March 2008 issue of *Canadian Business magazine* is almost entirely about green investments, including a cover story on "5 Clean Technologies to Bet on".

Investment banks are increasingly excited over the prospect of making on-going lucrative commissions from trading carbon credits. The global market in trading carbon credits has increased by an average of 73% a year for the past three years and is expected to reach $92 billion this year and to keep on growing rapidly. At this level, it could easily generate $5 billion a year in financing fees and commissions for the finance industry.

The environment and privatization of public services are emerging as the next great source of high returns for the financial sector. This time, with households tapped out and in debt, financial capital is looking to government to subsidize their high returns through the P3s and the privatization of climate change measures.

There is an important role for the private sector to play in developing and investing in new environmental technologies. But once again, speculative interests are likely to pump up prices and costs, which will then lead to an inevitable bust. There may be some benefits from new technologies being developed, but they are likely to be outweighed by the waste of another bout of unplanned speculative activity.

The global climate is an ultimate public good. It can only really be protected if governments and the public sector take the lead role in developing and implementing solutions – instead of handing it to private sector as another frontier to make high short-term profits from.

In both these areas, privatization will mean that lower and middle-income households will bear the brunt of the costs – from increased prices, user fees, ongoing subsidies and losses in the financial markets. Private investments in these areas could help keep the economy growing in the short-term. But they will provide little lasting benefit to the public or to our economy and environment over the longer-term.

6 See Mark Weisbrot, *The Economic Impact of a U.S. Slowdown on the Americas*, Center for Economic and Policy Research, March 2008. http://www.cepr.net/index.php/publications/reports/the-economic-impact-of-a-u.s.-slowdown-on-the-americas/

7 See Eric Janszen, *The Next Bubble*, Harper's Magazine, February 2008 for a good discussion of this in the context of the U.S.

Canadian Economic Outlook

Annual growth rates unless indicated	**2007**	**2008**	**2009**
Growth in the Economy			
Real GDP	2.7%	1.8%	2.4%
- Consumer Spending	4.7%	3.1%	3.1%
- Business Investment	4.4%	6.4%	4.7%
- Government Spending	3.6%	3.6%	3.5%
Labour Market			
Employment growth	2.3%	1.2%	1.0%
Unemployment rate	6.0%	6.2%	6.2%
Productivity growth	0.2%	0.6%	1.4%
Inflation - Consumer Price Index	2.2%	1.5%	1.9%
Corporate Profits before tax	5.8%	-1.1%	3.7%
Real Personal Disposable Income	3.7%	2.5%	3.0%
Personal Savings Rate	1.5%	1.1%	1.0%
Housing Starts (000s)	229	206	192
Interest Rates and Exchange Rate			
Short term 3 Month T-Bill	4.17%	3.48%	3.89%
Long term 10 Year Bond	4.34%	3.97%	4.37%
Exchange rate US$/C$	$ 93.04	$ 97.09	$ 94.25

Consensus average based on latest forecasts from different Canadian forecasters as of March 6, 2008.

Provincial Outlook

% annual growth unless where noted	**Real GDP**		**Employment**		**Unemployment Rate**		**Inflation**	
	2008	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**
Newfoundland & Labrador	1.0	1.3	0.4	0.6	13.0	12.6	1.2	1.5
Prince Edward Island	1.5	1.8	0.5	0.5	10.2	10.3	1.4	1.8
Nova Scotia	2.1	2.7	1.2	1.1	7.6	7.4	1.5	2.1
New Brunswick	2.2	2.5	1.1	1.0	7.3	7.1	1.5	1.8
Quebec	1.3	2.2	0.8	0.8	7.2	7.2	1.3	1.7
Ontario	1.2	2.2	0.8	0.8	6.7	6.9	1.4	1.7
Manitoba	2.5	2.7	1.2	1.1	4.4	4.1	2.0	1.9
Saskatchewan	3.3	2.8	1.7	1.1	4.0	4.0	2.7	2.5
Alberta	3.0	3.0	2.3	1.8	3.7	3.7	2.9	2.8
British Columbia	2.6	3.1	2.0	2.0	4.3	4.3	1.7	2.3

Based on the consensus forecasts from four different bank forecasters.

Jobs market strength continues to surprise

The strength of Canada's jobs market continues to surprise. Statistics Canada's labour force survey reports that employment grew by another 43,000 in February, keeping the unemployment rate down at its 33-year low of 5.8%.

According to the survey, 90,000 new jobs were added in the first two months of this year, continuing the over 2% employment growth experienced in 2007. All of the new jobs registered were full-time, with part-time employment falling, and employment growth spread evenly between men and women.

With employment growing faster than both labour force and population, both Canada's unemployment and *employment* rates reached record levels.

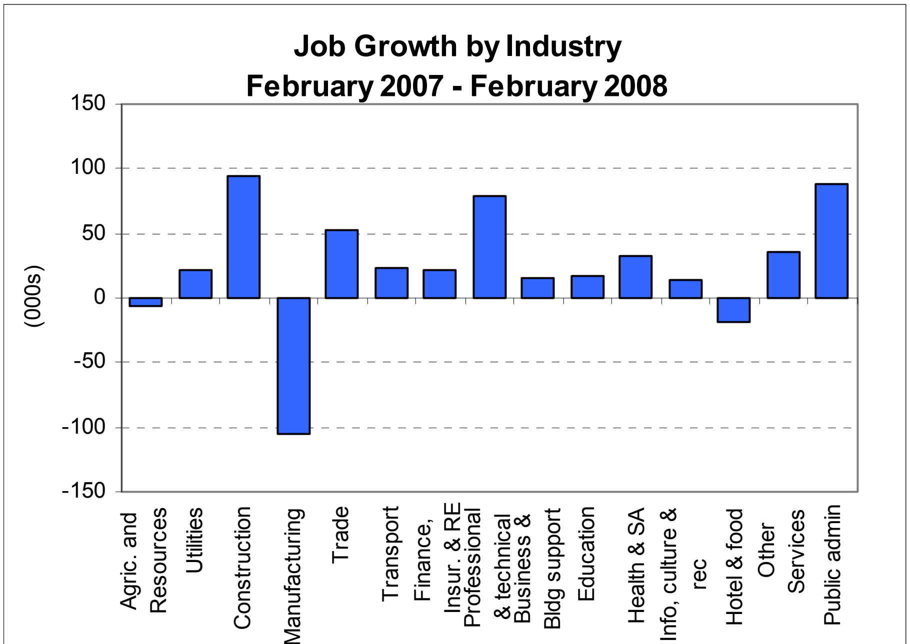
All provinces, with the exception of Nova Scotia, have added jobs so far this year. According to the survey, most of the new jobs created were in Ontario, which has added 59,000 new jobs since the start of this year.

While the survey reported strong growth in public sector employment last year, over 90% of the net new jobs created this year are in the private sector. The job growth includes:

- 45,800 new jobs in professional, scientific and technical services
- 40,300 in construction
- 22,900 in finance, insurance, real estate
- 20,200 in public administration
- 8,900 in utilities
- 7,700 in health care and social assistance
- 14,800 in other services

These gains were offset by job losses in manufacturing, resources, education, and information culture and recreation, among other industries.

The labour force figures are based on a limited sample survey of households. The monthly figures, especially for more specific industries, regions and groups can change significantly from month to month.



Source: Statistics Canada Labour Force Information cat no. 71-001-XIE

In many of these cases, the standard error exceeds the monthly change in employment. This means that there is less than 67% confidence that the reported figures represent real change in this direction. The Labour Force Survey is also based on self-reporting by individuals, which can lead to errors in classification and amounts.

Annual and year-to-date figure provides more reliable results than the monthly figures, but they should also be interpreted with caution and with reference to other sources of information.

Women's wages: still behind and not catching up to men

Progress in reducing the wage gap between men and women is still stalled and in many cases has got worse in the past few years.

No matter how it is measured, there is still a large wage gap between men and women:

- Women working full-time, full-year were paid an average of $39,200 a year in 2005 – just 70.5% of what men were paid and equivalent to a pay gap of $16,500 a year. This ratio is no better than it was in 2000 and is worse than the mid-1990s.
- The hourly wage gap has barely budged in the past few years and has increased in some cases. Median hourly wages for women in 2007 were 81.9% those of men in 2007; down from 83.3% in 2004.
- Working age and older women continue to suffer from a larger pay gap than younger women, but women in all age categories are still paid substantially less than men of the same age.
- Greatest progress has been made in reducing the wage gap for older women (55+) over the past decade, but it is still large. In 2007 older women were paid 79% of hourly median wages and 67% of median weekly wages paid to men.
- In a troubling sign, the wage gap for younger women (aged 15-24) in 2007 is larger than 10 years ago.

There has been some progress in reducing the wage gap for higher paid areas, such as management and professional occupations.

Unfortunately, there has been little progress in closing the wage gap for some of the lowest paid jobs, where the gap is also the largest. Women in retail sales were paid only 76% of what men made in 2007; in primary industries the gap was 68%.

Slow progress in raising minimum wages, inadequate public services and other policies that have encouraged growing inequality in Canada have also contributed to keeping the wage gap wide – especially for women in lower paid occupations.

The wage gap in key CUPE public sector jobs, such as health care, education, social services and public administration, is smaller than the average. There has also been greater progress in reducing the gaps in these sectors.

These smaller gaps and greater progress highlight the union wage advantage for women.

Women who were unionized earned an hourly wage that was 93.4% of what unionized men made in 2007, up from 89.4% in 1997. This gap is considerably smaller for younger women.

In comparison, women who weren't unionized had a much larger pay gap. In 2007, they were paid an average hourly wage only 78.8% of what non-unionized men were paid. This gap for non-unionized workers has narrowed very little in the past decade.

Unionized workers also benefit from greater job security, better pensions and health benefits and more time off.

A big reason for the continued wage gap problem is that many more women work in precarious jobs, including part-time and temporary employment, which pay considerably less than full-time and permanent employment.

- Women made up 70% of the part-time workforce in 2007. Part-time jobs paid an hourly wage of only 66% of what full-time jobs paid in 2007.
- Women made up 52% of the temporary workforce in 2007. These jobs paid on average 76% of what permanent jobs paid.

Precarious work also means less access to Employment Insurance. Cuts to the EI program that make it harder to qualify now mean that only about 32% of unemployed women qualify for EI, compared to 40% of men.

Further cutbacks and privatization of public services hurts women in multiple ways:

- Private sector jobs are much less likely to be unionized and pay women less.
- Lack of access to public services and higher fees make it more difficult for women to get good-paying stable jobs and forces them into precarious work.
- Tax cuts, corporate profits and high executive salaries provide little benefit to women.

Sources: most figures calculated using Statistics Canada's *Labour Force Historical Review 2007.* Andrew Jackson at the CLC has produced an excellent report *Women in the Workforce: Still a Long Way from Equality* that delves into these issues in much more detail.
http://canadianlabour.ca/index.php/Women/1345

Back to the Future: average real hourly wages finally rise above 1991 levels

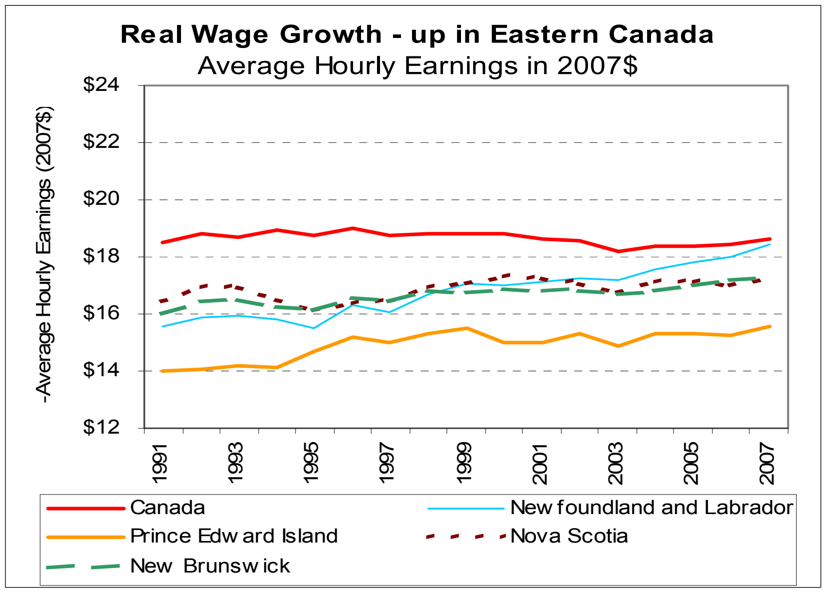
While most workers have benefited from rising real wages in the past few years, they have only come after five years of declining real wages from 1999 to 2003 and little real wage growth before that.

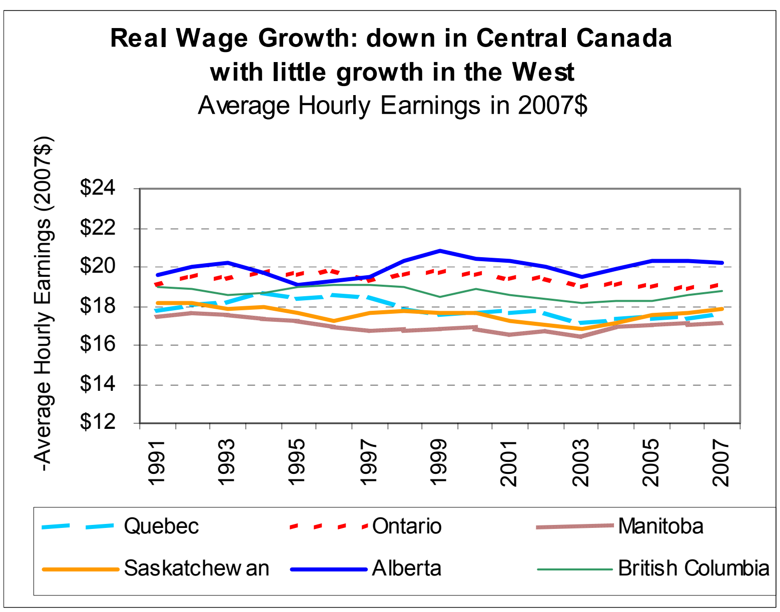
At the national level, average real hourly wages have finally increased above the level that they were in 1991, but are still 2% below what they reached in 1996.

Wage trends vary enormously by occupation, sector, and region. The following charts illustrate trends in the average hourly wage (excluding overtime), adjusted for changes in the consumer price index by province.

Provinces in eastern Canada have experienced the greatest improvement in real wages, with the increase in Newfoundland and Labrador outstripping all others, and almost catching up to the national average.

Average real hourly wages for workers in central Canada and most western provinces are still below what they were sixteen years ago. Real wages in Alberta are now higher than what they were in 1991, but are still 3% lower than 1999 level. Alberta is the only province that has experienced a decline in real wages in both of the past two years.





Consumer price inflation shows few signs of subsiding

Consumer price inflation is showing few signs of subsiding – despite the higher Canadian dollar and the $6 billion GST cut, both of which should have helped trimmed the rise in the cost of living.

The consumer price index for Canada rose by 2.2% in January from a year earlier, matching the average annual increase for 2007.

Some of the familiar culprits were at fault for higher prices in January:
- 20.9% rise in gas prices
- 24.7% rise in fuel oil prices
- 7.6% increase in mortgage interest costs
- 5.8% rise in insurance premium costs
- 6% increase in new house prices.

Even though the Bank of Canada has cut the rate at which it lends to commercial banks by 75 basis points (3/4 of a percentage point) since a year ago, these banks are still charging their customers approximately 80 basis points more for their mortgage loans compared to a year ago. This extra 150 basis point spread charged by the banks is equivalent to more than $200 extra each month for a $250,000 mortgage.

Other price increases over the twelve months that particularly affect working families included an average:
- 7.7% increase in the price of child care services
- 12.3% increase in the average price of water services, and a
- 5.6% increase in the price of urban public transit.

Overall food prices in Canada are up by 1.4% compared to last January, mostly because of a decline in fresh fruit (-6.9%) and vegetable (-4.7%) prices. At the same time, the price of bread, pasta and flour has increased by more than 10% since last year.

The drop in the price of fresh fruit and vegetables is mostly due to the higher Canadian dollar, which has increased in value by 19% over the past year in relation to the U.S. dollar.

But the higher Canadian dollar doesn't appear to be keeping inflation down in other areas. This is partly because our dollar hasn't risen as much against other major currencies. It is up by 9.3% against the Chinese renminbi and by 3.3% against the Euro compared to a year ago.

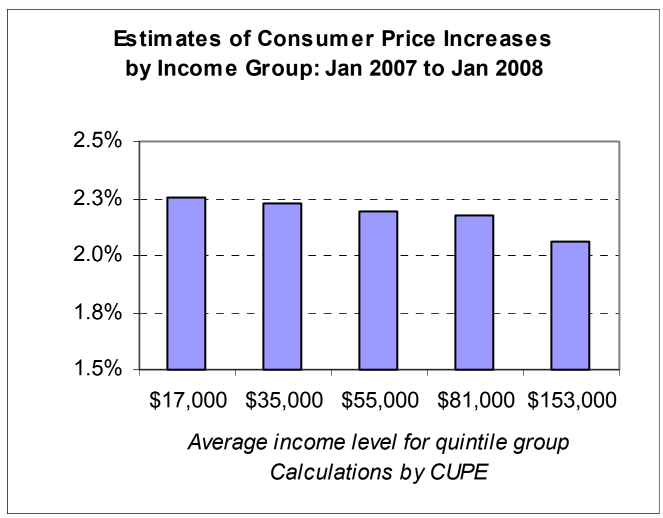
The same factors that are pushing up the value of the Canadian dollar – record high oil prices and rising commodity prices – are also fuelling price increases in China. China's inflation rate rose to 7.1% in January – the highest in a decade – as a result of a 18% increase in food prices. Food price inflation has escalated around the world, largely driven by expensive policies to support ethanol production, turning food into fuel. We are re-importing that inflation together with our imports from China.

Imports of low cost goods from China and other newly industrialized countries have helped to keep consumer price inflation in Canada and the United States low for many years. This era may now be ending.

The Bank of Canada's core inflation index – intended to measure underlying inflation pressures – only rose by 1.4% in January because it excludes some of the fastest rising prices, including gasoline and mortgage interest rates.

While these types of price increases do not directly affect the Bank of Canada's core index, they have a big impact on lower and middle-income households.

The consumer price inflation rate experienced by lower and middle income households in January was approximately 10% higher than the inflation rate experienced by higher income households because shelter, including energy costs, and transportation costs form a larger part of their spending budget.



Consumer price inflation is slowing in Alberta and other Western provinces. After increasing by an annual average of 5% in 2007, Alberta's inflation rate dropped to 3.6% in January. The inflation rate in British Columbia and Manitoba also declined in January compared to their averages for the past year.

In all other provinces, the provincial inflation rate for January was 0.4% to 0.6% higher than their annual average for last year.

Inflation Outlook for 2008 and 2009

Economic forecasters have now reduced their forecasts of consumer price inflation for 2008, as a result of the cut in the GST, the rise in the value of the Canadian dollar and the impact of an economic slowdown.

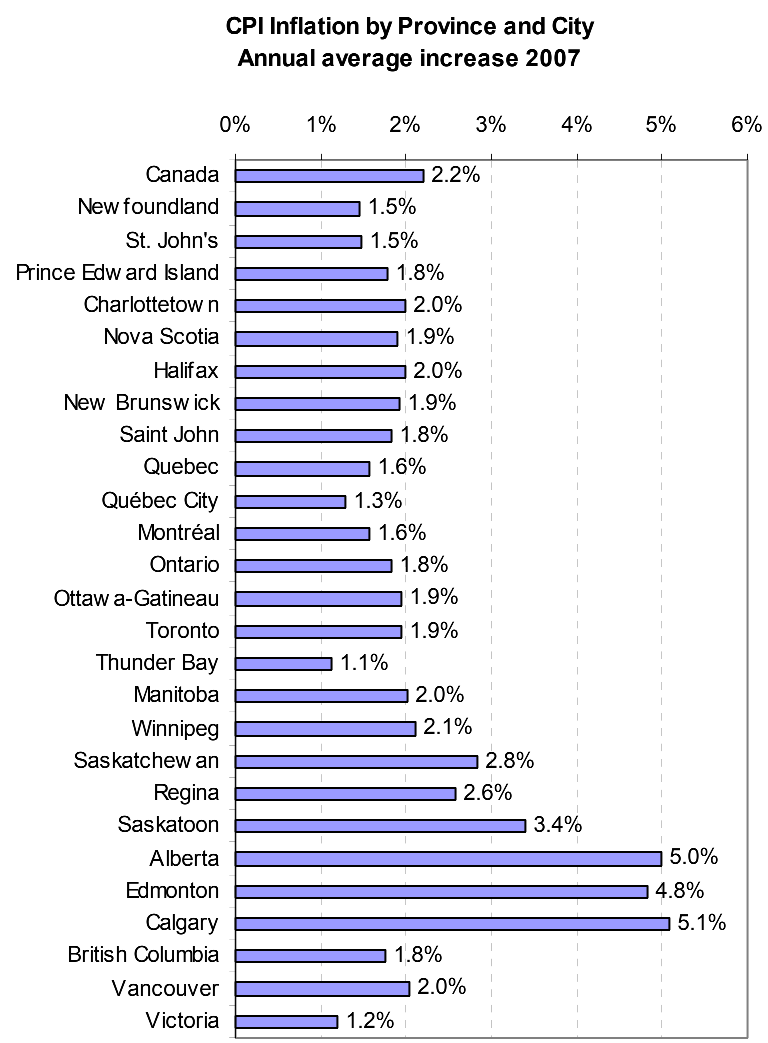
Last fall, forecasters were expecting inflation to average 2.3% this year; now the average forecast is for a CPI inflation rate of 1.5% in 2008 and close to 2% next year.

Once again, there is a wide range in the forecast for inflation this year: ranging from a forecast of 1.1% by the National Bank and 2.3% by CIBC. Much will depend on what happens to energy, house prices and the overall economy during the year, all of which are volatile.

It is more likely that the national inflation rate will average closer to 2% this year than 1.5%. Once again, the GST cut does not seem to have been fully passed on to consumers, there has been less pass-through of exchange rate savings to domestic consumer prices, oil prices are rising, and the Bank of Canada's interest rate cuts may help prevent house prices from dropping.

On a regional basis, inflation is expected to continue to be highest in Alberta, at close to 3% both in 2008 and 2009. Prices in Saskatchewan are expected to rise faster than the national average, at 2.7% this year and 2.5% next. In B.C., the inflation rate is expected to pick up to 2.3% in 2009.

Forecasters expect prices in other provinces to rise by 2% or less in each of the next two years. The *Provincial Outlook* table on page 4 provides consensus average forecasts of CPI inflation by province.



Source: Statistics Canada Table 326-0001

Agreements in 2007 provide largest real wage gains in 20 years

Collective agreements signed in 2007 provided workers with their largest real wage gains in over 20 years.

Base wage increases for major collective agreements signed averaged 3.3%, a rate that is 1.1% above the 2.2% rate of consumer price inflation for the year[8]. While modest and long-overdue, this rate of increase has not been achieved in major collective agreements for more than 20 years.

Wage figures provided by other surveys (the *Labour Force Survey* and the *Survey of Employment Payroll and Hours*) also showed real wage gains in 2007 that matched the highest increases in the past decade.

In the public sector, base wage gains from collective agreements last year averaged 3.4% – the highest rate of increase since 2001. The average real base wage increase of 1.2% was also the highest in over 20 years.

But it's not time to break out the bubbly: the strength of these wage gains may be flagging. Average base wage increases in the 4th quarter of 2007 dropped to 3.4%, lower than the 3.9% increases achieved in the 3rd quarter of 2007.

Low wage gains in a number of automotive plants resulted in slower average wage increases for the manufacturing sector and in Ontario in general.

Wage increases achieved for public sector workers in the 4th quarter also slowed. The average increase moderated to 3.4%, down from an average of 4.1% in the 3rd quarter[9].

Alberta recorded the highest average wage increases, with average increases of 4.9% for the collective agreements settled in the province last year. However, these base wage increases didn't keep pace with increases in consumer prices in the province, which averaged 5.0% in 2007. The story was the same with overall average hourly earnings (excluding overtime) for all workers paid by the hour in Alberta, which also increased by 4.9% last year.

These figures demonstrate the perverse spectacle of workers in the middle of one of the biggest economic booms in Canadian history actually falling behind in their standard of living. It highlights the real problems with uncontrolled economic booms for workers, and the falsity of arguments that Canada just needs greater labour mobility to improve living standards. With average wage increases in Alberta falling behind the cost of living, it is clear that workers wages are neither fuelling inflation, nor benefiting much from the Alberta boom.

But consumer price inflation appears to be moderating in Alberta with the slowdown in house price increases. Lower rates of inflation are expected for future years. This means that collective agreements with similar wage gains could provide real benefits in future years[10].

Collective agreements for workers in Saskatchewan also provided solid base wage gains in 2007, averaging 4.1% for the year. This exceeded Saskatchewan's average rate of inflation of 2.8%, yielding real wage gains of 1.3% for the year.

Unionized workers in Quebec benefited from some of the largest real wage gains of all the provinces, with average base wage increases exceeding inflation by 1.6%.

Base wage increases were highest in the primary industry sector, rising by 4.6% for the year. This was followed by 3.8% average increases in the utilities sector.

Collective agreements in CUPE's other main sectors – education, health, social services and public administration – provided average wage increases of 3.5%. Wage increases in information & culture and in the transportation sector were lower, averaging 2.9% and 2.7% respectively.

Over 77% of all workers with collective agreements settled in 2007 gained increases in the 2% to 4% range. About 19% of workers received increases higher than 4%, while only 4% received increases lower than 2%.

A number of agreements in the 4th quarter featured a variety of profit, gain-sharing and employee incentive provisions, as well as market–adjustment and retention bonuses. OPEIU employees at Laurentian Bank of Trust – many of whom provide financial advice to clients – negotiated a new hybrid defined benefit pension plan to be managed by the union as an alternative to the existing management-run defined contribution plan.

8 Unless otherwise stated, wage rate increases cited in this section are for base-rate wage adjustments averaged over the length of the contract term for major collective bargaining settlements (500+ employees) reached during the period, as reported by Human Resources and Social Development Canada.

9 This was mostly because of a large number of agreements settled in high wage growth Alberta in the 3rd quarter, while public sector agreements in the 4th quarter were strongly affected by a Canada Revenue Agency agreement covering more than 33,000 workers.

10 The real benefits depend very strongly on the assets and spending characteristics of each family, particualrly since house price increases have been such a big part of consumer price inflation in recent years.

Average Wage Settlements Major Collective Bargaining by Year							
		2004	**2005**	**2006**	**2007**	***2007Q3***	***2007Q4***
All		1.8	2.3	2.5	3.3	*3.9*	*3.4*
Public Sector		1.4	2.2	2.6	3.4	*4.1*	*3.4*
Private Sector		2.3	2.4	2.2	3.1	*3.7*	*3.5*
CPI Inflation:		*1.8*	*2.2*	*2.0*	*2.2*	*2.1*	*2.4*

Average Wage Settlements by Province – Major Agreements												
	NL	**PEI**	**NS**	**NB**	**QC**	**ON**	**MB**	**SK**	**AB**	**BC**	**Multi Prov**	**Federal**
2004	1.0	2.4	4.7	4.1	2.5	3.0	2.6	1.6	3.1	-1.6	2.7	1.6
2005	2.0	2.5	3.3	3.0	1.6	2.7	2.9	2.0	3.0	0.5	4.1	2.6
2006	1.7	2.7	3.2	2.9	1.9	2.5	2.6	2.1	3.4	2.5	3.8	2.3
2007	1.5	2.8	3.0	2.3	3.2	2.9	3.0	4.1	4.9	3.0	3.5	2.8
CPI rate	*1.5*	*1.8*	*1.9*	*1.9*	*1.6*	*1.8*	*2.0*	*2.8*	*5.0*	*1.8*	*2.2*	*2.2*
2007Q3	-	-	*2.9*	-	*2.1*	*3.2*	*3.1*	*4.0*	*5.1*	*3.3*	*3.6*	*2.6*
2007Q4	*3.2*	-	*2.9*	-	*3.1*	*2.8*	*3.5*	*4.2*	*5.4*	*2.9*	*2.9*	*3.3*

Average Wage Settlements by Industry – Major Agreements						
Industry	**2004**	**2005**	**2006**	**2007**	***2007Q3***	***2007Q4***
Primary	2.9	2.3	2.7	4.6	*5.7*	-
Utilities	3.0	2.6	2.3	3.8	*4.2*	*4.4*
Construction	2.7	2.5	3.6	3.3	*3.9*	*4.2*
Manufacturing	2.4	2.5	2.2	2.4	*4.0*	*2.7*
Wholesale and Retail	1.4	1.9	1.1	1.9	*1.9*	-
Transportation	0.6	2.9	2.1	2.7	*2.9*	*3.1*
Information & Culture	2.7	2.4	2.5	2.9	*2.0*	*3.1*
Finance & Professional Services	1.6	2.3	2.5	3.6	*2.3*	*4.2*
Education, Health, Social Services	0.8	2.1	2.5	3.5	*4.6*	*3.8*
Entertain and Hospitality	2.7	1.9	2.9	3.3	*3.5*	*2.5*
Public Administration	2.5	2.4	2.8	3.5	*3.8*	*3.2*

Source: Human Resources and Skills Development Canada, Major Wage Settlements, [latest information as of March 3, 2008] http://www.hrsdc.gc.ca/en/lp/wid/adj/01wage_adj.shtml

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