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**CUPE** / Canadian Union of Public Employees

## TRENDS PUBLIC POLICY

# Collective bargaining works



Canadians have witnessed extraordinary intrusions by governments on free collective bargaining in recent years. Legislation has been used to end legal strikes in the public and private sector, depriving workers of their right to withhold labour.

The federal Conservative government has done it repeatedly with workers at Canada Post, Air Canada and Canadian Pacific Railway. The Ontario Liberal government followed suit with Bill 115, legislation that essentially imposed contracts on school board employees.

Now Conservative politicians at the federal and provincial level have indicated they plan greater intrusions into free collective bargaining, possibly placing the Rand formula in their sights.

**CHECK OUT** our feature story explaining the importance of the Rand formula, page 4.

Workers in the public and private sectors know about making sacrifices. Real wages have barely increased in decades and public services have been slashed. Meanwhile incomes and perks for the top one per cent are growing rapidly.

Growing inequality is a big problem in our current economy, but what's perhaps most frustrating is governments that accelerate the growth of inequality by tampering with the collective bargaining process.

The simple truth about collective bargaining is that it works. It gives workers a voice in an otherwise one-sided relationship with the employer, sets out terms for fair employment, and ensures fair wages and benefits not just for the workers bound to the contract, but ultimately for all workers.

A healthy middle class—the driving force of our economy—depends on free collective bargaining. It's worth defending.

# ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS



## **INEQUALITY** Canada's income gap growing

Incomes of Canada's top one per cent continue to increase while remaining stagnant for the rest, according to new figures released by Statistics Canada. Average incomes for the bottom 90 per cent increased just five per cent over the past three decades (after adjusting for inflation). Incomes of the richest one per cent almost doubled, rising to an average of \$493,000 in 2010. Meanwhile the average income tax rate paid by the top one per cent dropped from 40 per cent in 1997 to 33 per cent in 2010. If the top one per cent paid the same rate of tax they had in 1997, federal and provincial governments would have \$8 billion more in revenues.

## **ENVIRONMENT** Work less, save the world

Reducing working hours by 0.5 per cent each year could, by the end of the century, reduce the projected temperature increase from global warming by 50 per cent according to analysis

by the Center for Economic and Policy Research. A 0.5 per cent reduction in working hours each year (initially 10 hours a year, based on 2,000 total hours per year) would eventually mean a 30 hour week with nine weeks of vacation. Longer work hours are associated with proportionately larger greenhouse gas emissions.

## **VACATION** Workers' top priority: More paid time off

The top priority for workers in Canada is having an additional week of paid time off, according to a survey by Mercer. Next up was \$500 wage increase, followed by a similar employer contribution to retirement or savings plans. Workers in the U.S. had similar priorities. In Europe, workers gave greater priority to health benefits. Average annual working hours

are much higher in North America than most of Europe.

## **AUSTERITY** Unexpected side effects hurt Greece

Fiscal austerity measures have shrunk the Greek economy by 25 per cent, pushed unemployment to 25 per cent and reduced wages by over 30 per cent. They've also led to a resurgence of centuries old problems. As more families have turned to burning wood to save money heating their homes, air pollution is smothering major cities at night and causing health problems. Mosquito spraying cutbacks have also led to the first cases of malaria in Greece in 40 years. The Centre for Disease Controls has issued travel warnings—not a good sign for a country whose economy is dependent on tourism.



*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](http://cupe.ca/economyatwork) with links to relevant materials.

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## ECONOMIC DIRECTIONS

### Latest economic trends at a glance

<b>Economic growth</b>	Output is expected to grow by less than two per cent in 2013. That's less than half the rate of previous recoveries, as austerity measures and high household debts weigh on the economy.
<b>Employment</b>	Mediocre employment growth will mean little improvement in unemployment rates, averaging above seven per cent in 2013 and then falling slightly in 2014.
<b>Inflation</b>	Inflation averaged 1.5 per cent in 2012 and is expected to average 1.8 per cent in 2013 before rising to 2.1 per cent in 2014.
<b>Wages</b>	Wage increases in major collective agreements settled last year averaged close to the 1.8 per cent of the two previous years. Increases are expected to average 1.8 per cent again in 2013, representing a "new normal" of diminished expectations.
<b>Interest rates</b>	With slow growth, the Bank of Canada recently indicated it will again delay hiking interest rates, with increases now not likely until 2014.

#### FRONTLINE **TEN PERCENT SHIFT**

# Economies thrive when we buy local

Union wages mean better buying power for consumers. But money spent at big box stores and multinational corporations doesn't stay in the community, meaning fewer local jobs, lower revenues for the municipality, and a gradual erosion of the local economic base.

To address the growing problem, CUPE BC President Barry O'Neill started the Ten Percent Shift, a campaign to keep more money in local communities.

"I spent a lot of time on the road talking to and listening to CUPE members, chambers of commerce, elected officials and business people," said O'Neill. "What I heard was consistent in just about every part of the province —people want to act to improve their local economy. The shift shows them a simple way to do just that."

The idea is simple: get people to dedicate 10 per cent of their household spending to local products, services, and businesses.

By shifting spending locally, we increase the local economic impact by an estimated 25 percentage points. Economists call it the multiplier effect. More money circulating in the community means stronger linkages in the local economy, which increases the impact of our spending in creating local jobs and economic activity.

The idea is catching on. Since launching the shift in 2011, O'Neill has giving dozens of presentations to chambers of commerce, community groups, and CUPE division conventions. CUPE Nova Scotia has launched its own shift as well.

"Communities are strongest when local economies are strong," said



CUPE BC President Barry O'Neill.

PHOTO: JOSHUA BERSON PHOTOGRAPHY

O'Neill. "CUPE members understand that as well as anyone, and the shift is responding to our members' desire to give back to their communities."

Check out **TENPERCENTSHIFT.CA** for tips to help shift your spending, a great video and more.

# Stand by your Rand: The importance of automatic dues check-off

**A long-standing and fundamental pillar of Canada's collective bargaining system is under attack.**

Conservative politicians—including Ontario opposition leader Tim Hudak and a number of the Harper government's MPs—have indicated they plan to introduce legislation to outlaw or curtail the Rand formula.

Developed by Supreme Court Judge Ivan Rand in 1946 to help settle a bitter strike at the Ford Motor Company in Windsor, Ontario, the Rand formula (also referred to as automatic dues check-off) represents a fundamental division of responsibilities in the workplace.

Where workers have voted to unionize, the union has a duty to represent every worker in that workplace fairly. The Rand formula requires that employers deduct dues from all workers to ensure everyone contributes to the cost of representation. Workers are not required to be a member of the union, but because they benefit from the union's services, they must also share in the cost of it. The formula is critical to ensuring fairness in the workplace.

Since its introduction, Rand has been



*Protesters in Lansing, MI wear stickers signifying lost wages that would result from right-to-work laws, Dec. 2012.*

PHOTO: PETER KLEIN, MICHIGAN STATE AFL-CIO

a mainstay of collective agreements and most labour codes in Canada, helping to provide a base for the period of unprecedented shared prosperity and rising living standards we've experienced since the Second World War. It ensures workers have an effective voice in the workplace, where otherwise employers would have a monopoly on power.

Some workers may think they can save money by not paying union dues, but the evidence is irrefutable that collective bargaining through unions significantly increases average wages well in excess of the cost of dues. The impact of banning or curtailing automatic dues check-off would be severe.

In U.S. states where automatic dues check-off is prohibited the balance of power has shifted, and wages have plummeted. A recent report by the non-partisan U.S. Congressional Research Service shows average annual wages in these anti-union states are 14 per cent lower than states that allow automatic dues check-off.

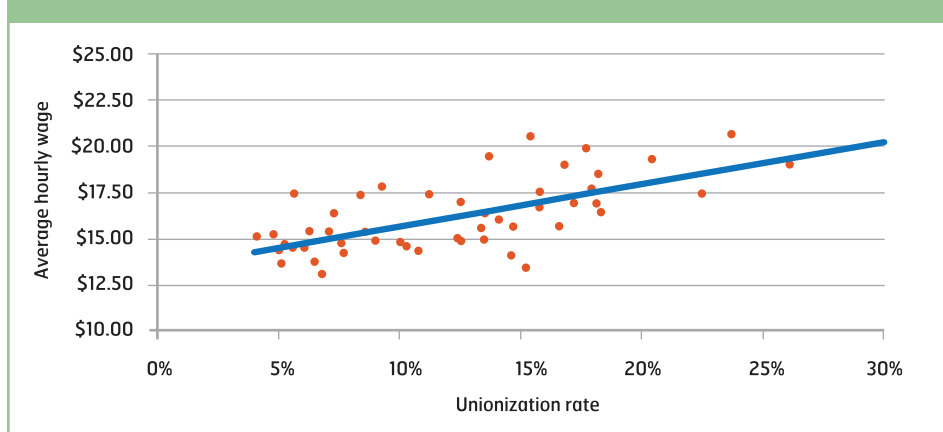
In Canada, estimates place the union wage advantage between eight per cent and 23 per cent. That's approximately five dollars an hour more than non-union workers are paid and close to \$10,000 a year.

It's not just members who benefit. Higher and more equitable union wages help to boost wages for all workers, unionized or not. Communities with higher rates of union membership tend to have higher overall incomes. These higher average incomes help sustain businesses and services in our communities.

But many conservative politicians in this country are intent on silencing opposition to corporate profit-driven policies. When politicians intrude on collective bargaining, a political response is inherently part of a union's duty to represent workers. Unions must maintain a strong presence on the political scene in order to ensure collective bargaining rights are maintained, and that the laws that govern the workplace are fair and equitable.

Organized labour's political presence hasn't just benefited union members, but all Canadians. Health and safety laws, reasonable work hours, paid time off, maternity leave benefits, Employment Insurance, the Canada Pension Plan, universal health care, and many more pillars of our social safety net were achieved because of the collective power of workers both at the bargaining table and in the political arena. Union members decide on these actions democratically through

## HOURLY WAGE AND UNIONIZATION RATES IN THE U.S.



Source: United States Bureau of Labor Statistics (Data May 2011)

resolutions that are debated and adopted at conventions. If unions' ability to lobby for these important programs is undermined, the programs themselves could easily come under threat.

With near-unlimited resources to back them, corporate lobbyists have no trouble advancing their

agenda. Ensuring that workers are also represented requires funding and organization as well. The right to use union dues for political action as decided upon by members has also been enshrined in law by the Supreme Court of Canada, in the 1991 Lavigne decision.

Current labour movement priorities on the political scene are numerous. They include decent public pensions for all workers through an enhanced Canada Pension Plan, better public health care, improved workplace health and safety standards, affordable quality child care and post-secondary education, higher minimum wages, improved employment insurance and compensation for injured workers, pay equity, social justice and human rights protections, affordable housing, improved public infrastructure, stronger environmental legislation, and fairer taxes.

Workers' rights, working conditions, and compensation are better—and are more likely to improve—in jurisdictions where automatic dues check-off and higher unionization rates are the norm. Automatic dues check-off in Canada has been in place for decades. It's tried, tested, and repeatedly proven to be fair and democratic, even in the highest courts. Tampering with the formula will leave working Canadians worse-off, diminish their voice, and accelerate the widening gap between rich and poor.

## What is the **LAVIGNE** decision?

When a collective agreement required him to pay dues to the Ontario Public Service Employees Union, community college instructor Mervyn Lavigne objected, because the union supported causes he didn't. Lavigne had opted not to join the union, but was still required to pay dues under the Rand formula. He claimed his rights to freedom of association and expression under the Canadian Charter of Rights and Freedoms were violated.

Backed by right-wing lobby group the National Citizens Coalition, Lavigne's case went to the Supreme Court of Canada in 1991. The Court upheld the Rand formula.

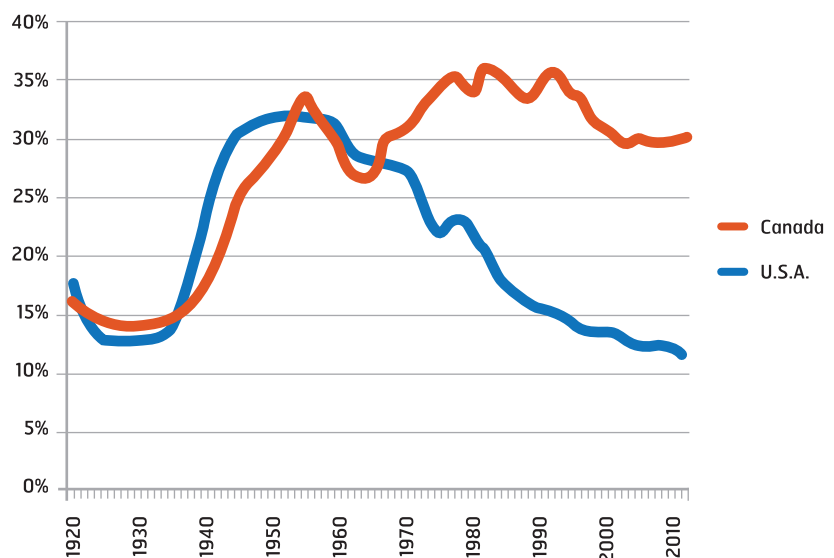
The Court said that people had the right not to join a union, but in a fair and democratic society those covered by a collective agreement must pay dues. They also said that using dues to participate in broader political, economic, and social debates is consistent with the union's duty to advocate on behalf of members.

# The Big Picture

## Unionization rates: Canada and the U.S.

Unionization rates in the U.S. and Canada followed similar trends until the mid-1960s. After that they plummeted in the U.S. to their lowest rate in almost a century last year at 11.3 per cent. This drastic decline in unionization rates has been the result of an increasingly hostile political environment for unions, creating greater difficulty both in organizing workplaces and achieving first contracts.

UNIONIZATION RATES, CANADA AND UNITED STATES  
1920-2012



Sources: W. Craig Riddell, "Unionization in Canada and the United States: A Tale of Two Countries"; ICTWSS Database.

# Women still face pay gaps nationwide

The wage gap for women is shrinking, but at a slow pace.

The average hourly wage for Canadian women was \$21.85 last year, 86 per cent of the average hourly wage paid to men. This gap is improved from the 82 per cent ratio 15 years ago, but at this rate of progress it will take another 40 to 50 years to close the gap.

The wage gap is considerably larger if considered in terms of annual income. Since women are more likely to work part-time and fewer hours than men, their annual average earnings are only 68 per cent of men's earnings. For those considered to be working full-time, full-year, the annual earnings ratio is 76 per cent.

As our chart indicates, the gap is smallest in the Maritimes and Quebec, with P.E.I. leading the way. In Ontario women are paid an average of 87 per cent of the hourly wage paid to men, slightly better than the national average, but not much improved from the 82 per cent ratio of 15 years ago.

Women in B.C. have fared the worst. Not only has their pay gap narrowed at the slowest pace—only three percentage points since 1997, with no improvement over the past decade—but their wages have also increased at the slowest rate of all provinces.

The wage gap is smaller for women in unions or covered by a collective agreement. Women in unions were paid an average hourly wage of \$26.32 in 2012, 95 per cent of the hourly wage of men in unions. In contrast, non-



unionized women were paid an average wage of \$19.67, just 81 per cent of non-unionized men, and 25 per cent less than women with union coverage. Non-unionized women have also seen far less progress closing the gap in recent years.

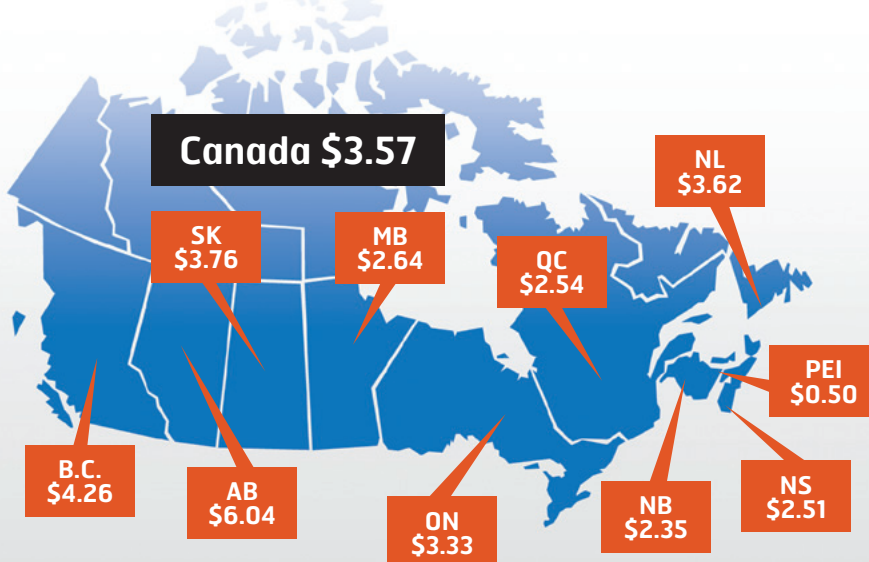
For younger unionized workers, the gap in hourly wages has almost disappeared, but older unionized women are still paid an average of five to 10 per cent less than their male counterparts.

Inequities for unionized women clearly remain, but by making the wage gap a priority we've had major positive results. Still, as illustrated through the average annual income figures above, women are more likely to work part-time and shorter hours than men, and many more women—particularly racialized women—are working in temporary, contract, or casual forms of precarious work.

Unions have played a vital role in reducing the inequalities women face, but there is still room for improvement. Pay equity language is an effective way to secure gains and help reduce the gap. The more progress unionized women make, the better the situation for all working women.

## WOMEN GET LESS

DIFFERENCE IN AVERAGE HOURLY WAGE BETWEEN MEN AND WOMEN, 15 YEARS AND OVER, 2012



Source: Statistics Canada, Table 282-0070 Labour force survey estimates

## CONSUMER PRICE INDEX

# Inflation was lower than expected in 2012

Consumer price inflation tumbled throughout last year. The twelve-month change in the consumer price index started at 2.5 per cent in January 2012 but then steadily declined, ending at 0.8 per cent in December, and averaging 1.5 per cent for the year. Despite rising food prices, declines in the cost of clothing, footwear, automobiles, natural gas and mortgages pushed the overall inflation rate down.

Inflation was highest in eastern Canada, averaging two per cent or higher in 2012 with the exception of New Brunswick. It was lowest in Alberta and B.C. at 1.1 per cent, and close to the national average in Ontario, Manitoba and Saskatchewan.

Major banks expect inflation to remain moderate again in 2013, averaging 1.6 per cent nationally before rising to 2.1 per cent in 2014. The Bank of Canada is forecasting slightly lower inflation for both years. Prices are expected to rise faster than the national average in resource-rich provinces like Alberta, Saskatchewan, and Newfoundland and Labrador.

### CONSUMER PRICE INFLATION

	2012 Actual	2013 Forecast	2014 Forecast
Canada	1.5%	1.6%	2.1%
Newfoundland and Labrador	2.1%	1.9%	2.2%
Prince Edward Island	2.0%	1.7%	1.9%
Nova Scotia	2.0%	1.8%	2.1%
New Brunswick	1.7%	1.6%	1.8%
Quebec	2.1%	1.8%	1.9%
Ontario	1.4%	1.7%	2.1%
Manitoba	1.6%	1.8%	2.0%
Saskatchewan	1.6%	2.0%	2.4%
Alberta	1.1%	1.8%	2.2%
British Columbia	1.1%	1.2%	1.8%

Sources: Statistics Canada Cansim table 326-0020 and recent forecasts by TD, RBC, CIBC and BMO banks.

## WAGES WHO'S GETTING WHAT

# “New normal” trend continues, workers get less

Wage increases in 2012 averaged close to 1.8 per cent, the same as the last two years, providing more evidence that workers are settling for—or being forced to accept—modest wage expectations matching sub-par economic growth.

This represents a “new normal” for collective bargaining in Canada according to the Conference Board of Canada. They are projecting base wage increases for public sector workers will average 1.8 per cent in 2013, the fourth year in a row, while the average for private sector workers will rise slightly to 2.1 per cent.

There's still considerable divergence in average wage increases by region and sector, but not by an enormous amount. Provincial broader public sector workers in Ontario are being forced to accept a two-year wage freeze and in some cases lower starting wages

for new hires. In Ontario's private sector, over 25,000 CAW auto workers also settled for a wage freeze over four years and reduced starting pay for new employees.

Workers in other regions and sectors should be able to gain wage increases to keep up with inflation. But even in regions with rapidly growing economies like Alberta and Saskatchewan, few have achieved average wage increases above the three per cent that was common up to 2010. Higher wage hikes are more prevalent in the private sector.

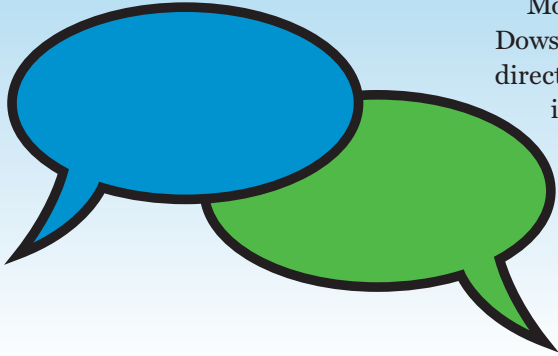
With governments peddling restraint, low inflation, slow employment growth and increasing attacks on unions and workers' bargaining power, there's little immediate prospect of achieving decent wage increases—even if it would be better for the economy.

### AVERAGE WAGE INCREASES IN MAJOR SETTLEMENTS JAN-NOV 2012

SECTOR	2012 JAN TO NOV
National Total	1.7%
Public	1.7%
Private	1.6%
JURISDICTION	
Newfoundland and Labrador	6.0%
Prince Edward Island	2.0%
Nova Scotia	2.3%
New Brunswick	2.0%
Quebec	2.0%
Ontario	1.1%
Manitoba	2.7%
Saskatchewan	1.2%
Alberta	2.9%
British Columbia	1.0%

Source: Labour Canada Collective Bargaining Information

# Build strong alliances: Economic discussion at National Bargaining Conference



Over 1,000 CUPE members gathered in Ottawa for the first National Bargaining Conference. Over four days members, staff, activists and leaders from across the country shared strategies and learned from each other on how best to tackle bargaining challenges being faced in Canada.

One panel held early in the conference featured a discussion of economics as they relate to unions and public services.



*Deena Ladd speaks at CUPE's National Bargaining Conference.*

PHOTOS: JOSHUA BERSON PHOTOGRAPHY

Moderated by Anne Lagacé Dowson, president and general director of ENSEMBLE, the “Building an economy that works” panel explored the current economic climate, and what the labour movement can do to reframe the public discussion.

“Unions are being targeted, not because they are unions, but because they are middle class,” said Armine Yalnizyan, senior economist with the Canadian Centre for Policy Alternatives. “You smash unions, you are clearing the terrain for corporations to do whatever they want.”

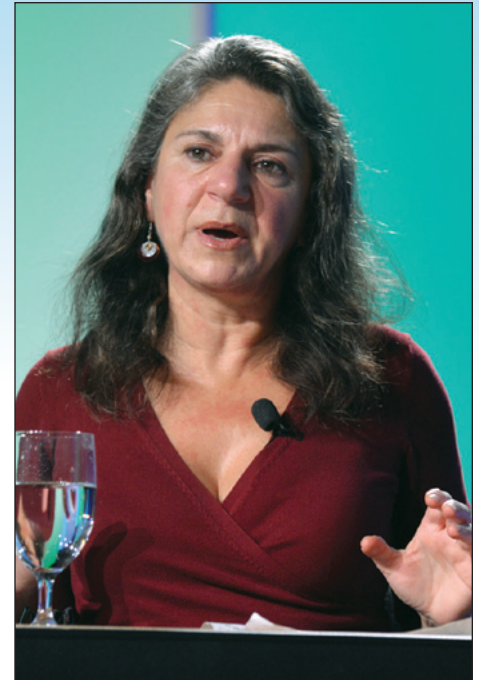
Letting corporations have free rein, Yalnizyan pointed out, not only hurts workers directly. Corporate backed policies—like so-called right-to-work legislation and two-tier workplaces—hurt the entire economy.

“If everybody gets less, capitalism doesn’t work. So what is sometimes best for a corporation in the short term, cutting what workers make, affects the whole economy because they have no money to fuel the economy,” said Yalnizyan.

Panelist Deena Ladd, coordinator of the Worker’s Action Centre, an organization that works with migrant workers in Toronto, agreed that too much is at stake to let corporate interests dominate the Canadian understanding of the economy, and that unions must take a leading role in broadening perspectives.

Ladd stressed the need to work beyond the labour movement in standing up to right-wing attacks.

“We need to build strong alliances, that back us up when times are tough,” said Ladd. “If we don’t do that, when



*Armine Yalnizyan speaks at CUPE's National Bargaining Conference.*

the attacks come down, it’s much easier for governments to turn the conversation to ‘they are fat cats, they have pensions but you don’t.’ We need to build alliances so the discussion is ‘yes they have a pension, I want one too.’”

To tackle these misconceptions, both panelists agreed on the need to work with, and advocate for, non-union workers.

“It means standing up for migrant workers. It means fighting for a minimum wage. It means getting involved in campaigns that are maintaining our floor,” said Ladd. “If we don’t stand up on these attacks, what do we think will happen to us at the next round of bargaining?”

■ **Greg Taylor**

**CHECK OUT** more highlights from the conference at [CUPE.CA/BARGAINING/CONFERENCE](http://CUPE.CA/BARGAINING/CONFERENCE)