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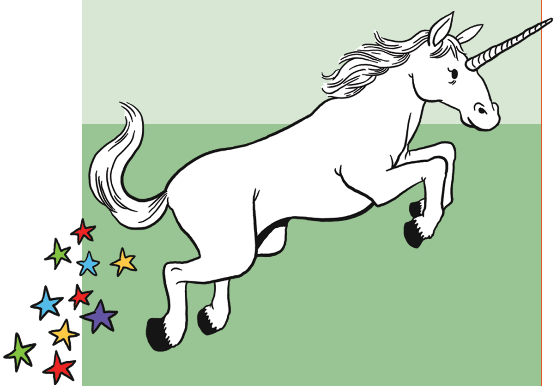

CUPE Canadian Union of Public Employees

TRENDS **WORKPLACE PENSIONS**

Don't call it a comeback!

Pensions pull out of deficit in 2013

Defined benefit pension plans had a strong recovery over the last few quarters, despite the constant refrain from politicians and employers declaring their demise.

Pension consulting firm Mercer surveyed over 600 public and private defined benefit (DB) pension funds. They found that the average pension is currently 99.9 per cent funded, meaning they would have no trouble meeting obligations to plan members if they were wrapped up immediately.

Who's the poster child in the pension recovery? None other than Air Canada. Their plan reached a surplus at the beginning of this year after recording a solvency deficit of $3.7 billion just a year ago. Changes in employee benefits saved the plan almost $1 billion, but by far most of the improvement came from higher investment returns and a slight increase in interest rates.

Canadian plans are not alone in experiencing strong recoveries. Large company plans in the U.S. reported their best returns on record in 2013, closing funding gaps caused by the financial crisis. The improvement in the health of pension plans is also helping to raise company stock prices, lower their borrowing costs and boost equity markets.

DB plans play an important role in the economy, paying out an average of $70 billion in benefits in Canada. That represents between six and nine per cent of total earnings in urban communities. These payouts further benefit the economy through increased spending, investment and taxes.

DB plans are better than target benefit, defined contribution or RRSP-style plans because they provide more secure retirement income and are better managed, at lower costs to employees and retirees.

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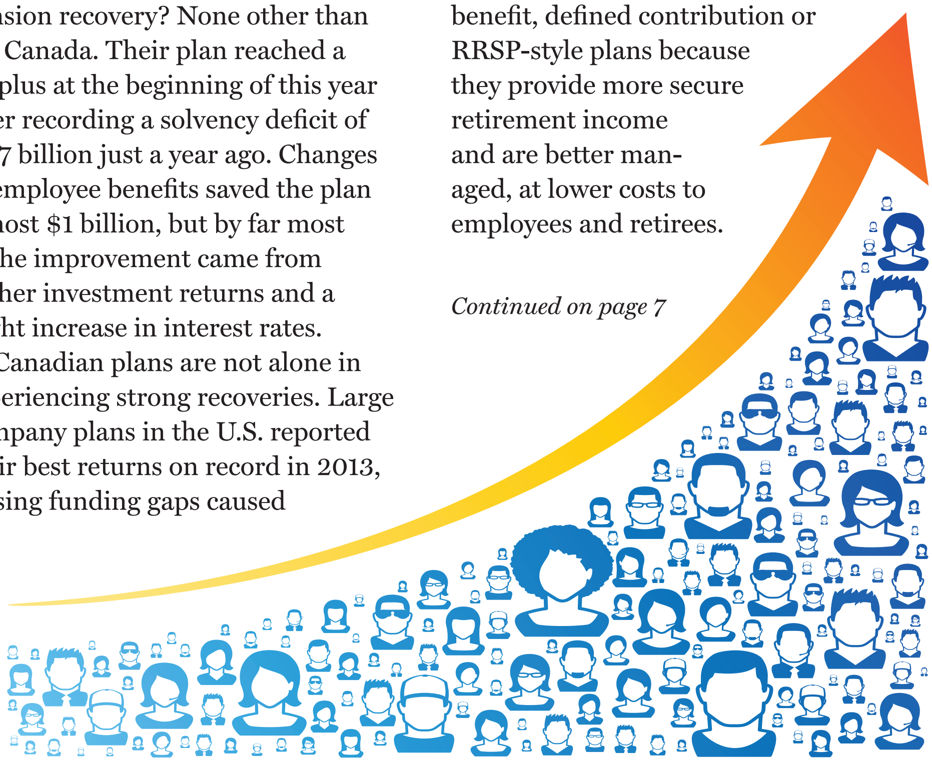

ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS

SICK LEAVE No significant difference in public sector leave, despite politician's claims

The difference in the amount of sick leave taken between public and private sector workers is much smaller than Tony Clement claimed last June. The Treasury Board President said public sector workers were taking 18.2 days per year, but a report from the Parliamentary Budget Officer released in February calculated an average 11.5 sick days a year, similar to the private sector. Unfortunately, this new information hasn't stopped Clement from using the federal budget to push for the elimination of bankable sick days for federal public servants.

VOTING Does money make people conservative?

A study by British researchers found that people who won money in lotteries became more likely to vote conservative. Higher winnings made for a stronger effect. Those who won more than $1,000 were 16 per cent more likely to vote conservative.

The researchers conclude this result reflects naked self-interest in voting. Ironically, those who won larger amounts were also more likely to agree with statement "ordinary people get a fair share of society's wealth." It seems conservative values line up with the self-interested rich, and that the random events that largely shape one's life also play a significant role in framing our political outlooks.

SAVINGS One-third expect lottery winnings to fund retirement

Speaking of the lottery, according to a BMO study one-third of Canadians are relying on future lottery winnings to fund their retirement. If that wasn't bad enough, 14 per cent are relying heavily on lottery luck. From the same survey 89 per cent say they are relying on Canada Pension Plan benefits, with 31 per cent depending on them heavily. Unfortunately, CPP benefits currently average just $7,130 a year and max out at $12,460. Time to expand the CPP? We certainly think so.

JOB SATISFACTION Canadians are happiest at work

Canadians were happiest at work of all countries surveyed by employment website Monster.ca. Sixty four per cent of Canadians said they like their jobs a lot or love them so much they would work for free. By contrast, 34 per cent of German workers and 53 per cent of American workers reported they loved or liked their jobs. Only seven per cent of Canadians surveyed admitted they didn't like or hated their jobs. Better-paid and older workers were more satisfied, while younger and lower paid workers were least satisfied with their jobs.

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.

COPE491

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CUPE Canadian Union of Public Employees

ECONOMIC DIRECTIONS
Latest economic trends at a glance

Economic Growth	After growing by just 2.0 per cent last year, Canada's economy is projected to expand by an average of 2.4 per cent for the next four years.
Employment	Job growth remains relatively slow. It's expected to average 1.3 per cent this year and next, edging the unemployment rate down to 6.8 per cent for 2014 and 6.6 per cent in 2015.
Inflation	National consumer price inflation averaged just 0.9 per cent in 2013. It's expected to rise to 1.5 per cent this year and to 1.9 per cent in 2015.
Wages	Base wage settlements for public sector workers averaged just 1.0 per cent in 2013. That's the lowest increase since 1996, and below the private sector average of 2.2 per cent.
Interest rates	Most expect the Bank of Canada to keep its short-term interest rate steady at 1.0 per cent until mid-2015. Longer-term mortgage and bond rates are expected to rise between 0.5 and 1.0 percentage point.

SPOTLIGHT ON
Wealth inequality and political power

The 85 richest people in the world own the same wealth as the poorest 3.5 billion. That's half of the world's population.

These are the shocking numbers included in *Working for a Few*, a report Oxfam gave to the annual gathering of the world's most powerful and wealthiest elite at the World Economic Forum (WEF) in Davos, Switzerland. The WEF itself identified widening inequality and persistent unemployment as two of the top three global threats for this coming year.

According to the report, "Widening inequality is creating a vicious circle where wealth and power are increasingly concentrated in the hands of a few, leaving the rest of us to fight over crumbs from the top table."

It seems crazy that economists pay little attention to the distribution of capital and wealth in a system called capitalism, but tragically that's often the norm. And statistics related to wealth inequality are only collected every few years in Canada. The stats we do have show growing concentrations of wealth. Results from the 2012 Survey of Financial Security also show disturbingly high concentrations of wealth in Canada.

The Oxfam report emphasizes that growing inequalities are undermining political institutions and preventing measures to both improve economic growth and reduce poverty around the world.

To address the issue, Oxfam suggests progressive taxes on incomes and wealth; a crackdown on financial secrecy and tax dodging; providing a living wage for all workers; expanding public services; and removing barriers to equal rights and opportunities for women, among other measures.

The 85 richest people own the same amount of wealth as the 3.5 billion poorest people

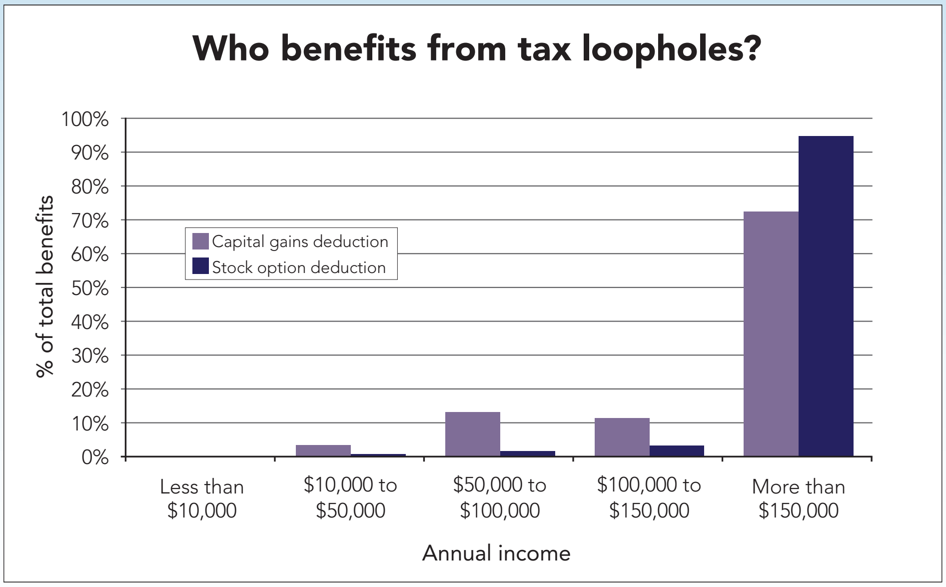
READ THE REPORT at oxfam.ca

Federal tax loopholes cost provinces billions

The federal government may soon register a surplus, but its tax loopholes are shortchanging the provinces of billions.

The stock option deduction loophole, that allows executives to pay half the rate of tax on income from stock options, cost the federal government an estimated $785 million in 2012. And because all provinces except Quebec base their personal income tax rates on the federal calculation of taxable income, it also meant provinces lost about $370 million too.

Heard enough? Sorry, it gets worse. Taxing capital gains income at half the rate of employment income cost the federal government $4 billion in 2012, but also meant $2 billion in lower revenues for the provinces. Other federal tax loopholes cost provinces billions more.



Source: Parliamentary Budget Office 2011 Reference Tables for Tax Expenditure Analysis

Provincial governments aren't blameless. Many have cut taxes for wealthy people and created loopholes of their own for personal and corporate taxes. They could introduce surtaxes to compensate for these loopholes too, but those would make the tax system more complicated and fragmented.

The best solution is for the federal government to lay off on criticism of provincial deficits they helped create, close the loopholes, and tax capital income at the same rate as labour income.

FEDERAL BUDGET **ALTERNATIVES**

The federal budget could have been a lot better: CCPA

The Harper government delivered a dud of a 2014 federal budget that did little for jobs, public services and economic growth. Did it have to be that way? Nope.

The Canadian Centre for Policy Alternatives' *Alternative Federal Budget*, which is developed by labour, environmental and civil society organizations including CUPE, offers a glimpse of what the federal budget could deliver if it were guided by a concern for people instead of corporate profits.

Here are some highlights from the 2014 Alternative Federal Budget. We could:

- Develop affordable and public early childhood education and childcare across Canada.
- Increase federal funding for community infrastructure by $2.6 billion annually.
- Reduce defence spending to 2001 levels.
- Reverse recent cuts to Employment Insurance and move towards a uniform national eligibility requirement of 360 hours worked.
- Eliminate oil and gas subsidies, invest in parks and the environment, assist households to reduce their energy costs, and invest in renewable energy.
- Introduce a progressive carbon tax in collaboration with provinces.
- Increase support for First Nations housing, education, health, skills training and water treatment by more than $3 billion annually.
- Introduce a national drug plan to provide necessary medication affordably to those who need it.
- Provide an additional $2 billion

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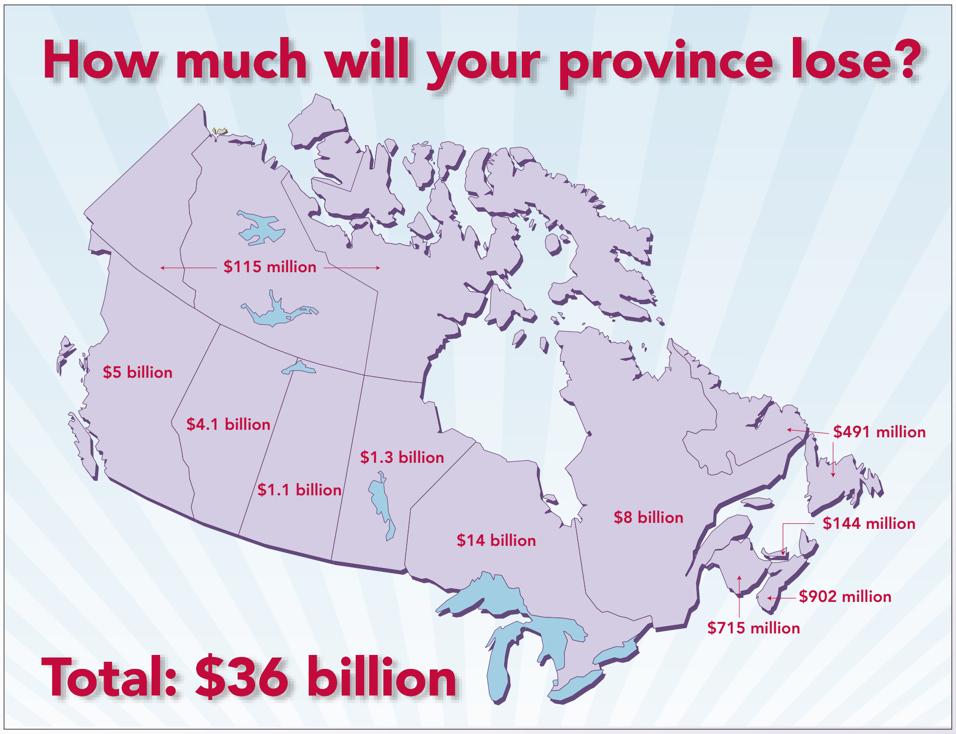
Canada's health care system is about to lose $36 billion



March 31, 2014 marks the expiry date of the federal-provincial health accord. The federal government has refused to renegotiate it. Instead they are forcing through changes that favour some provinces in the short run, and cutting funding significantly in the long run.

For the last 10 years, the health accord provided stable federal funding for health care. Negotiated by the prime minister and provincial premiers in 2004, the accord increased federal health care funding by 6 per cent annually.

But as of April 1 Canadians will no longer have guaranteed federal funding. There is nothing in place to stop future governments from slashing funding by billions.

The government is also moving to equal per capita funding, meaning each province will receive an amount that corresponds only to its population. Income level, demographics, degree of urbanization and any other aspects specific to a province's need are ignored.

The formula change removes equalization from the calculation. The result will inevitably increase inequality in health care across the country.

Under the new model the wealthiest province, Alberta, will gain almost $1 billion extra in federal funding, while all other provinces lose out. Ontario loses $335 million; British Columbia, $272 million; Quebec, $196 million; Newfoundland, $54 million; Manitoba, $31 million; Saskatchewan, $26 million; Nova Scotia, $23 million; New Brunswick, $18 million; and Prince Edward Island, $3 million.

But the most significant cut is to the annual increase of the transfers, conveniently designed to take effect *after* the next federal election. Starting in 2017 increases will be reduced from 6 per cent, and linked to the rate of economic growth. The reduction will mean $36 billion less for health care over 10 years. Check out the map to find out what that means for your province.

Within a decade, the federal government share of total health care spending is expected to drop below 19 cents on the dollar, down from more than twice that amount in the 1960s and 70s. These cuts threaten to fundamentally undermine public health care in Canada.

With files from Govind Rao, CUPE Resarch

WHAT CAN WE DO ABOUT IT? Go to saveourhealthcare.ca to find out.

Continued from previous page

for affordable housing.

- Reduce the cost of post-secondary education tuition to pre-1992 levels.
- Double CPP benefits, improve the Guaranteed Income Supplement and restore the age of eligibility for OAS and GIS to 65.
- Bring fairness to the tax system by:
  - Restoring federal corporate tax rates to 2007 rates
  - Bringing in a new tax bracket for incomes over $250,000
  - Eliminating loopholes
  - Clamping down on tax havens
  - Introducing a financial transaction tax and inheritance tax on estates over $5 million

The CCPA's analysis shows these actions would help bring 855,000 Canadians out of poverty, create 260,000 jobs per year, and bring the unemployment rate down to 5.4 per cent in two years. They would also markedly improve the lives of Canadians by expanding public and social services.

All it takes is the political will – and public pressure.

CHECK OUT the CCPA's alternative budget at policyalternatives.ca

WAGES **DEMOGRAPHICS**

CUPE pursues $18 minimum for members

At CUPE's 2007 National Convention, delegates set a $15 per hour minimum wage target for all CUPE members.

Using CUPE's Collective Agreement Information System (CAIS), we estimate that 96 per cent of CUPE occupations earned at least $15 per hour in 2013. It's not 100 per cent, but we're getting closer.

Where are the low-paid jobs? An estimated one per cent of CUPE occupations in acute care and provincial government, 15 per cent in long-term care, and eight per cent in social services are paid less than $15 per hour.

At CUPE's 2013 National Convention, delegates recognized the importance of this issue and raised the target to $18 per hour, reflecting a bar set by many living wage campaigns across Canada.

To help locals reach this goal, CUPE developed a snapshot of members in jobs paying $18 per hour or less. Using the Labour Force Survey and the Census as proxy data, the analysis shows women, Aboriginal and racialized workers concentrated in certain low-paid sectors and occupations.

For example, women make up the large majority of low-paid members in child care, social services, health care, school boards and libraries. Aboriginal members are particularly concentrated in low-paid jobs in social services and child care. Racialized members are more likely to be in low-paid jobs in post-secondary, long-term care and child care.

A number of these lower-paid sectors also have high rates of temporary and part-time workers, which are further signs of less secure employment. CUPE Equality is now researching the effects of precarious employment on women. The research is being conducted jointly with the CLC, CUPW and the Canadian Research Institute for the Advancement of Women (CRIAW).

■ **Irene Jansen**

FOR MORE INFORMATION, contact Irene Jansen, ijansen@cupe.ca

HEALTH AND SAFETY **DOMESTIC VIOLENCE**

Can work be safe when home isn't?

Fill out this important survey

Help us learn more about the impact of domestic violence in the workplace by filling out a 10-30 minute, anonymous online research survey at: fluidsurveys.com/s/DVatWork

You are eligible to participate in this research study whether or not you have personally experienced or witnessed domestic violence, as long as you are 15 years of age or older.

Upon completion of the survey, you have the option to enter a draw for a tablet computer.

This research survey is a partnership of the Canadian Labour Congress and research experts at the University of Western Ontario and is the first ever Canadian national survey on this issue. CUPE supports this survey, and encourages all workers to take the time to complete it.

Domestic violence has economic and employment dimensions. A living wage and job security help women escape violent relationships. Survivors of domestic violence are often forced to change jobs or accept precarious and low-paid work. As employment options deteriorate, women are at greater risk of becoming trapped in violent relationships. While it pales in comparison to the personal damage, domestic violence also has an economic cost, estimated at $9 billion a year.

Australian unions used results from a similar survey to bargain domestic violence workplace benefits for one million workers, including paid leave, protection from adverse action, and flexible work arrangements.

Results from this survey will be used to fight for legislative, bargaining and other gains. Help us by answering the survey and spreading the word.

■ **CUPE Equality**

Minimum wage should do this one important thing

Craig Saunders

Ontario union members march in Toronto on November 27, 2013, calling on the province to raise the minimum wage.

After years without raises for the lowest paid workers, improving the minimum wage is becoming a priority in Canada and the U.S.

Workers at fast-food restaurants and big box stores, many of whom depend on food banks to survive, have recently engaged in demonstrations and strikes calling for an increase to the minimum wage.

American workers are asking for an increase from $7.25 to $15 per hour. In Ontario, the Workers' Action Centre and the Ontario Federation of Labour are campaigning to raise the province's minimum wage from $10.25 to $14 per hour.

Politicians are feeling the pressure, but the numbers they float are considerably lower than what workers are asking. In his state of the union address, President Obama spoke in favour of raising the U.S. minimum wage to $10.10 per hour. Ontario Premier Kathleen Wynne promised to increase minimum wage to $11 per hour in June, then index it to increases in inflation.

Some economists and commentators have responded by claiming minimum wage increases will damage the economy, even going so far as to claim it will hurt the poor. They rely on a standard economic analysis that higher prices lead to lower demand. So if wages increase, employer demand for workers will fall.

But this analysis ignores the fact that many corporations are sitting on excessive profits and idle cash. Close to half of all minimum wage workers are employed by these large companies, and that number is growing rapidly. A boost to wages would put more money back in consumer pockets, and ultimately boost the economy.

Plus, paying higher wages could encourage businesses to invest more in their employees. Investing in workers reduces turnover, boosts productivity and increases competitiveness.

In a 2013 poll, leading economists were asked about the effects of minimum wage on employment. Some responses were mixed, but a solid majority believe the overall benefits exceed costs. More recent studies have shown either small or negligible effects on employment, and even that higher minimum wages could actually increase overall employment and stimulate the economy.

Almost all critics miss the fundamental point: a decent wage should not be determined by economic calculus. Full-time jobs should pay enough to keep workers out of poverty, without the need for charity, trips to the food bank, or tax credits that indirectly subsidize low wage employers.

CHECK OUT our living wages article in the Winter 2012 issue of *Economy at Work* at cupe.ca/economyatwork

Pensions pull out of deficit in 2013

Continued from page 1

Despite these benefits, DB plans are often attacked by politicians and business lobby groups as too expensive. Many are happy to keep their own generous and secure pensions, but want to avoid the risk of DB plans for workers.

As a result the proportion of employees registered in DB plans has continued to drop, particularly in the private sector, where coverage is below 25 per cent.

Unfortunately, provincial governments are now making big changes to DB plans in Alberta, New Brunswick and Prince Edward Island. Major discussions are also underway in Quebec and Newfoundland and Labrador. In each case, officials seek to lower employer cost and shift significant risk to workers.

One simple solution to these issues is to expand the Canada Pension Plan, which would reduce pressure on workplace plans and create real retirement security for all workers. Unfortunately, the federal government continues to stand in the way of this solution, despite the fact that many provinces support it.

The push to expand the CPP will continue, but recent evidence should not be ignored. DB plans are not only real retirement security for workers, but are also quite sustainable in the long run.

With files from Mark Janson, CUPE Research.

OUT OF THE BOX **MAXIMUM WAGE**

Maximum wage? Caps on CEO pay might be a good thing

We all know about minimum wages. They should provide enough to live on. But what about maximum wages? It might not be such a crazy idea.

Data compiled by the Canadian Centre for Policy Alternatives shows average pay for Canada's top CEOs reached $8 million in 2012. That's 379 times what a minimum wage worker is paid.

Canada's highest paid CEO, Hunter Harrison of Canada Pacific Railway, received $49.1 million in 2012—more than 2,300 times what minimum wage workers were paid. CEO salaries have increased by 73 per cent since 1988, compared to just 6 per cent for average workers' wages, and those numbers account for inflation.

The idea of a maximum wage isn't new. During the Second World War, U.S. President Franklin Roosevelt proposed a maximum salary of $25,000 (about $350,000 in current dollars). It wasn't enacted, but the U.S. and Canada did introduce progressive tax rates of up to 90 per cent on top incomes through to the 1970s. These changes didn't hurt the economy either. Rather, this economic period is often considered the "golden age of capitalism," where economic growth and productivity were much stronger than our current age of corporate greed.

The proposal was revived in the 1990s by U.S. labour activist Sam Pizzigati. He proposed that the richest and most powerful would have a vested interest in raising the wages of the lowest paid, instead of stomping on them.

A proposal to cap the pay of executives at only 12 times the pay of their lowest paid workers gained enough support to be put to a referendum in Switzerland late last year. It was defeated by about 65 per cent to 35 per cent, but the level of support was not insignificant.

At least the Swiss are putting the question to the people.