INSIDE

CUPE Canadian Union of Public Employees

TRENDS **UNIONIZATION**

Unions in Canada stay strong, diverse

Despite increasing attacks, Canadian unions remain strong and are growing, according to new data from Statistics Canada. Union membership is increasingly younger, more female and more representative of diversity in the workforce.

Fifteen years ago, there were more union members in manufacturing than in any other sector of the economy. Now there are twice as many unionized workers in education than in manufacturing, and almost two and half times as many in health care and social services. An increasing share are working in part-time or temporary jobs, in smaller workplaces and have been in their jobs for less than five years.

The number of union members in Canada increased by 2.5 per cent to 4.38 million in 2012, with the unionization rate increasing to 29.5 per cent. Canada's unionization rate has fluctuated around 30 per cent for the last 15 years, declining slightly overall.

Unionization rates have declined among men and workers aged 35+. The share of private sector employees who are union members declined from 19 per cent in 1997 to 16 per cent in recent years, but those losses were partly offset with rising union coverage in public sector workplaces.

The changing face of unions provides opportunities for growth and renewal, but also creates challenges for organizing, communicating and mobilizing membership.

That's why recent fairness-themed projects initiated by the CLC and many affiliates are so important. Unite for Fairness is CUPE's national project to reach out and speak personally with each of our 627,000 members. Communicators from every local will connect directly with members and celebrate the value of unions.

Training sessions have started taking place across the country, with many more planned in 2014. Contact your staff representative for details.

FIND OUT MORE at uniteforfairness.ca

See the back page for more information on the changing face of unions in Canada.

ECONOMIC BRIEFS

HIGHLIGHTING RECENT ECONOMIC STUDIES AND DEVELOPMENTS

INEQUALITY IMF calls for increasing taxes on rich

In a major change, the International Monetary Fund (IMF) has called for countries to increase taxes on top incomes and on the wealthy, both to raise revenues and reduce inequality. The IMF reports countries could generate billions more if they restored income tax rates on the top one per cent to 1980 levels. For Canada, this move would increase revenues by about $4 billion.

But why stop there? The top 10 percent of Canada's households control over 50 per cent of the wealth. The IMF estimates a one per cent tax on their net wealth would generate at least $10 billion annually.

C-4 Harper forcing through more anti-worker legislation

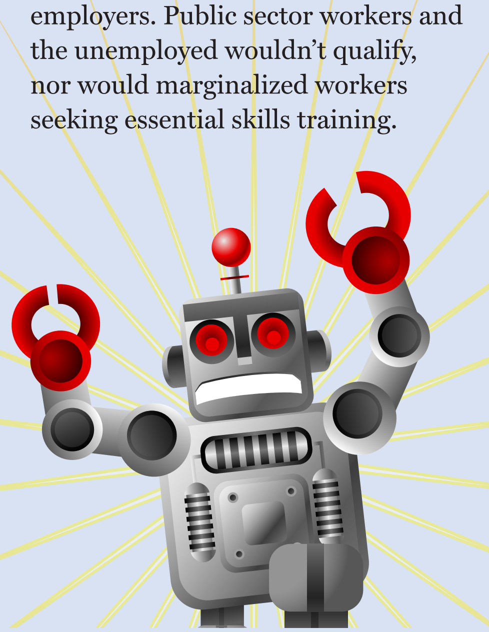
When Stephen Harper was in opposition, he condemned omnibus budget bills that forced through other changes—but now in power he's going much further than previous governments. Budget bill C-4 includes dozens of measures to undermine workers.

Changes include giving ministers unilateral power to deny the right to strike to any federal public sector workers by declaring their work essential, and requiring federally regulated workers to demonstrate "imminent" danger before refusing unsafe work. The bill also restricts what federal public sector workers can achieve through arbitration, grievances and human rights laws. The legislation was drafted in secret, debate is severely limited, and even Conservative MPs who disagree are forced to support it because these changes were stuffed into a budget bill.

JOBS Premiers unanimously oppose fed plans for Canada Job Grant

Provincial premiers told the federal government they won't support the Canada Job Grant if it means cuts to other training and skills programs. The plans announced in the 2013 budget would take $300 million in funding from literacy and essential skills training programs, and redirect it to individualized grants of up to $5,000 per person matched by private employers and provinces.

They would give control over funding and training decisions to private employers. Public sector workers and the unemployed wouldn't qualify, nor would marginalized workers seeking essential skills training.



TECHNOLOGY Half of all jobs at risk from automation

Half of all jobs in the U.S. could be replaced by machines, according to a study from Oxford University. The next wave of computerization threatens lower paid and lower skilled jobs the most, while jobs requiring higher levels of social intelligence, creative intelligence, perception and manipulation are least at risk.

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** with links to relevant materials.

An email edition of *Economy at Work* is available. Subscribe at **cupe.ca/subscribe**.

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CUPE Canadian Union of Public Employees

ECONOMIC DIRECTIONS
Latest economic trends at a glance

Economic Growth	Canada's economy is expected to grow by just 1.7 per cent in 2013, by about 2.4 per cent from 2014 to 2016, and settle into slower long-term growth.
Employment	With continued job growth of about 1.3 per cent, the national unemployment rate is now expected to decline from an average of 7.1 per cent in 2013 to 6.8 per cent in 2014 and about 6.5 per cent in 2015.
Inflation	CPI inflation expectations have fallen. The Bank of Canada now expects it to average just 1.0 per cent in 2013, 1.5 per cent in 2014 and 1.9 per cent in 2015.
Wages	From January to October 2013, base wage increases in collective agreements averaged 1.3 per cent, with the public sector at 0.9 per cent, and private sector at 2.1 per cent.
Interest rates	With inflation low, hikes to short-term interest rates are not expected until 2015, but longer term and mortgage rates could creep up before then.

SPOTLIGHT ON
Public sector employment

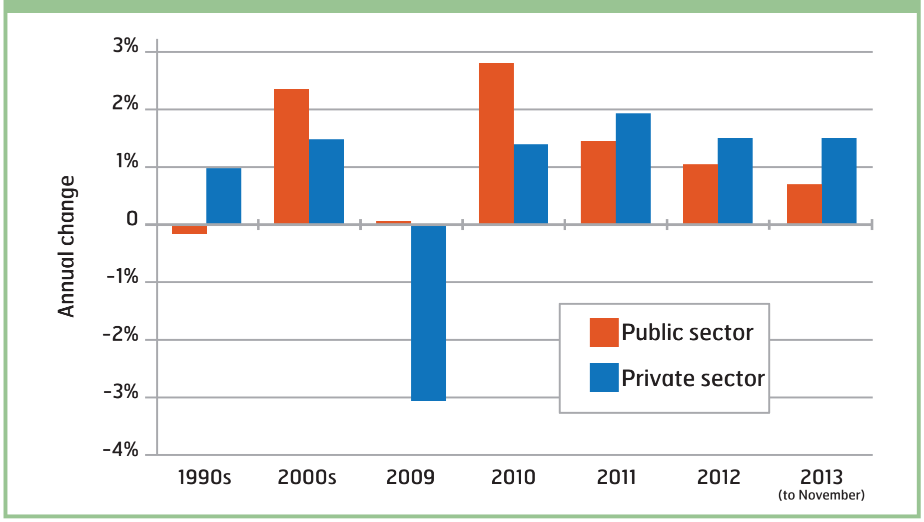
The public sector isn't just being squeezed on wages, but on jobs too. Since the end of 2012, there's been a decline in public sector employment in Canada. If this trend continues, public sector job growth this year will be the lowest since 2009, and before that the severe job cuts in the 1990s.

Public sector employment increased at an average rate of 2.4 per cent per year from 1999 to 2009. Stimulus spending provided a further spurt of growth in 2010, but since then job growth has slowed, averaging less than half the rate of the previous decade.

Almost two-thirds of public sector workers are women, so the slowdown in public sector jobs particularly affects them. While men suffered most of the job loss in the recession, they've also benefitted from most of the job growth since.

Strong growth in public sector employment through last spring gave way to losses from the summer on, particularly in Newfoundland, Ontario and Alberta. In contrast, Quebec suffered steeper public sector job losses early this year, with numbers rebounding since then. Health care employment has continued to grow, while education, transportation and public administration have declined.

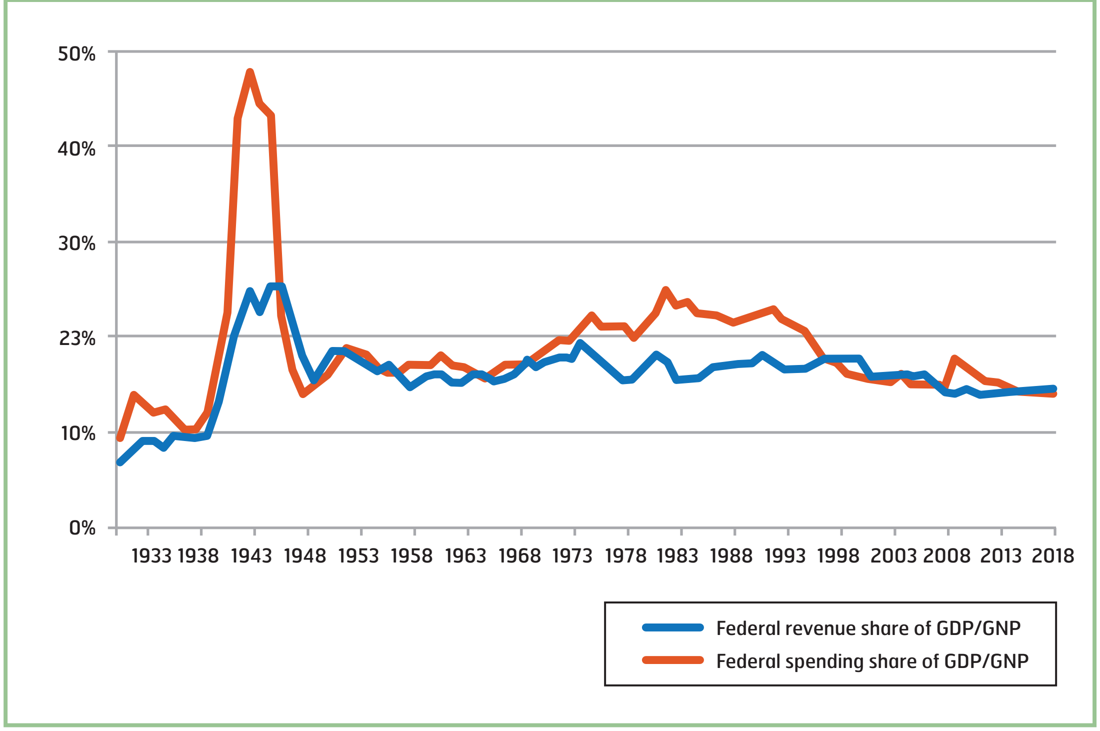
PUBLIC AND PRIVATE SECTOR JOB GROWTH



Sources: Statistics Canada Labour Force Survey, Cansim Tables 282-0012 and 282-0089.

Federal spending to hit 70-year low

CANADIAN GOVERNMENT SHARE OF ECONOMY
(Finance Canada projections for 2013-2018)



Sources: Statistics Canada Historical Statistics of Canada; Finance Canada Fiscal Reference Tables; and Update of Economic and Fiscal Projections 2013.

The Harper government is set to squeeze the federal government's role to the smallest it has been in seventy years. As revealed in the fall Update of Economic and Fiscal Projections, federal government spending is projected to drop to a 14 per cent share of the economy by 2018-19—the lowest since at least 1948.

Overall federal taxes and revenues are already at their lowest rate in 70 years. Total federal revenues as a share of the economy declined to 14 per cent in 2012-13, with tax revenues down to 11.5 per cent. They haven't been this low since 1940. That's before Canada had national public health insurance, the Canada Pension Plan or unemployment insurance. If revenues and spending associated with these programs are excluded, we have to go even further back to find a time where the relative role of the federal government in Canada was so small. And if the Harper government follows through with its plan to allow income splitting for tax purposes and to increase the annual limit for Tax-Free Savings Accounts, revenues will be even lower.

While the federal government's tax revenues have declined as a share of the economy, many Canadians might not feel any better off, or more lightly taxed. That's because there's been a major shift in where the federal government gets its money.

Tax rates on top incomes and corporations have been cut, while the use of tax loopholes and tax havens has increased. The conversion of retail sales taxes to value-added taxes like the GST and HST has shifted the costs of these taxes onto consumers and away from businesses. And with increasing responsibilities being downloaded to provinces and municipalities, these levels of government have relied on increasing more regressive taxes. Our tax system has become so regressive that the top one per cent pays a lower overall rate of tax than the poorest 10 per cent.

The federal government's revenues have increasingly shifted towards personal income tax. For the first time ever, personal income taxes are projected to provide more than 50 per cent of Ottawa's revenues next year, and keep rising. That's up from a 30 per cent share fifty years ago and even lower shares before then.

The share of the federal government's revenues paid by corporations have come down, as have other taxes and duties, including estate taxes, excise taxes and custom duties. Despite record profits, corporations provide just 13.6 per cent of the federal government's revenues in corporate income taxes. That's a third less than the share they provided during the "Golden Age of Capitalism" from 1946 to 1970.

If the federal government's revenues were returned to their post-war average of 16.8 per cent, it would have $48.7 billion more in revenues this year and $55.8 billion more in 2018. That kind of revenue would provide more than enough money to eliminate the deficit and fund important social programs. While some politicians and business lobby groups will always claim otherwise, it's clear the federal government has a revenue problem—not a spending problem.

Helping the rich get richer

Tory tax scheme won't benefit those who need it

Once the federal budget is balanced, the Harper government plans to introduce income splitting: allowing couples with children under the age of 18 to shift up to $50,000 a year in income to the lower income spouse for tax purposes. What does that mean for Canadian families?

The argument for income splitting is that couples with one spouse who makes significantly more than the other pay a higher overall tax rate than couples with relatively similar incomes. For example, a family where one spouse stays home with no employment income and the other makes $100,000 a year pays more in income tax than a family where both spouses earn $50,000, because of our progressive income tax system. The system is considered unfair by some, and a disincentive for parents to stay at home.

If the federal government can afford to reduce taxes on families so one parent can stay at home with the kids, what's not to like?

Plenty, it turns out.

If all taxes, payroll deductions and working expenses are included, there is little difference in the overall tax rate paid by families with the same overall income. If child care expenses are included, any tax advantage for the two-earner couple disappears for most incomes, as a report by the C.D. Howe Institute showed. Income splitting would replace a system of relative equality with one where single earner high-income couples have a big advantage.

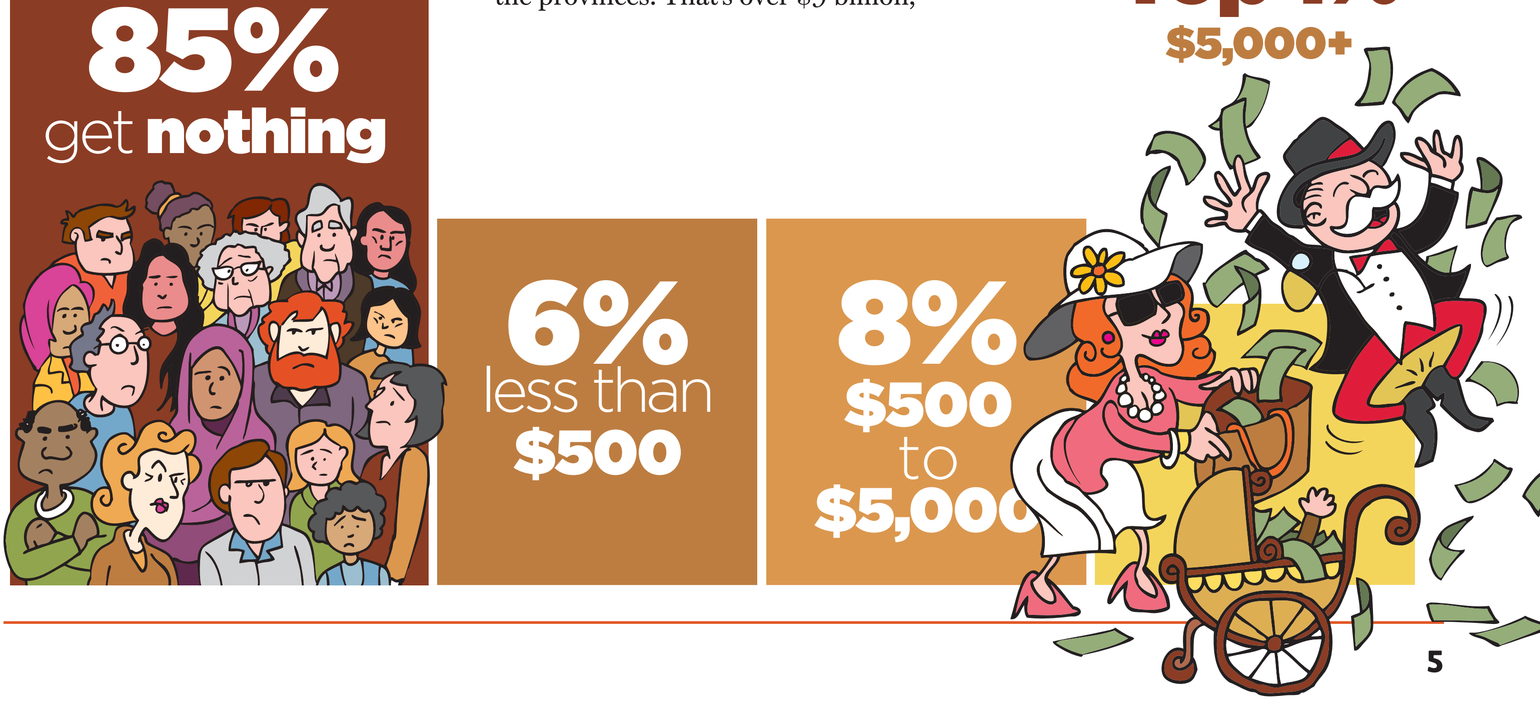
So how much would it cost? And who benefits?

The Conservatives' proposal would cost the federal government $2.7 billion, and it would cost the provinces another $1.7 billion annually. Those figures are only if it's limited to families with children. If extended to all families, as Ontario Conservative leader Tim Hudak has proposed, the annual cost rises to $5.6 billion for the federal government and $3.5 billion for the provinces. That's over $9 billion, and costs would certainly rise as more families took advantage of the scheme.

And here's the kicker: 85 per cent of Canadian households wouldn't benefit at all. Single individuals, single parents, couples with children over 18 and even couples with children under 18 with incomes in similar tax brackets wouldn't benefit.

As the diagram shows, only families at the very top of the single earner income scale stand to benefit significantly, with those earning more than $200,000 a year benefiting the most. Sounds like a familiar refrain from the Harper government, doesn't it?

Income splitting is terrible policy that would have negative economic impacts. It provides little for parents who need help, while lining the pockets of those who don't. There are plenty of more equitable ways to support families raising children that could also benefit economy.



Canada Pension Plan improvements within reach

It is now time for the federal government to quit the delays, show the leadership we need and expand the CPP. We can and must do better for the 11 million Canadians without a workplace pensions and for generations to come.

— CUPE National President Paul Moist, *Winnipeg Free Press,* 14 November 2013

Strong momentum is building again to expand the Canada Pension Plan.

CUPE and the Canadian Labour Congress have been at the forefront campaigning to improve the CPP and the Quebec Pension Plan (QPP). Now premiers from most provinces are also pushing the federal government to improve the CPP.

The CPP provides a secure, defined pension indexed to inflation for virtually all Canadians. However, its maximum annual benefits—$12,150 in 2013—aren't enough to ensure decent retirement income when combined with basic Old Age Security (OAS)—$6,600 a year—and the Guaranteed Income Supplement (GIS) for low income seniors.

Even the maximum benefit from all three programs ($21,000 total) isn't enough to keep most above the poverty line. Meanwhile, just a third of Canada's workforce has a workplace pension plan and fewer than a quarter of Canadians contributed to an RRSP.

A recent report from the Organisation for Economic Co-operation and Development noted that Canada has a modest public system compared to many countries, and relies heavily on private plans. If our private plans are under attack, and some governments oppose CPP expansion, how will we afford retirement?

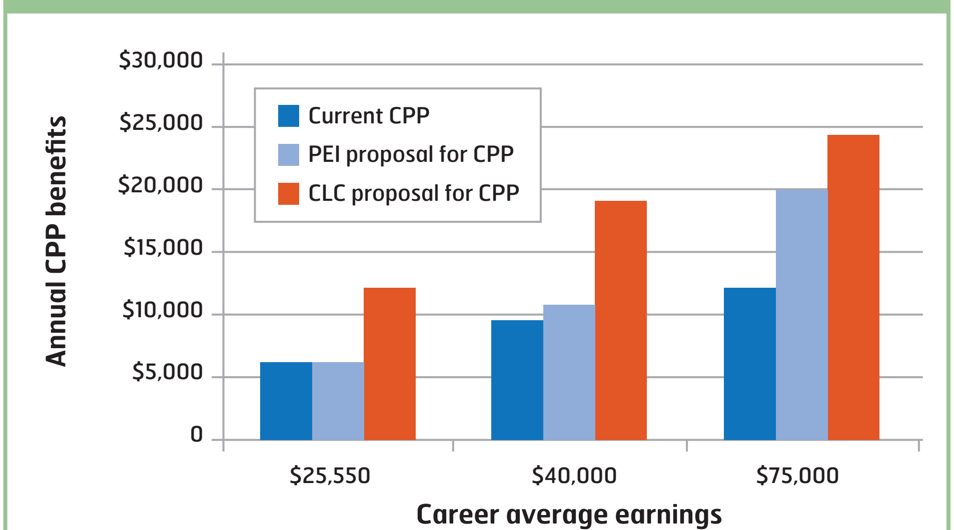
Labour's plan to improve the CPP is straightforward: double the replacement rate to 50 per cent, bringing maximum annual CPP benefits to $24,300 for an individual. Together with OAS and an improved GIS for low incomes, this boost would provide decent income and keep seniors out of poverty.

Other proposals to improve the CPP also have merit. However, none provide the level of benefits that the CLC plan does for lower and middle-income Canadians. Other proposals would primarily target middle and higher income earners. Under all these plans, increased benefits would be pre-funded through gradual and affordable premium increases. The chart illustrates how different proposals stack up in terms of benefits for different average earnings.

With the demonstrated failure of voluntary pension plans, like the federal government's private pooled pension plan proposals, and previous opponents now coming around to supporting expansion of the CPP, the tide is turning on this important issue. It's time to take the final steps and make it happen.

— With files from Chris Roberts, CLC and Mark Janson, CUPE Research

ANNUAL BENEFITS BY INCOME LEVEL FOR DIFFERENT CPP PROPOSALS



CONSUMER PRICE INDEX

Inflation rates stay low

Lower gas prices pulled inflation down in most provinces, with the national rate at just 0.7 per cent in October. It averaged just one per cent in the first 10 months of 2013—half of the Bank of Canada's two per cent target rate. The core rate of inflation, which excludes more volatile prices, has averaged 1.2 per cent so far this year.

Inflation is now expected to average about 1.5 per cent in 2014 and 1.9 per cent in 2015. Price increases are expected to be more subdued in Ontario, Quebec and New Brunswick, and slightly higher in Newfoundland, P.E.I. and the Prairies (see table below).

With little in the form of inflationary pressures, the Bank of Canada has signalled it is unlikely to hike short-term interest rates for at least another year.

INFLATION AND WAGES

	Canada	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
Public sector: base wage increases: Jan to October 2013	0.9%	1.7%	0.9%	1.5%	1.5%	0.3%	2.2%	1.0%	2.5%	1.6%	1.2%
Private sector: base wage increases: Jan to October 2013	2.1%	0.6%	2.4%	3.1%	2.8%	2.3%	1.9%	2.4%	2.5%	--	2.7%
Inflation: Jan to Oct 2013	0.9%	-0.1%	1.3%	1.3%	2.3%	1.0%	0.8%	0.6%	1.2%	1.8%	1.5%
Inflation Forecast 2014	1.5%	1.5%	2.0%	2.1%	1.8%	1.4%	1.4%	1.4%	1.5%	1.7%	1.8%
CUPE Average wage increase forecast for 2014	1.6%	1.5%	1.8%	1.5%	1.3%	1.0%	1.5%	1.5%	2.0%	2.0%	0.0%

Sources: Labour Canada Major Wage Settlements; Statistics Canada Cansim table 326-0020; forecasts by TD, RBC and BMO banks and CUPE National.

WAGES **WHO'S GETTING WHAT**

Increases remain low, if not frozen, in public sector

Base wage increases in public sector collective agreements negotiated so far in 2013 have averaged 0.9 per cent per year. These increases are below the rate of inflation and below expected inflation over the life of the agreements, which average two and a half years. Wage increases below the cost of living mean real wage losses.

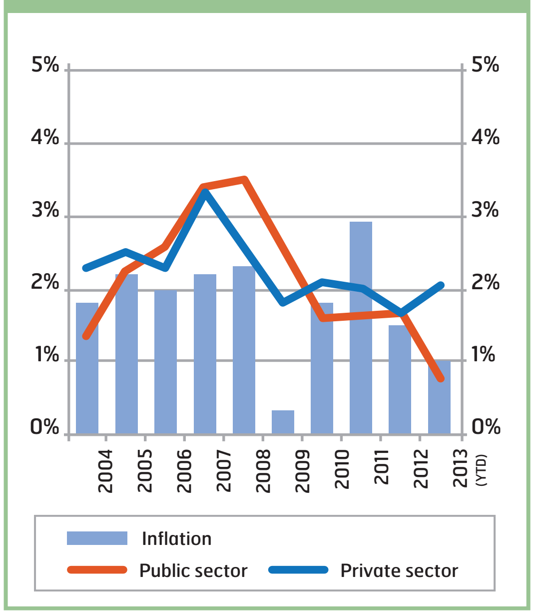
Workers in the private sector have done better, with average wage adjustments of 2.1 per cent annually in agreements signed in the first ten months of 2013, dominated by agreements with almost 150,000 workers in Quebec's construction industry.

The chart to the right shows that while average base wage increases in the public sector were above inflation from 2005 to 2009, they've mostly fallen behind inflation since then. Though they diverge from year to year, wage increases in public and private sectors tend to track each other over the longer term.

Among CUPE's membership, average base wage increases are slowing down considerably, with temporary wage freezes coming into effect for public sector workers in Newfoundland and Labrador; school board and other workers in Ontario; school board workers in Alberta; and Hydro Quebec workers.

The table above shows how base wage increases in the public and private sectors compare to consumer price inflation by province for the first ten months of 2013. It also includes projections for average wage increases for CUPE's membership together with inflation projections by region for 2014.

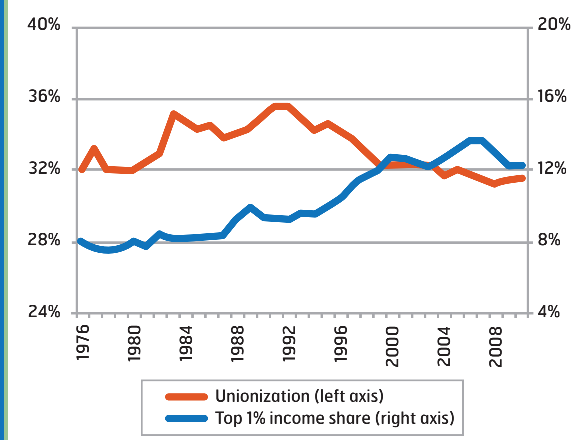
INFLATION WAGE INCREASES IN PUBLIC AND PRIVATE SECTOR AGREEMENTS 2004-2013



The Big Picture
Unionization and inequality in Canada

A number of different studies have estimated that a fifth to a third of increasing inequality in the U.S. and Canada is directly related to declining rates of unionization. Labour unions play a key role in promoting equality both among their membership and for broader society by advocating for higher minimum wages, better standards, improved social programs, fair taxes, and controls on excessive corporate power and executive compensation.

UNIONIZATION AND INEQUALITY IN CANADA



Sources: World Top Income Database, Statistics Canada Cansim Table 279-0026 and 380-0002, HRSDC.

Stats Canada: Data shows union membership is changing

UNIONIZATION RATES have declined in manufacturing; utilities; resources; and information, culture and recreation, but they've increased in public administration; business building and support; and finance and insurance.

AN INCREASING SHARE OF UNION MEMBERS WORK IN ESTABLISHMENTS WITH FEWER THAN 100 PEOPLE, up from 45 per cent in 1997 to 49 per cent in 2012. This trend reflects both an increase of the share of the workforce in smaller establishments and declining rates in larger establishments.

A growing share of union members have been working at their current job for less than five years, up to 37 per cent in 2012 from 28 per cent in 1997. This trend reflects both shorter average tenures at workplaces in general, and **RISING UNIONIZATION RATES AMONG EMPLOYEES WITH SHORTER TENURES.**

While unionization **RATES REMAIN LOWER AMONG PART-TIME AND TEMPORARY WORKERS** than full-time and permanent workers, **THESE GAPS ARE SHRINKING**. Temporary workers not only make up a larger share of the workforce in general, but the proportion that is unionized has also climbed.

Union membership suffered **THE BIGGEST DECLINE IN B.C.**, falling from over 34 per cent in 1998 to below 30 per cent in 2012. In other provinces unionization rates have stayed relatively strong over the past 15 years, declining slightly in Ontario and Alberta, while **RISING IN THE MARITIME PROVINCES.**

	1997	2012
Overall unionization rate	**30.9%**	**29.5%**
Men	32.2%	28.2%
Women	29.4%	30.9%
Age		
15-34	20.3%	22.6%
35-54	39.5%	33.7%
55+	35.3%	34.5%
Full-time workers	33.0%	30.9%
Part-time workers	21.5%	23.3%
Permanent	31.9%	29.9%
Temporary	22.9%	27.4%
Job Tenure		
Under 5 years	16.7%	20.5%
5-10 years	36.6%	32.5%
Over 10 years	52.6%	44.3%
Sector		
Public sector	69.8%	71.1%
Private sector	19.0%	16.2%
Industry		
Resources	28.5%	21.7%
Utilities	67.2%	62.1%
Construction	29.9%	31.2%
Manufacturing	33.3%	24.1%
Trade	12.9%	12.7%
Transportation and warehousing	43.2%	40.2%
Finance and Insurance	7.9%	8.8%
Professional services	4.0%	4.4%
Business, building and support	12.8%	15.4%
Education	68.2%	67.7%
Health care and social services	52.7%	53.3%
Information, culture, recreation	28.1%	24.3%
Accommodation and Food	7.9%	6.5%
Other Services	9.0%	8.7%
Public Admin	64.9%	67.1%

Sources: Statistics Canada Cansim tables 282-0220 to 282-0225.