



Recent Economic, Labour Market and Wage Trends

In this First Issue!

Economic information is essential to understanding and transforming the world in which we live. Knowing the current state of the Canadian economy, the evolution of prices and salaries, the number of jobs available or the financial state of public and social programs, can serve several purposes. For example, having a good idea of the recent evolution of salaries is very useful when formulating wage demands and re-negotiating collective agreements.

The objective of this publication is to make economic information accessible to the staff and to members of the Public Service Alliance of Canada. In this issue, we present the main economic and social indicators that we plan to publish up to four times a year. In this edition we also review recent trends in these indicators.

Are we in a period of economic growth or recession?

Our Indicator: Gross domestic product at basic prices (1997\$)

Economists use numerous methods to measure the general health of the economy. The most common indicator is the real Gross Domestic Product or real GDP. The Gross Domestic Product (GDP) is the value of all goods and services produced in a year within Canada's borders. The terminology "real" means that the evolution of prices (or inflation) has been taken into account.

How to read it:

When real GDP is growing near its long-term potential growth rate, then the economy is generally in good shape. This could mean more money for Canadians and for their governments. A negative rate of change in GDP is typically bad news. When the economy produces less than it did in the previous year, it usually means higher unemployment and a lower standard of living for the population. But GDP is a limited measure insofar as it does not take activities "outside the market" into account, for example, the value of unpaid work performed "at home" or by volunteer workers.

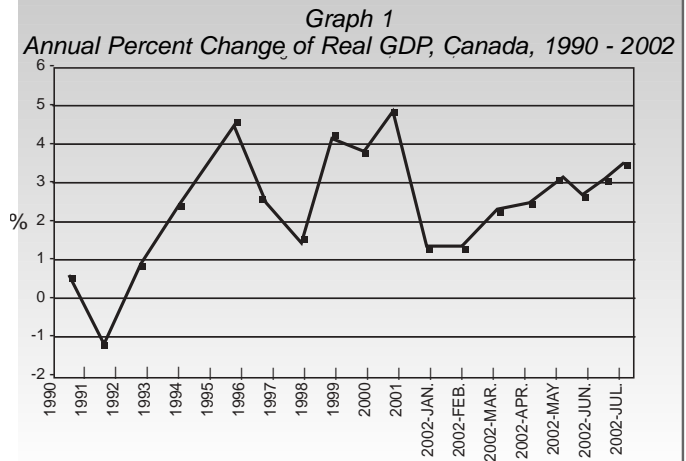
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Recent Trends

After the economic slowdown in the United States, the boom and bust of financial markets and the terrorist attacks of September 11, 2001, some people were afraid that Canada would sink into a recession. There are certainly sectors of the economy, for example high technology and travel industries, that were affected by the recent events but, generally, the situation is not as dark as some anticipated.

According to the most recent data from Statistics Canada, the real GDP advanced 3.2% in July 2002 as compared to July 2001. The annualized growth rate of the last three months averages 2.8%, after an average growth of 1.8% during the first three months of 2002 and a rather difficult year in 2001 (1.1%). When we compare the annualized results for the first seven months of 2002 to those of the previous years (Graph 1), we can see that the economy has progressed.

In other words, the Canadian economy is not in recession. It continues to grow. It is growing at a slower rate than it did at the end of 1990s, but it is still growing faster than it did in 2001.



Source: Statistics Canada, no. 15-001-XBP.

Does the Canadian economy create jobs?

Our indicators: the level of employment and the monthly unemployment rate

There is not a month where the statistics on the labour market do not make news. Several statistics are regularly reported, including the level of employment and the very popular unemployment rate. The unemployment rate is the percentage of the labour force that is actively seeking work at a given time but is unable to find work. Discouraged workers—

persons who are not seeking work because they believe the prospects of finding it are extremely poor—are not counted as unemployed or as part of the labour force. The unemployment rate also does not reflect workers who are “underemployed,” i.e. working part-time when they would rather be working full-time.

How to read it:

When the level of employment increases and the unemployment rate decreases, it generally means that the economy and the labour market are doing well. This means more job opportunities for Canadians. Conversely, if the level of employment decreases and the unemployment rate increases, the economy is not creating employment, which is a bad sign. Sometimes, the level of employment and the unemployment rate evolve differently from the examples above. For instance, it is possible that, on certain months, the level of employment in the country progresses and the unemployment rate stays the same or even increases. This can often mean that discouraged workers, seeing the improvement of the conditions, have decided to look for a job, which has the consequence of increasing the number of Canadians looking for employment and thereby increasing the unemployment rate.

Table 1
Employment and
Unemployment Rate,
2000 to September 2002

	2000 Year	2001 Year	2002 June	2002 July	2002 Aug.	2002 Sept.
Employed	14,910	15,077	15,394	15,417	15,476	15,517
Full-time	12,206	12,345	12,537	12,572	12,597	12,592
Part-time	2,702	2,732	2,857	2,844	2,879	2,924
Men	8,049	8,110	8,265	8,282	8,304	8,320
Women	6,860	6,967	7,129	7,134	7,172	7,197
15-24	2,289	2,314	2,354	2,362	2,382	2,377
25+	12,621	12,763	13,039	13,054	13,094	13,140
Public Sector Employees	2,792	2,822	2,901	2,936	2,947	2,961
Private Sector Employees	9,696	9,646	13,148	10,123	10,174	10,183
Unemployment Rate	6.8	7.2	7.5	7.6	7.5	7.7
Men	6.9	7.5	7.9	8	-	-
Women	6.7	6.8	7.1	7.2	-	-
15-25	12.6	12.8	13.5	13.4	-	-
25+	5.7	6.1	6.3	6.5	-	-

Source: Labour Force Information 71-001-XIE, Canadian Economic Observer, August 2002 (num. 11-010-XPB and The Daily (Sept. 6, 2002), Statistics Canada

Recent Trends

Employment surged by 59,000 jobs in August 2002 and by 41,000 in September 2002, continuing the upward trend that began at the start of the year. So far in 2002, employment has grown 2.8% (+427,000), one of the fastest growth since 1994. Over this nine-month period, full-time employment rose by 255,000 (+2.1%) and the number

of workers employed part-time grew by 171,000 (+6.2%) (The Daily, October 11, 2002, Statistics Canada).

In August, the employment gain was equally distributed among youths (+20,000), adult women (+20,000) and adult men (+19,000). In September, employment among adult men changed little. So far in 2002, job gains

among adult men totaled 173,000 (+2.5%), with full-time employment up by 143,000. Employment strength among adult women continued in September, with a gain of 42,000 jobs, mostly full-time (+31,000). And part-time employment among youths rose by 47,000, but full-time employment fell by 52,000. Despite little overall change in September,

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youth employment growth has been strong since the beginning of 2002 (+3.3%), especially over the summer.

August job growth was concentrated among private sector employees (+51,000), while the public sector rose slightly (+11,000). In September, there

were only slight gains in the number of private (+9,000) and public (+14,000) sector employees, but year-to-date employment in the two sectors rose by 208,000 (+2.1%) and 127,000 (+4.5%), respectively.

Despite the employment gain, the unemployment rate rose 0.2

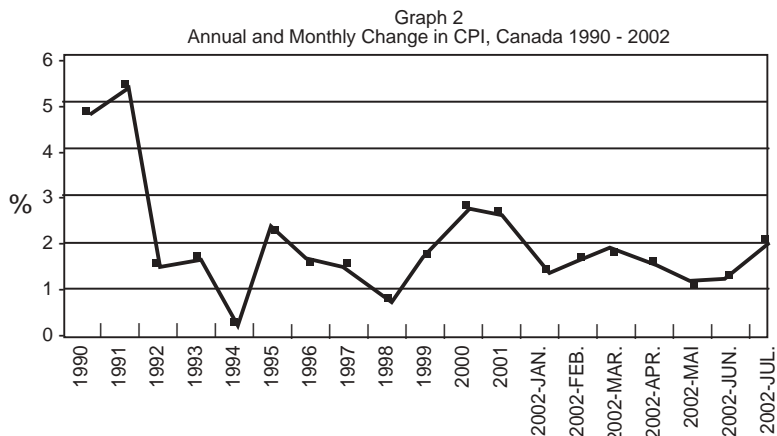
percentage points to 7.7%, as more people entered the labour market in search of work.

In other words, since the beginning of 2002, the Canadian economy continues to create jobs at a good pace. However, many of these jobs are part-time.

Are products and services more expensive or less expensive today than a month ago, one year ago, three years ago or 10 years ago, and by how much?

Our Indicator: Consumer Price Index (1992\$)

The Consumer Price Index (CPI) is a widely used indicator of inflation (or deflation) and indicates the changing purchasing power of money in Canada. It is determined by calculating, on a monthly basis, the cost of a fixed "basket" of commodities purchased by a typical Canadian consumer during a given month. The basket contains products from various categories, including shelter, food, entertainment, fuel and transportation.



Sources: *The Daily* and *the Canadian Economic Indicator*, no 11-210, Statistics Canada.

How to read it:

Since the contents of the basket remain constant in terms of quantity and quality, the changes in the index reflect price changes. When the CPI increases, it means that it is now more expensive than in the previous period to buy the same products and services. When the CPI decreases, it means that it is now less expensive than the previous period to buy the same products and services. When the

CPI percentage growth rate increases, it means that inflation accelerates. If the CPI percentage stays the same from one month to the next, inflation is stable, even though prices are still increasing. If the rate is negative, this means prices are going down, then we say that there is deflation. In labour relations, the variation of the CPI in percentage is often used to guide the workers in their wage demands and/or to estimate

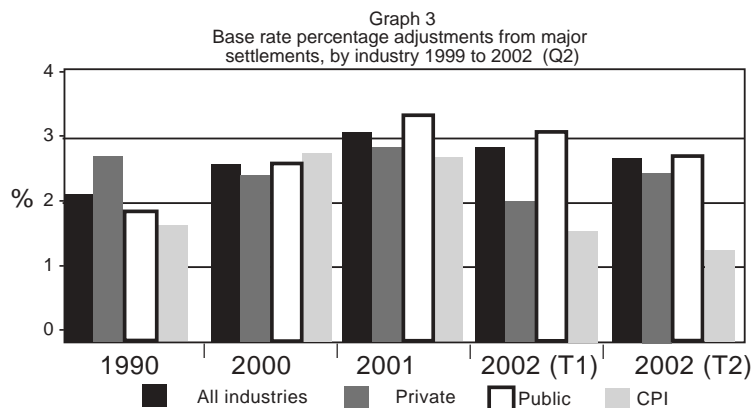
changes in their purchasing power. When the negotiated wage increases are lower than the percentage increase of the CPI, it could mean a decrease in the purchasing power of the employees. This is why labour contracts of many Canadian workers include cost-of-living adjustment (COLA) clauses that link wage increases to variations in the CPI.

Recent Trends

Consumers paid 2.6% more in August 2002 than they did in August 2001 for the goods and services included in the Consumer Price Index (CPI). This increase followed a 2.1% rise in July 2002 from July 2001, which constituted the largest increase since September 2001. As we can see in Graph 2, it is a considerable increase relative to the rate of increase of 1.0% shown in May 2002 (The Daily, in August and September, 2002).

In other words, it now costs more and more, every month, to buy the products and services included in the fixed basket of commodities for consumption calculated to determine the CPI. If the wage increase you obtained for the beginning of 2002 is more than the average variations of the CPI since the beginning of the year (1.7%), then it is very likely that you improved your purchasing power.

What have been the pay increases negotiated in recent settlements in Canada?



Source: HRDC and Canadian Economic Observer, August 2002, Statistics Canada, no.11-101-XPB

Our Indicator: Wage Settlements in major bargaining units.

On a monthly basis, the Workplace Information Directorate of HRDC publishes the average increases in the rates of the basic pay as a result of the agreements reached in the preceding month, quarter and year. This is what we present here. More details are available in the Wage Settlements Bulletin published every month.

Recent Trends

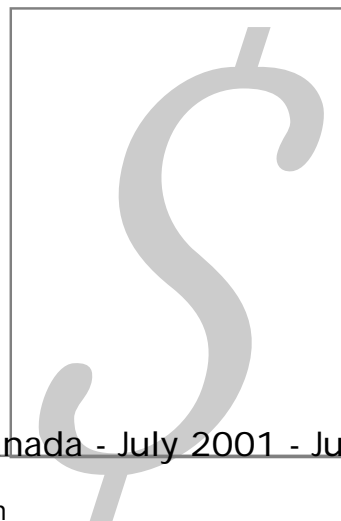
Major collective bargaining settlements reached in the second quarter of 2002 provided base-rate wage increases averaging 2.7% annually over the contract-term. This is down a fraction from the 2.9% for the first quarter of 2002 and the

3.0% for 2001. Wage adjustments in the second quarter of 2002 were largely comprised of public sector settlements (82.5% of agreements covering 85.7% of employees). Public-sector wage adjustments for 398,665 employees in 99 settlements averaged 3.1%,

the same average as in the previous quarter, but down from 3.2% for the year 2001. Private-sector wage increases for 43,610 employees in 21 agreements averaged 2.6%, up from 2.0% in the previous quarter, and down from the average of 2.9% for 2001.

Other interesting facts and figures

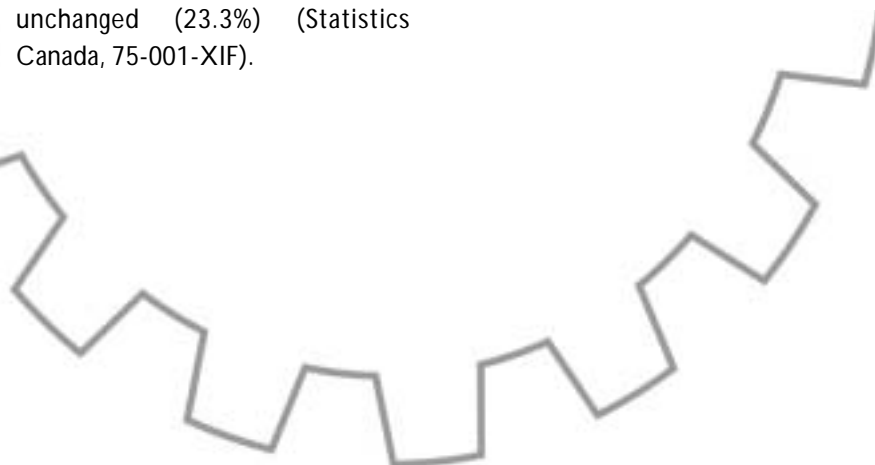
The last section of this publication is dedicated to different economic and social data which will be presented, in rotation, during the year. This issue presents the striking facts on the evolution of unionization in the country published during the Labour Day weekend of 2002 by Statistics Canada.



Unionization in Canada - July 2001 - June 2002

Since July 2001, Union membership grew from 3,8 million to 3,9 million. The increase in union membership was proportionately larger than the increase in the number of employees, so the union density rose from 30.0% to 30.3%. Most of the increase in membership occurred in the public sector, with the rate rising from 71.0% to 72.5%. The private-sector rate remained almost unchanged at 18.0%. Five provinces (Prince Edward Island,

Quebec, Ontario, Saskatchewan and British Columbia) recorded density rate increases, the rest saw declines. The rate among full-time employees rose from 31.5% to 31.9%, but among part-time workers, it remained virtually unchanged (23.3%) (Statistics Canada, 75-001-XIF).



We hope that this information is useful. For any comments or suggestions, please communicate with Kate Rogers or Sylvain Schetagne, at the PSAC Negotiations Section of Ottawa.