



Vol. 1 No. 3 • Spring 2003

Public Service Alliance of Canada
233 Gilmour Street, Ottawa, ON K2P 0P1
(613) 560-4200
www.psac-afpc.com

Economic, Labour Market and Wage Trends

Ready! Set! Go!

During the next few months, nearly 90 % of all Public Service Alliance of Canada members will renew their collective agreements. Whether you work for the federal government (Treasury Board), or an agency such as CCRA, CFIA and Park Canada, or a museum or an airport, you will have to make important decisions about your economic future.

This third issue of *Trends* provides much information about the current state of the economy. Once again, the objective of this publication is to make economic information accessible to the staff and members of the PSAC. That is why we not only illustrate current economic trends, but also define what we are talking about and explain what the possible effects are.

The Canadian Economy since the Beginning of Year 2003

How has the Canadian economy performed since the beginning of the year?

Our Indicator: Real Gross Domestic Product

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 term "real" means that the evolution of prices (or inflation) has been taken into account.

Recent trends

When it comes to economic growth, Canada currently leads the top seven most industrialized countries on the planet. In 2002, the annual growth rate of the Real Gross Domestic Product (GDP), - that is, value of all goods and services produced in a year within Canada's borders - was 3.4%. It means that the size of the Canadian economy increased by 3.4% in 2002. For the first three months of 2003, even before the SARS (Severe Acute Respiratory Syndrome) crisis, the growth rate of our economy was down to 3.2% (Graph 1).

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Recent trends

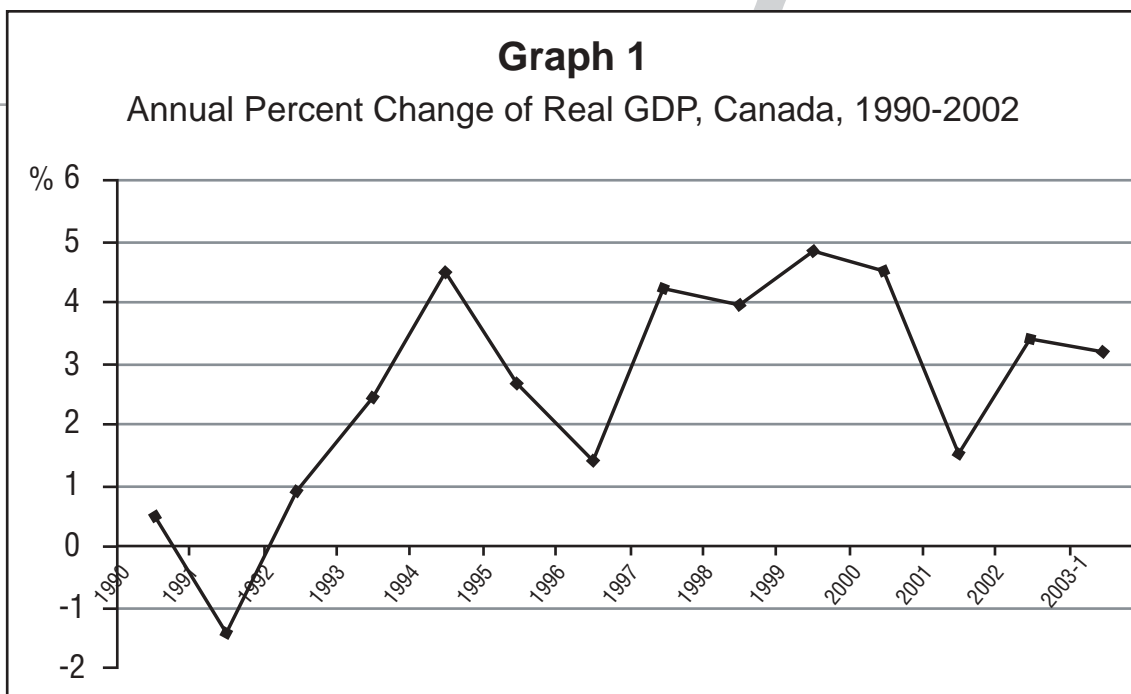
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For the past few months, the Canadian economy has not performed quite as well as expected. While economists predicted an increase of above 3% for 2003, many revised their projections downward mainly because of recent events. SARS and the rapid rise in the value of the Canadian dollar compared to American currency are some factors which have slowed down the growth of our economy. Economists now project an economic growth of a little better than 2%.

How the GDP affects us

A more or less rapid growth in our economy, or a decrease, can have serious consequences for our economic security. It may influence employment level and job creation, government revenues and our living standard. When real GDP is growing near its long-term potential growth rate¹, 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 typically signals bad news and sometimes a recession. 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.

On graph 1, we can see that the Canadian economy has progressed a little less quickly than three years ago when we renewed many of our collective agreements. Nevertheless, the economy is still growing. We are not in recession².



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

¹ A rate which, in turn, is determined by the underlying growth of the labour force and the capital stock, and the pace of technological change.

² Recession: to be in a recession, it is necessary that the country experience two consecutive quarters of negative growth of its real GDP.

Jobs and the Unemployment Rate

Is the Canadian economy creating jobs?

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

There is not a month that goes by where the statistics on the labour market do not make news. Several statistics are regularly reported, including the level of employment in our economy 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 – individuals 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 or have a temporary job when they would prefer a permanent job.

How the level of employment and the unemployment rate affects us

It is generally recognized that, when level of employment increases and the unemployment rate decreases, it means that the economy is creating jobs opportunities. In this context, a person might have a better chance of finding a job. However, if the level of employment decreases and the unemployment rate increases, it means that the economy is *not* creating jobs. In this context, workers may lose their jobs or not be able to find one if they are looking for work.

Recent trends

For the labour market, 2002 was another year that defied expectations. Between December 2001 and December 2002, 560,000 jobs were created, an increase of 3.7% from the beginning of the year. The participation rate, defined as the percentage of persons old enough to work and active in the labour market, went from 65.5% to 67.5%, equaling the record high set in January 1990. Even more encouraging is the fact that, in December, the percentage of employed persons was 62.4%, the highest on record³.

However, since the beginning of 2003, the news has not been as good. Since January, employment growth has been relatively weak compared with the same period of 2002. In the first five months of the year, employment increased by 35,000 jobs, or just 0.2%. This represents an increase which is less than the rate of population growth. Over the same period in 2002, employment had surged by 249,000 jobs, or 1.6%. For the second consecutive month, employment in Canada dipped by 13,000 in May. A jump in the number of people entering the labour market in search of work pushed the unemployment rate up 0.3 percentage points to 7.8% (Table 1).

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³ Statistics Canada, Labour Force Survey, June 2003

Table I
Employment and Unemployment Rate, 2000-2003

	2000	2001	2002	Dec. 2002	May 2003
Employed ('000)	14,910	15,077	15,412	15,650	15,685
<i>Full-time</i>	12,206	12,345	12,528	12,674	12,749
<i>Part-time</i>	2,702	2,732	2,884	2,976	2,936
<i>Men</i>	8,049	8,110	8,262	8,360	8,382
<i>Women</i>	6,860	6,967	7,150	7,290	7,303
<i>15-24</i>	2,289	2,314	2,367	2,405	2,407
<i>25+</i>	12,621	12,763	13,045	13,245	13,279
<i>Public Sector Employees</i>	2,792	2,822	2,908	2,953	2,973
<i>Private Sector Employees</i>	9,696	9,646	10,158	10,318	10,327
Unemployment Rate (%)	6.8	7.2	7.7	7.5	7.8
<i>Men</i>	6.9	7.5	8.1	8.0	-
<i>Women</i>	6.7	6.8	7.1	7.0	-
<i>15-25</i>	12.6	12.8	13.6	13.3	-
<i>25+</i>	5.7	6.1	6.5	6.4	-

Source: Statistics Canada Canadian Economic Observer, June 2003

Recent trends

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In short, these statistics demonstrate that the labour market is not as strong as it was in 2002. Nevertheless, the unemployment rate is still relatively low and the high participation rate seems to demonstrate that there is still some optimism in the labour market. In this context, employers still have to offer competitive working conditions if they wish to keep or attract qualified workers.

Prices and Inflation

By how much have prices for goods and services increased since the beginning of the year?

Our Indicator: Consumer Price Index (CPI)

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.

How the CPI affects us

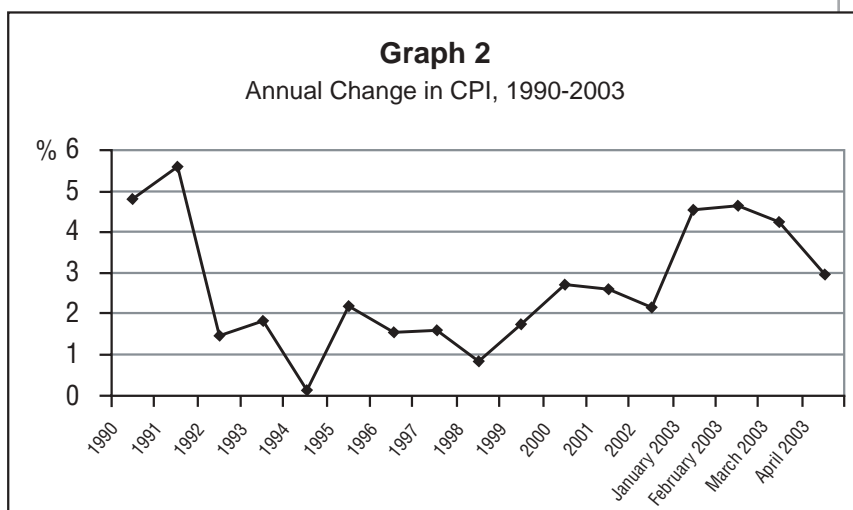
The CPI doesn't directly affect us because it measures increases in prices of products and services after the fact. However, price increases do affect us directly. In this context, the CPI is a good indicator of changes in our purchasing power. When the CPI increases, it means that it is now more expensive to buy the same products and services than in the previous period. When the CPI decreases, it means that it is now less expensive to buy the same products and services than in the previous period. When the CPI percentage growth rate increases – for example, from 2% to 3% – it means that inflation is on the way up. 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 – for example, – 1% – this means prices are going down, and we say that there is deflation.

In labour relations, the variation of the CPI in percentage is often used to guide 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 movements in the CPI.

Recent trends

As predicted, the percentage changes in the Consumer Price Index (CPI) have decreased over the past few months. This can be explained by the decrease in energy prices (gas, oil, electricity) and by what economists call the fundamental effects of the events of September 11 (see *Trends* vol. 2 for more details). Between January and April 2003, the CPI went from an annual increase of 4.5% to an increase of 3% (Graph 2).

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

Recent trends

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Simply put, although inflation is rising less quickly, it still costs more every month to buy the products and the services included in the basket of fixed consumption calculated to determine the CPI. If the wage adjustment you obtained for the year 2002 exceeds the average variations of the CPI noticed in 2002 (2.2%), then it is very likely that you improved your purchasing power.

Negotiated Wages

By how much have wages increased as a result of recently negotiated settlements?

Our Indicator:

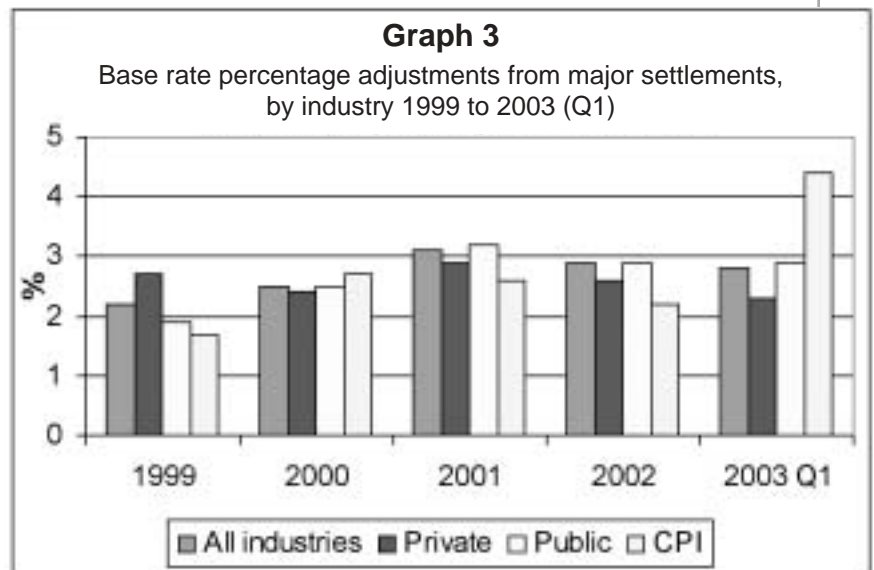
Wage Settlements in major bargaining units.

On a monthly basis, the Workplace Information Directorate of HRDC⁴ 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. Here are some statistics on negotiated wage increases since the beginning of the year 2003.

Recent trends

Major collective bargaining settlements reached in the first quarter⁵ of 2003 provided base rate wage increases averaging 2.8% annually over the life of the contract. This is down from 3.2% in the last quarter of 2002 and up for the second and third quarters of 2002.

Since the beginning of the year, major collective bargaining settlements provided base rate adjustments averaging 2.7% in January, 2.9% in February, 2.8% in March and 3.0%. Furthermore, since the year 2000, public sector increases have been slightly higher than those in the private sector. Wage adjustments in the public sector averaged 2.9% in the first quarter of 2003, compared to 2.3% in the private sector (Graph 3).



⁴ Workplace Information Directorate, Human Resources Development Canada

⁵ The first quarter is for the months of January, February and March 2003.

Source: HRDC and Canadian Economic Observer, June 2003, Statistics Canada, no. 11-101-XPB

Other interesting facts & figures

The last section of this publication is dedicated to different economic and social data which will be presented, in rotation, during the year. In this issue, we have chosen to highlight recent settlements negotiated by the PSAC in the current economic environment.

Recent Settlements at the PSAC

Despite the economic slowdown as well as the crisis in the aviation and the tourism industries, we were able to conclude collective agreements with substantial improvements in these industries.

Aviation Industry:
St-John's International Airport and Nav Canada

St-John's International Airport

After an 87-day long strike, PSAC members at St-John's International Airport were able to conclude a negotiated contract which provides for wage increases of 4.0% as of December 2001, 4.5% in 2002-2003 and increases equivalent to an inflation rate between 3% to 5% as of December 2003 and for 2004. Improvements were also achieved with respect to statutory holidays.

Nav Canada

As the result of a thousand days of lengthy and difficult negotiations, the bargaining team, with the help of an arbitrator, obtained economic increases of 2.5% for the last three years (July 2000, 2001 and 2002), an increase of 2.75% in July 2003, and an increase of 1.5% for the last six months of 2004. Progress was also achieved in the areas of job security, shift premiums and spousal union leave.

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Recent Settlements at the PSAC

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Tourism: Canada Science and Technology Museum Corporation

A one-year agreement has been reached on behalf of PSAC members at the Canada Science and Technology Museum Corporation. This tentative agreement provides for a 3% increase effective April 1, 2003. There are improvements to the bereavement leave article and to the overtime meal allowance. This one-year agreement is intended to provide the additional time necessary for the parties to complete the ongoing work on the new classification plan.

These examples demonstrate that you should not assume that current economic trends are the only factors influencing the results of negotiations. A good negotiating strategy, a strong and united bargaining unit that supports the bargaining team and a highly devoted team also play a central role during the collective bargaining.

Here's to a very successful round of bargaining!

We hope that this information has been useful. For any comments or suggestions, please communicate with Sylvain Schetagne in the Collective Bargaining Branch of the PSAC in Ottawa.

