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Education for Workers

ERROL BLACK CHAIR
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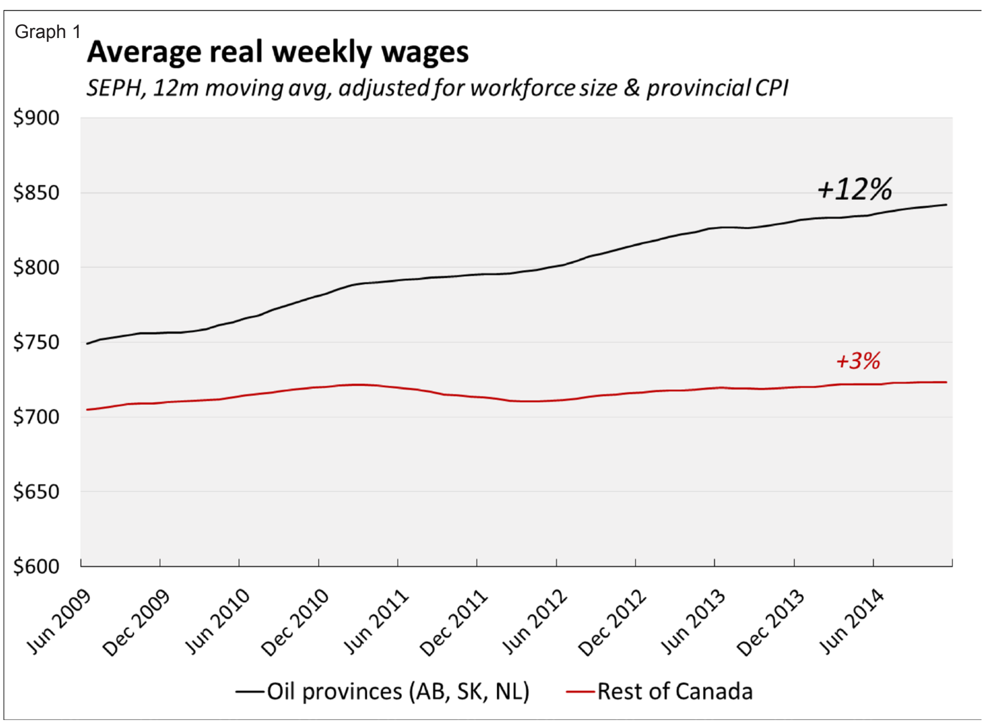
Stagnant wages for over 80 percent of Canadian workers

Are wages in Canada stagnant or growing? The short answer is another question: do you live in an oil boom province? There's a fairly common meme that Canadian wages are no longer stagnating, as opposed to US wages. Indeed, in Canada, overall wage growth has picked up since the last crisis.

The baggage that comes with this meme is that we here in reasonable, responsible Canada shouldn't care about all those things that the US and European leftists are warning about: no need to worry about inequality; austerity doesn't concern us and so on. But while it's a truism that we shouldn't just import analysis of another economy into the Canadian context, we are not immune to global trends. As a small, open economy, we cannot escape larger trends, especially with ever greater economic integration through free trade, freer movement of capital and international financialization.

One example of a phenomenon we haven't really escaped is precisely wage stagnation. Graph 1 below shows wage growth since the end of the last recession in June 2009. It separates the three oil boom provinces (Alberta, Saskatchewan and Newfoundland and Labrador) from the rest of Canada. The data are taken from the Survey of Employment, Payroll and Hours, or SEPH and show the change in average real (inflation adjusted) weekly wages. Both this graph and the one that follows are smoothed out to show the underlying trend, adjusted by provincial CPI and weighted by the size of the workforce in each province. Roughly the same picture emerges from the survey of workers (Labour Force Survey, or LFS) and its measure of average real hourly wages.

The picture since the last recession is not one of heady growth but rather one of stagnation for the vast majority of Canadian workers, precisely the 83 percent outside the oil boom



CANSIM 281 - 0049. Includes overtime/seasonally adjusted.

CCPA-MB
205 - 765 Main St.
WINNIPEG
R2W 3N5

PHONE
204.927.3200

EMAIL
CCPAMB@
POLICYALTERNATIVES.CA

WEBSITE
WWW.
POLICYALTERNATIVES.CA

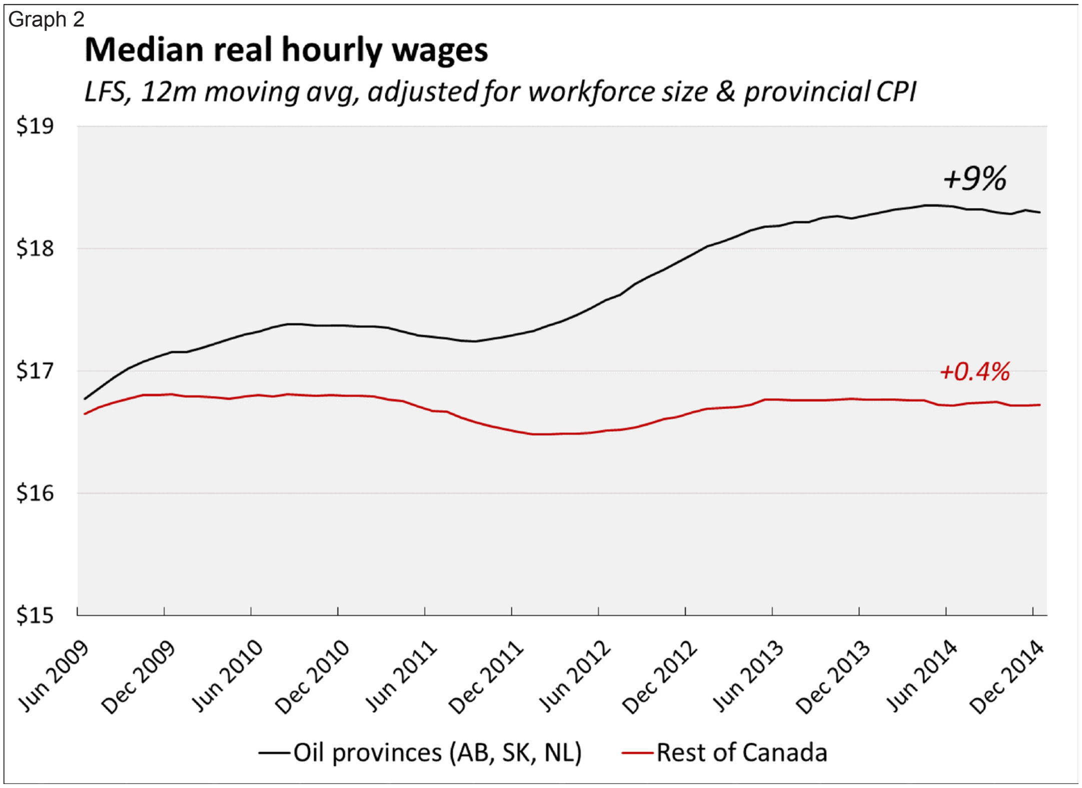
BLOG
WWW.POLICYFIX.CA

TWITTER
@CCPAMB

provinces. Since Canada officially exited recession in June 2009, average wages outside the oil boom provinces have barely budged. Graph 2 tracks the median real hourly wage (which gives less weight to the wages of the highest earners) and shows an even worse picture: effectively zero real wage growth in the past five years.

We can also take a longer view of the SEPH weekly wage data. Graph 3 (on following page) clearly shows real wages have grown roughly three times slower in the rest of Canada than in the oil boom provinces since around the turn of the millennium. The 8 percent real wage growth is especially jarring if you consider that Statistics Canada calculates that labour productivity grew by 15 percent between 2001 and 2014, or double that of real wage growth.

Graph 2



CANSIM 282 - 0071.

The data for real hourly wages from the Labour Force Survey are very similar. Looking back to 1997 shows a 12 percent real average hourly wage growth for workers outside the oil provinces. Here, the gap with productivity growth is equally wide as productivity grew 25 percent between 1997 and 2014.

Having an oil boom driving a minority of wages upwards is just one example of how commodity booms affect the Canadian economy. It remains to be seen how long the current crash in prices will last and what precise effects it will have, both positive and negative. The point is not to prognosticate on the future or simply decry the oil boom but understand the kind of uneven growth in wages seen above and what it says about the political economy of Canada today. That's an enormous task, but here are a few thoughts.

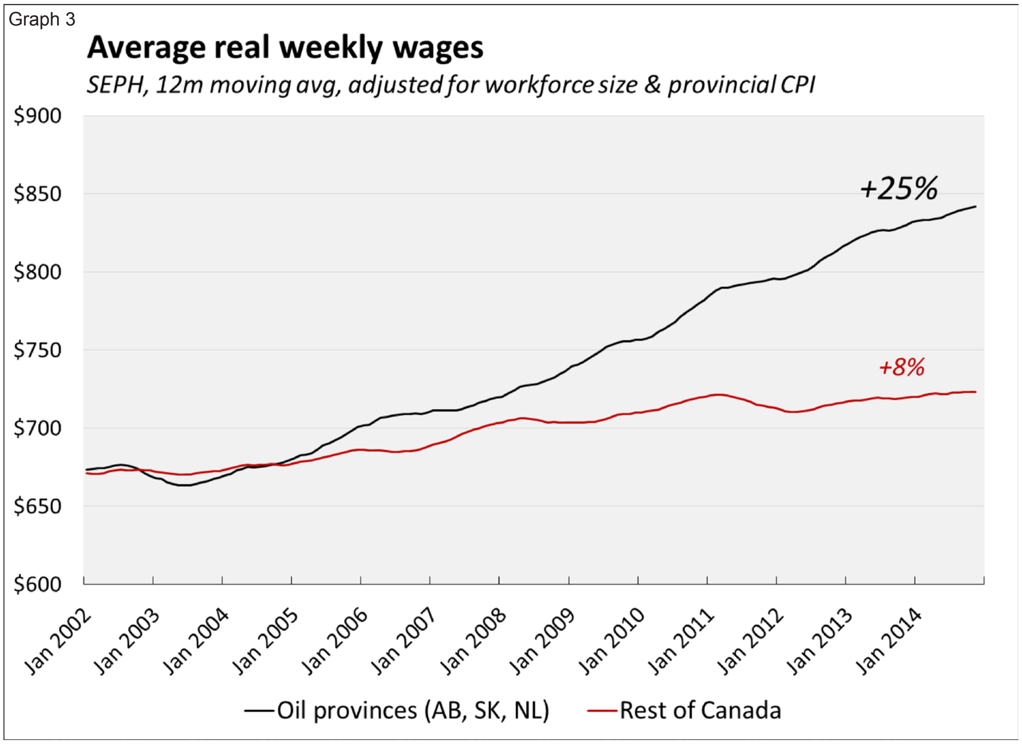
First, taking account of the oil boom shows that the underlying trend in Canada is not so different than that in the US. Workers here have been subject to a similar loss of bargaining power, a similar decline of the welfare state and greater competition at the global level.

Second, looking at what has been happening in the oil boom provinces, in particular Alberta which has been its driving force, shows how employers struggle to contain wage growth under conditions approaching full employment. Businesses, rightfully worried that a dearth of unemployed workers might start eating into profits, have been trying to mitigate wage growth in various ways (successfully to some extent as real wage growth even in the oil provinces has not kept pace with productivity, thus shrinking labour's share). The following examples show how their efforts play out:

1. One way to maintain profits is through the state (here, the province), for example via tax cuts or subsidies;

2. These produce cuts in government revenues needed for other uses. The decrease in revenues can be used to justify another tool: hard bargaining with unionized public sector workers, thus reducing wage pressures elsewhere in the workforce;

Graph 3



CANSIM 326 - 0020. 2002 dollars.

3. Finally, there is the option to increase the use of migrant labour, which has encompassed both inter-provincial migration, notably from the Maritimes, and international migrant labour largely from the global South. These workers enter Canada under the Temporary Foreign Workers program and are effectively indentured labour. Their presence allows employers to apply the brakes to even more explosive wage growth.

Look in particular at Alberta. All in all, the strategies above say a lot about what is in store for labour under neoliberalism even with essentially a full employment boom. Indeed, it's telling that Alberta's government immediately pushed for wage repression of the public sector rather than any, even mild, pro-cyclical policy as the bottom dropped out of oil prices.

Finally, there is the question of how the dynamic of uneven wage growth fuelled by a commodity boom has interacted with imbalances within the Canadian federation – both in terms of the trade and fiscal balances of provincial governments as well as the movement of capital within Canada. All of these factors merit a lot more attention in trying to understand the current conjuncture.

But at least we can say that while there surely are some myths about the Canadian economy, for most of us, stagnant wages are a reality.

Michal Rozworski is a researcher and writer from Vancouver. He has worked as a union organizer, researcher, campaigner, technical author and journalist. He holds an MA in Economics from the University of Toronto and has done further graduate work in philosophy of economics at McGill.

CCPA-MB
205 - 765 Main St.
WINNIPEG
R2W 3N5

PHONE
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EMAIL
CCPAMB@
POLICYALTERNATIVES.CA

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WWW.
POLICYALTERNATIVES.CA

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