



Fair, safe and productive workplaces

Labour

Disparity in Wage Adjustments

You can download this publication by going online:

publiccentre.esdc.gc.ca

This document is available on demand in multiple formats (large print, Braille, audio cassette, audio CD, e-text diskette, e-text CD, or DAISY), by contacting 1 800 O-Canada (1-800-622-6232). If you use a teletypewriter (TTY), call 1-800-926-9105.

© Her Majesty the Queen in right of Canada, 2015

For information regarding reproduction rights:

droitdauteur.copyright@HRSDC-RHDCC.gc.ca

PDF

Cat. No.: Em5-4/2014E-PDF

ISSN: 2368-8602

ESDC

Cat. No.: LT-272-01-15

Introduction

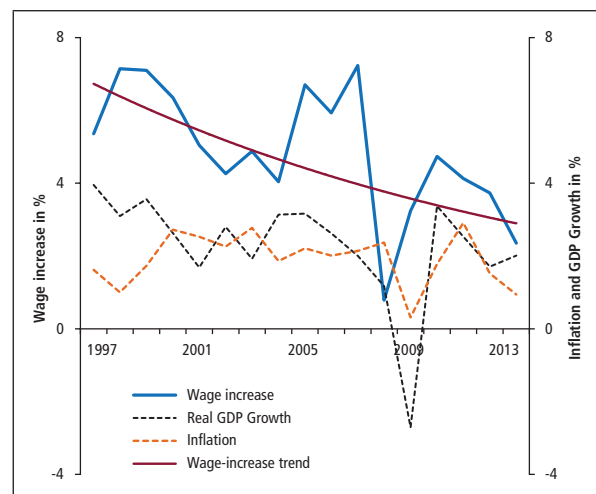
While wage increases are generally considered to have a positive impact on employees, disparity in wage increases across sectors, industries and jurisdictions can have more complex implications for employees, employers and the economy as a whole. The intent of this study is to identify and analyze such disparities in annual wage increases in Canada. The analysis is based on a pattern of evidence from major¹ collective bargaining agreements that were in effect between 1980 and 2013.

Non-unionized and unionized workplaces²

Annual wage adjustments in the non-unionized sector have trended down during the sample period. Wage increases in this sector responded more to business cycle fluctuations compared to increases in the unionized sector. Employees in the non-unionized sector received wage increases that were clearly higher than the inflation rate (excluding 2008). As shown in Figure 1, there was a sharp drop in the average wage increase once the economy was hit by recession in 2008, but the average increase climbed up above inflation the following year.

In the unionized sector, wages have been less sensitive to economic fluctuations. This is partly attributed to contracts that usually overlap and spread over multiple years. One interesting observation is that wage adjustments in the unionized sector tended to be counter-cyclical—low when economic growth is high and high when economic growth is low (Figure 2). Wage gains by unionized employees were relatively lower than gains by non-unionized employees. The average increase in wages remained close to the inflation rate for the most part, making the increases insignificant in real terms.

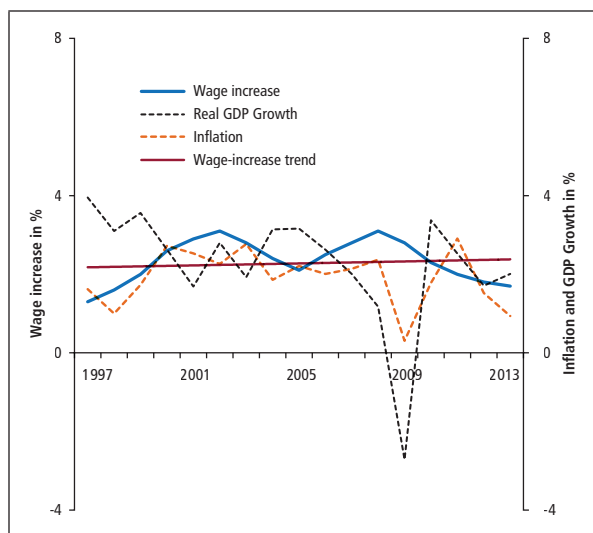
FIGURE 1: Wage adjustments for non-unionized employees



¹ Major collective agreements cover 500 or more employees across Canada.

² Due to data insufficiency, our comparison of wage adjustments between unionized and non-unionized sectors was limited to the period 1997–2013. All wage data for the non-unionized employees was collected from the Labour Force Survey, Statistics Canada. All wage data for the unionized employees was collected from the Labour Program, Employment and Social Development Canada.

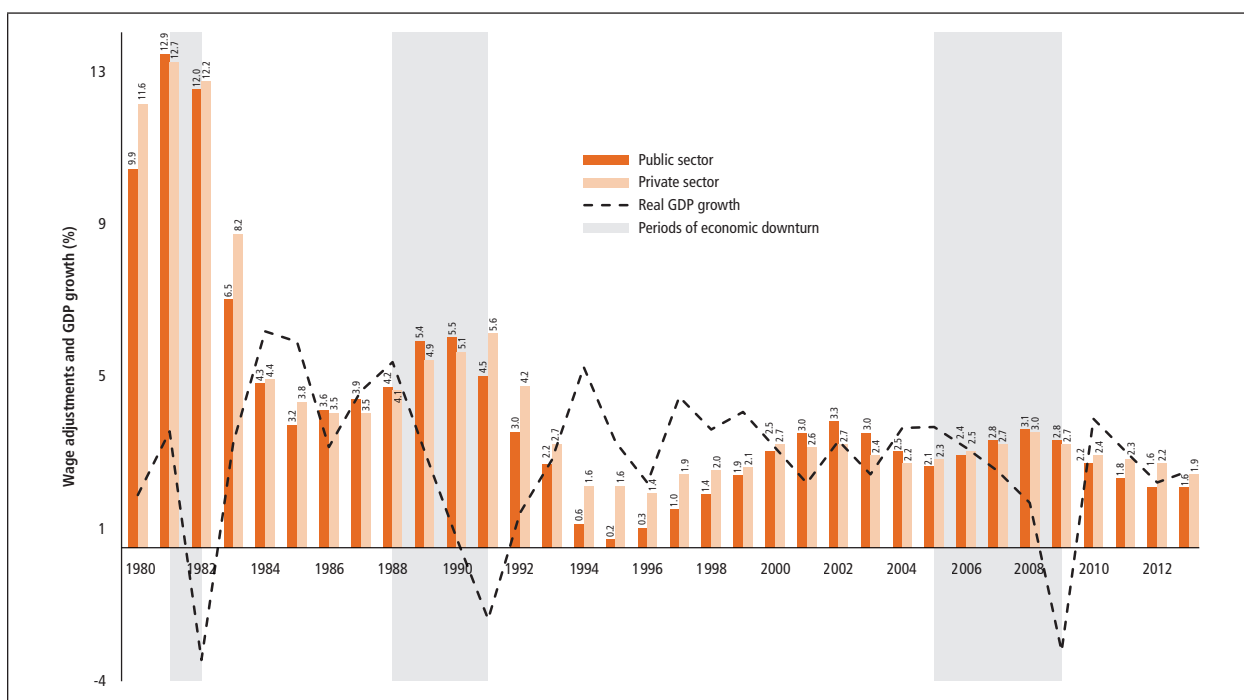
FIGURE 2: Wage adjustments for unionized employees



Unionized workplaces – Public and private sectors³

Although a counter-cyclical pattern of wage adjustments has become evident in both public and private sectors, there are differences in trends during the recovery periods following major economic downturns. Figure 3 shows three major economic downturns in Canada over the last three decades. During the years immediately following each of these slumps, wages in the private sector grew faster than those in the public sector. In other words, private-sector wages adjusted more rapidly to the economic recovery than public-sector wages. Restraint measures in the public sector tended to have more lasting effect on wage adjustments compared to the private sector. The average public-sector wage gain during 1980–2013 was slightly lower than in the private sector, while the number of public-sector employees was almost two and a half times the number in the private sector.

FIGURE 3: Wage adjustments by sector



³ From this point forward, the analysis is confined to unionized workplaces with 500 or more employees.

Industries

Major industries that represent Canada's most unionized workplaces include education, health and social services; manufacturing; and wholesale and retail trade. These three industries combined employed more than half of all employees covered by major agreements that were in force in 2013 (Figure 4).

Although wage adjustments in these industries demonstrated similar trends throughout the 1980s and early 1990s, disparity has been evident from the mid-1990s (Figure 5).

Following the economic downturn in the early 1990s, the rate of wage increase dropped sharply. Although the decline was evident in all three industries, the average increase in wages reached zero in the wholesale and retail trade, and education, health and social services industries. The average wage increase in the manufacturing industry dropped to 2.5 percent from its previous high of 5.0 percent and settled around that rate for the next two decades. Wages in the manufacturing industry were less affected by the 2008 recession than in the other two industries.

FIGURE 4: Proportion of unionized employees across industries, 2013

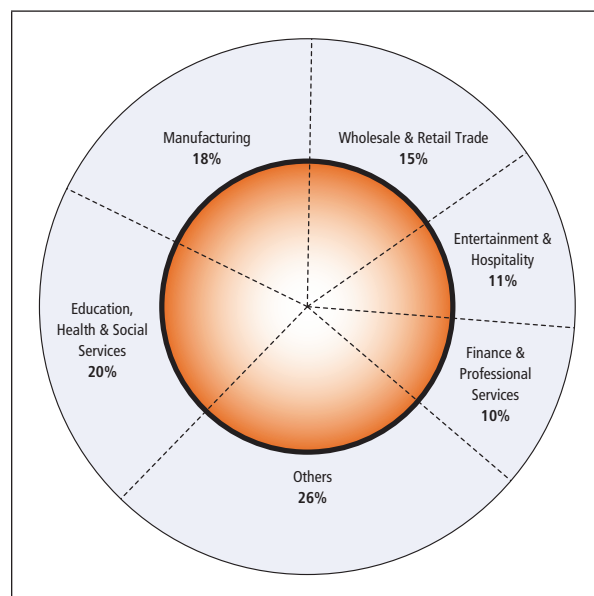
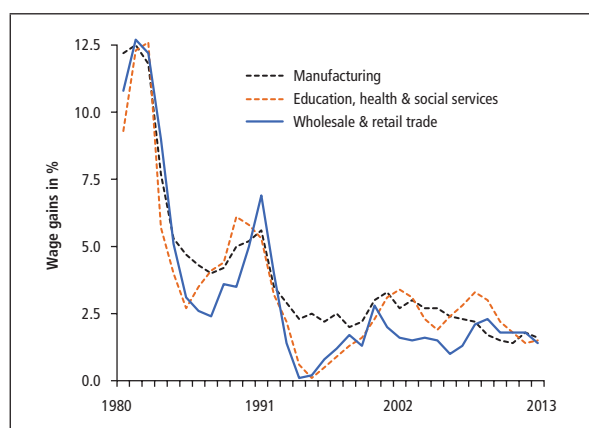


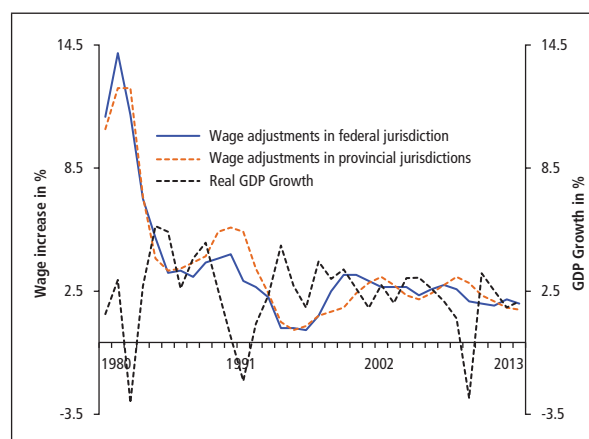
FIGURE 5: Wage adjustments by industry



Jurisdictions

Wage adjustments in federal and provincial jurisdictions have moved hand in hand since 1980 (Figure 6). In the late 1990s, the growth of the financial industry in western Canada and natural resource extraction in both western Canada and the Northwest Territories attracted a sizeable labour force. It is no surprise that the combined average wage increase in these jurisdictions was higher than the provincial average. However, the higher wage adjustments received by employees in these provinces did not have much influence on the overall provincial average wage increase. This was due to a smaller labour force in these provinces compared to Ontario and Quebec, as the average wage increase is employee-weighted.

FIGURE 6: Wage adjustments by jurisdiction



Four main observations:

1. Wage gains in unionized workplaces were counter-cyclical due to the presence of overlapping multiple-year contracts.
2. Wages in the private sector adapted more quickly to economic recovery than in the public sector.
3. Wages in the manufacturing industry have been less volatile compared to wages in the other two major industries that represent most covered employees (education, health and social services; and wholesale and retail trade).
4. A few provinces and territories with smaller workforces had higher wage gains than other jurisdictions with larger workforces. However, these gains were not able to raise the provincial average significantly higher than the average increase in the federal jurisdiction.