



# Labour

## Wage Forecast for Collective Bargaining in 2015

Workplace Information and Research Division  
Strategic Policy, Analysis, and Workplace Information Directorate

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## **Table of Contents**

- 1** Introduction
- 2** Top bargaining priorities in 2015
- 2** Higher wage increase in the private sector
- 2** Larger adjustments for employees in the federal jurisdiction
- 3** Maritime Provinces and Quebec will likely have the largest wage gains
- 3** Disparate wage growth across industries
- 4** Methodology



# Introduction

The Labour Program forecasts the average base-rate<sup>1</sup> wage adjustment for the major<sup>2</sup> collective agreement negotiations scheduled for 2015 to be 1.8% over the lifetime of these agreements. This forecast is higher than the average increase recorded in 2013 (1.4%), as well as the average (1.7 %) expected to be recorded at the end of 2014 [Graph 1].

Despite this higher forecasted increase in wages, employees, who will ratify their agreements next year, may find their real wage declining over the life of these contracts, should inflation remain around the Bank of Canada's target of 2.0%. Therefore, wages are expected to be at the centre of all major collective bargaining negotiations in 2015.

Better momentum of the US economy combined with lower value of the Canadian dollar could result in an increased demand for Canadian exports in 2015 and that could positively impact job growth in Canada. On the other hand, the growth could slow down, should the global demand for oil and the price of oil continue to drop.

Given that most of the jobs created this year were in Alberta, one would expect this province to lead the national economic growth next year. However, energy prices weigh heavily on the Alberta economy and the shaky crude market might erode investors' and consumers' confidence, and slowdown job growth and the real estate market in the province.

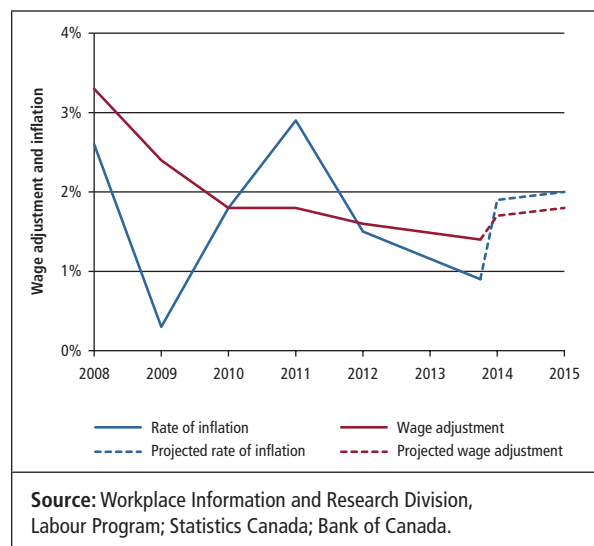
There are reasons to be cautiously optimistic about the Canadian labour market though, as its performance during post-global financial crisis (2008) has improved steadily. However, ageing workforce will continue to be a challenge for the labour market. How this issue is going to impact the outcomes of the bargaining tables in coming years is something that remains to be seen.

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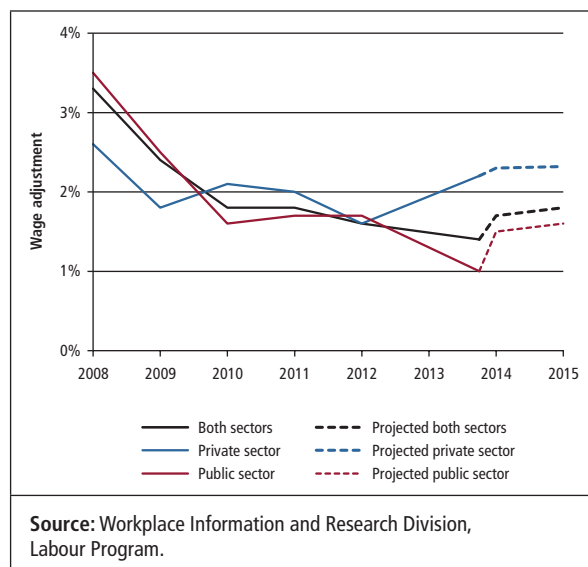
<sup>1</sup> The base-rate wage is the lowest paid classification used for qualified employees in the bargaining unit.

<sup>2</sup> Major collective agreements cover a minimum of 500 employees.

**GRAPH 1: Past and forecasted annual average wage adjustment and inflation, 2008–2015**



**GRAPH 2: Past and forecasted average wage adjustments by sector, 2008–2015**



## Top bargaining priorities in 2015

The Conference Board expects<sup>3</sup> wages, productivity, and business competitiveness to be employers' top priorities in 2015. Unions are expected to focus on wages, employment security, and health benefits.

Besides wages, few other issues could draw considerable attention in the bargaining tables. Pension liabilities are expected to be a talking point in the public-sector negotiations, while mental health at workplace and work-related stress could be emphasized by the private sector employees.

## Higher wage increase in the private sector

Wage growth in the private sector has remained higher than in the public sector for the last five years, and this differential is expected to continue in 2015. Private-sector wages are expected to grow by 2.3% on average, compared to 1.6% in the public-sector's [Graph 2]. A total of 187 private-sector collective agreements, covering 316,061 employees,

and 459 public-sector agreements, covering approximately 1.6 million employees, will be open for negotiation in 2015.

Growth in the private sector could be translated into increased consumption. Export Development Canada<sup>4</sup> recently reported that there will be wider opportunities to invest in new plant capacity, which will lead to rising consumption and business confidence, and thus allow a private-sector led expansion.

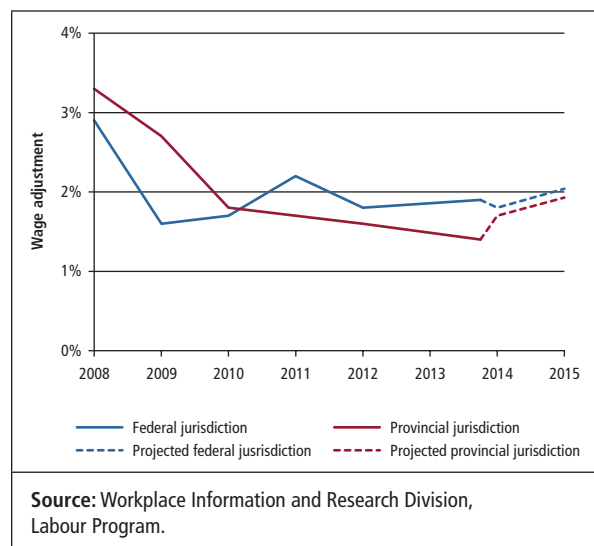
## Larger adjustments for employees in the federal jurisdiction

A total of 82 agreements, covering 322,921 employees, under the federal jurisdiction will be up for negotiation in 2015, which represent 16.7% of all employees scheduled to negotiate their agreements in the coming year. These agreements are expected to have an average wage growth of 2.0%, compared to the 1.9% forecasted for the agreements under the provincial jurisdictions. Since 2011, the average wage adjustment in the federal jurisdiction has continued to be higher than that in the provincial jurisdictions [Graph 3].

<sup>3</sup> Conference Board of Canada (2014), Canada's Compensation Planning Outlook 2015.

<sup>4</sup> Export Development Canada 2014, [Leading Export Indicator](#).

**GRAPH 3: Past and forecasted average wage adjustments by jurisdiction, 2008–2015**



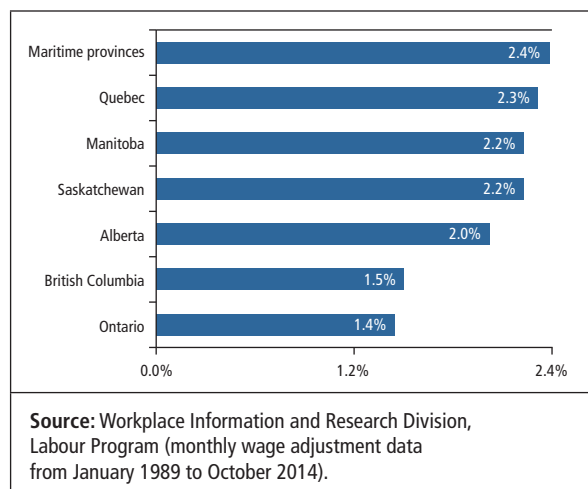
## Maritime Provinces and Quebec will likely have the largest wage gains

It is expected that average wage increases in provincial jurisdictions will vary between 1.4% and 2.4% [Graph 4]. Over one-third of all employees, who will be negotiating a collective agreement in 2015, are from either Ontario or British Columbia (BC). These employees are likely to receive wage-gains lower than the national average (1.4% in Ontario, and 1.5% in BC).

Maritime provinces and Quebec will likely record the highest wage adjustments with 2.4% and 2.3% respectively. Although Maritime provinces represent a small proportion of employees, Quebec agreements will cover more than a quarter of all employees set for negotiations in 2015. Quebec is also expected to end 2014 on a high, with an average wage adjustment of 2.3%.

In 2015, employees in Alberta are expected to receive a wage-increase of 2.1% on average. Although depreciation of the Canadian dollar is helping the domestic oil producers, the fall in the oil demand by major industrialized nations has raised questions over the previously forecasted growth of Alberta. Any slowdown of the Alberta economy in 2015 could further dent the increments in wages for the unionized employees in that province.

**GRAPH 4: Forecasted wage adjustments by province/region, 2015**

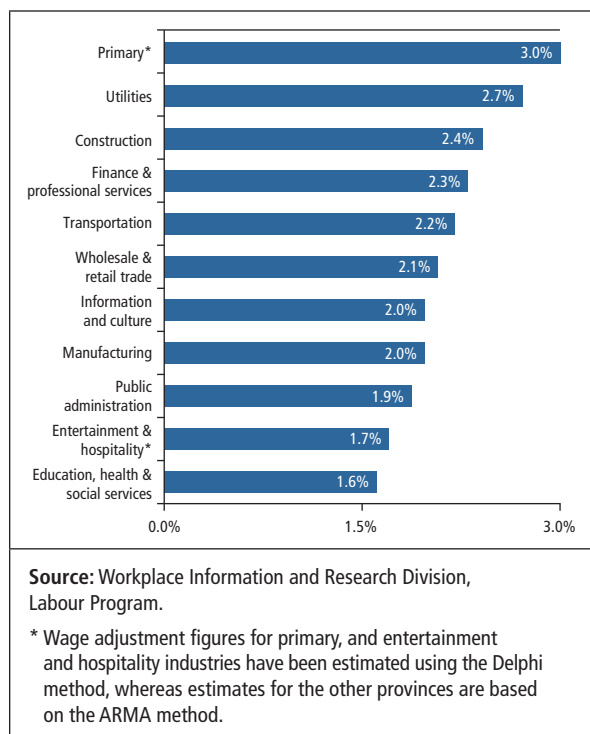


## Disparate wage growth across industries

As seen in past years, forecasted wage increases in 2015 are clearly to be diverse across industries due to varied nature of collective bargaining demands, availability of skills, size of union membership, and length of contracts. The primary industry will likely witness the highest wage growth (3.0%), followed by the utilities (2.7%), and the construction (2.4%) [Graph 5].

At 2.4%, the forecasted wage adjustment in construction is higher than most industries. However, the housing market and the construction industry could be hit hard with the rise of interest rates and this could have an impact on the bargaining power of the construction workers over the next few years.

**GRAPH 5: Forecasted wage adjustments by industry, 2015**



Education, health and social services with most agreements (284 agreements) will likely have the lowest wage growth (1.6%) for its approximately 1 million employees. The industry received heightened media attention in 2014 due to delicate issues around pay increase and working hours of British Columbia's school teachers.

## Methodology

This forecast is based on autoregressive moving average (ARMA) time series modelling coupled with data series of monthly average wage adjustments from January 1989 to October 2014. This methodology enables us to capture the unique historical pattern of a given series. For each grouping of collective bargaining settlements (whether defined by sector or jurisdiction), a unique ARMA model was estimated using the corresponding data series.

For two industries (*primary*, and *entertainment and hospitality*), forecasts using the ARMA method could not be undertaken due to data insufficiency. Hence, the Delphi method was used in estimating wage projections for those industries.

No major negotiations are set to take place in Newfoundland, and hence, there is no forecast for the wage adjustments in this province.