



Fair, safe and productive workplaces

Labour

Wage Forecast for Collective Bargaining in 2016

Workplace Information and Research Division

Strategic Policy, Analysis and Workplace Information Directorate

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Wage Forecast for Collective Bargaining in 2016

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Summary

The Labour Program forecasts an average annual base-rate wage¹ adjustment of 1.8% for the 657 major negotiations, covering 2.1 million employees, that are expected to be settled in 2016 in Canada.

The average wage adjustment is expected to be lower in the public sector (1.6%) than in the private sector (2.1%), likely because of government spending restraint.

Significant changes to the ranking of provinces in terms of wage adjustments are expected in 2016 compared to previous years. For example, Alberta – the province that saw the largest wage increases over the last several years – is expected to have one of the lowest wage increases in 2016, as a result of the fallout from lower oil prices.

¹ The base-rate wage is the hourly wage of the lowest paid qualified employees in the bargaining unit as provided by the wage classification scheme in the collective agreement. The average annual base-rate wage adjustment is the average increase of the base-rate wage over the duration of the collective agreement.

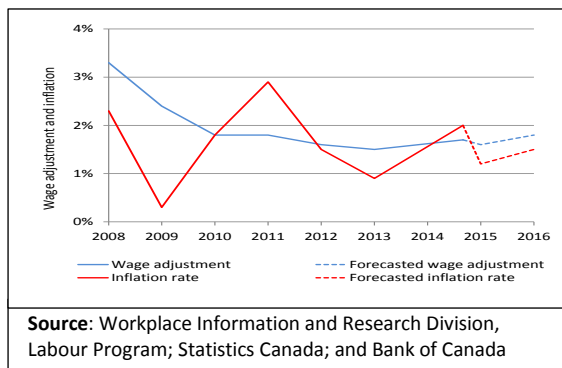
Introduction

This document presents forecasts of the annual average wage adjustment for major collective bargaining negotiations² that are expected to be settled in 2016. The forecasts are obtained using a statistical method based on historical wage adjustment data (up to August 2015). These series are maintained by the Workplace Information and Research Division of the Labour Program. For jurisdictions or industries where such data was lacking, a survey method was used. See the appendix for more on the methodology.

Wage adjustment higher than forecasted inflation for 2016

For all major settlements in 2016, the Labour Program forecast for the average annual base-rate wage adjustment over the lifetime of these agreements is 1.8%. This forecast exceeds the average annual adjustment among 2015 and 2014 settled agreements (1.6% and 1.7%) [Graph 1].³

GRAPH 1: Average wage adjustments and inflation, historical and forecasted values, 2008 - 2016



² Major collective agreements cover 500 or more employees across Canada.

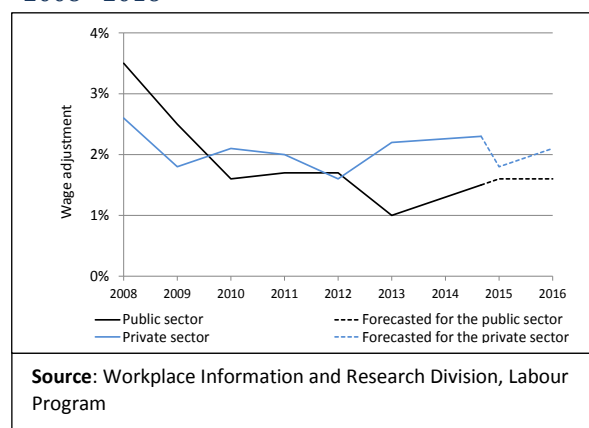
³ The average adjustment for 2015 is estimated using the weighted average of the rates observed from January to September and forecasts for October to December.

At 1.8%, average annual wage growth over the lifetime of these agreements will be higher than the Bank of Canada's forecast for inflation (1.5%) in 2016.⁴

A Greater wage increase in the private sector

Since 2013, private-sector employees have had a greater average wage increase compared to their public-sector counterparts, a trend that is expected to continue in 2016 [Graph 2]. For the 410,000 private-sector employees under the 220 contracts scheduled to be negotiated in 2016, the forecasted average annual wage adjustment is 2.1%. By contrast, annual wage growth for the 1.7 million employees under the 437 public-sector agreements is expected to be 1.6%. Public-sector spending restraint measures likely explain these lower public-sector wage increases.

GRAPH 2: Average wage adjustments by sector, historical and forecasted values, 2008 - 2016

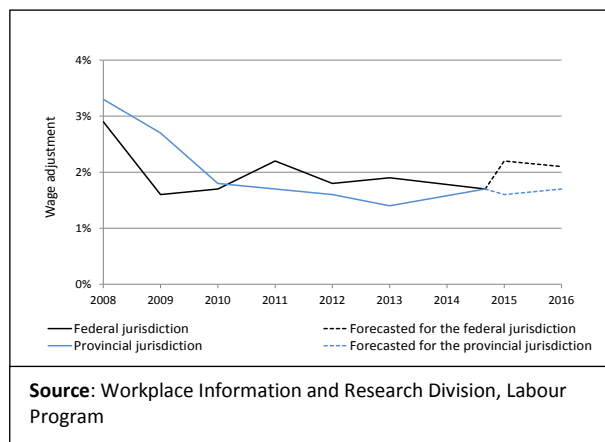


⁴ Bank of Canada, *Monetary Policy Report*, October 2015.

A Larger adjustment for employees in the federal jurisdiction

A total of 85 collective agreements, covering 400,000 employees in the federal jurisdiction, are expected to be negotiated in 2016. These employees are expected to receive an average wage increase of 2.1% per year over the lifetime of these agreements. This rate is significantly higher than the 1.7% forecasted for the 1.7 million employees in provincial jurisdictions. Since 2011, employees in the federal jurisdiction have been receiving a higher average wage increase than those in the provincial jurisdictions [Graph 3].

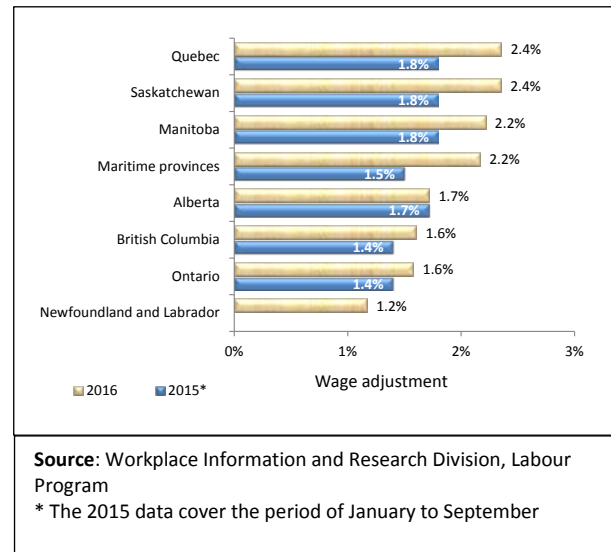
GRAPH 3: Average wage adjustments by jurisdiction, historical and forecasted values, 2008 - 2016



Wide disparities in wage adjustments between provinces

For all provincial jurisdictions except Alberta, the forecasted average wage adjustment for 2016 negotiated agreements is higher than the average for 2015 negotiated agreements⁵ [Graph 4].

GRAPH 4: Average wage adjustments by province/region, 2015 values and 2016 forecasts



In Alberta, the wage adjustment for 2016 negotiated agreements is forecasted to be similar to what was negotiated in 2015 (1.7%). Alberta experienced a mild recession in 2015.

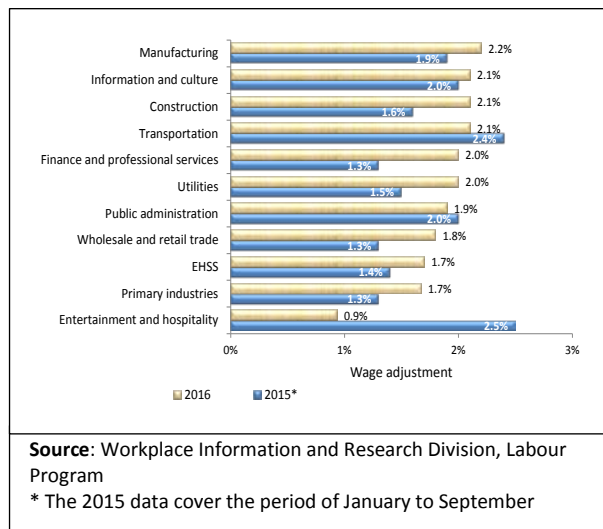
There are wide disparities among provincial jurisdictions in the forecasted average wage adjustments. The lowest wage adjustment (1.2%) is forecasted for Newfoundland and Labrador, and the highest (2.4%) is for Quebec and Saskatchewan. Employees in Ontario and British Columbia are expected to receive a 1.6% increase; the forecast for Manitoba and the Maritime provinces is 2.2%.

⁵ The 2015 data cover the period of January to September.

Manufacturing employees are expected to have the largest wage increase

Employees in public administration, in transportation, and in entertainment and hospitality who are to negotiate agreements in 2016 are expected to have a lower average adjustment than in 2015. For all other industries, the forecasted adjustments are higher than the corresponding wage adjustments observed in 2015 [Graph 5].

GRAPH 5: Average wage adjustments by industry, 2015 values and 2016 forecasts



The manufacturing industry is expected to record the highest annual wage gain (2.2%), followed by information and culture, construction, and transportation, each at 2.1%. The entertainment and hospitality industry is expected to record the lowest wage increase (0.9%).

The 260 agreements expected to be negotiated in education, health, and social services will cover 1.0 million employees. As in 2015, those employees are expected to have among the lowest wage increase (1.7%)

across all industries. That year, bargaining was very tense in the industry in Ontario and Quebec.

Final remarks

According to the Conference Board of Canada, wages, competitiveness and productivity will be employers' priorities in 2016. Unions are expected to focus on wages, employment security and health benefits. ⁶

⁶ Conference Board of Canada, *Compensation Planning Outlook 2016*, October 29, 2015.

Appendix

Methodology

These forecasts are based on autoregressive moving average (ARMA) time series modelling using data series of monthly average wage adjustments from January 1994 to September 2015. This methodology makes it possible 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 the primary industry, the entertainment and hospitality industry and the province of Newfoundland and Labrador, forecasts using the ARMA method could not be undertaken due to data insufficiency. Hence, the Delphi method was used for the projections.

Before 2013, only the Delphi method was used to estimate projected wage adjustments. However, a statistical comparison of the projection results from the two methodologies showed that the ARMA model performs better than the Delphi model where data is sufficiently available to execute the AMRA model.