



**SUBMISSION TO THE
HOUSE OF COMMONS FINANCE COMMITTEE
IN RELATION TO ITS STUDY**

ON

INCOME INEQUALITY IN CANADA

April 5, 2013

Ottawa, Ontario

Canadian Union of Public Employees

The Canadian Union of Public Employees (CUPE) is Canada's largest and most diverse union, representing over 627,000 members. CUPE members work and live in communities in virtually every riding across this Country.

We welcome this opportunity to present our views on the issues considered by the committee.

Introduction

Contrary to the false stereotype of overpaid public sector and unionized workers, the average income for CUPE members is about \$40,000 per year. Tens of thousands of our members are paid less than \$15 an hour and many, including educational assistants in our schools and workers in long-term care homes, receive less than \$20,000 a year.

The problems of growing income inequality are not just a matter of academic study. For our members, they are a fact of life. Our members devote their lives working, including as social and community workers, nurses and childcare workers, to deliver public services on the front lines. While all Canadians benefit from public services, those from the poor and lower income brackets *depend* on them.

As a study by the Canadian Centre for Policy Alternatives showed¹ the average value of public services delivered to each and every Canadian is \$17,000 annually. This value is remarkably similar for all income levels, but at the lower end it is close to and often more than their monetary income. Cuts to public services worsen income inequality and hurt lower income Canadians the most.

Over the past few decades, in Canada and elsewhere, income inequality and the gap between the rich and poor have worsened to the greatest rate since the 1930s.

A recent Statistics Canada study showed inflation adjusted incomes of the top one per cent almost doubled (up by 96%) in 25 years from \$251,250 in 1982 to \$492,900 in 2010. The top one per cent now take home 10.6% of national income compared to 7% 25 years ago.

Meanwhile the average real income of the bottom 90% increased by only five per cent over this quarter decade from \$27,600 in 1982 to \$29,300 in 2010.

Among the top one per cent, it is the super-elite who have taken the lion's share of all income gains. The share of the top 0.1% has increased at an even faster pace.²

Growing inequality is not just an issue of fairness, it is an issue for a stable economy.

It is no coincidence that every major financial and economic crisis of capitalism, the recent crisis, the Great Depression in the 1930s and the Long Depression of the late 19th century, was preceded and caused by a period of rapidly increasing inequality.

Recent research from a range of sources indicates that:

1 Canada's Quiet Bargain, Canadian Centre for Policy Alternatives, 2009
<http://www.policyalternatives.ca/publications/reports/canadas-quiet-bargain>

2 The Rise of Canada's Richest 1%, Armine Yalnizyan, Canadian Centre for Policy Alternatives, 2010

- Trickle-down economics does not work.
- Increasing inequality leads to financial instability and crisis.
- Growing levels of inequality are hurting our economy.

All of us, especially those with lower incomes, are now paying the price for a financial and economic crisis caused by income inequality and economic policies that disproportionately benefit the top 1%.

What has caused growing inequality?

According to the Organisation for Economic Cooperation and Development and the International Monetary Fund as well as progressive organizations such as the Canadian Centre for Policy Alternatives and Canadian Foundation for Labour Rights, growing inequality is caused by:³

- Increasingly regressive tax systems. In Canada, the top 1% pay lower share of income, in total taxes, than poorest 10%.
- Labour market policy changes including undermining access to employment Insurance (EI) and the use of temporary foreign worker programs to drive-down wages.
- Weakening unions, unionization rate and power.
- Cuts and reductions of public sector services and privatization.
- Free-trade deals that undermine a government's ability to set standards and regulate.

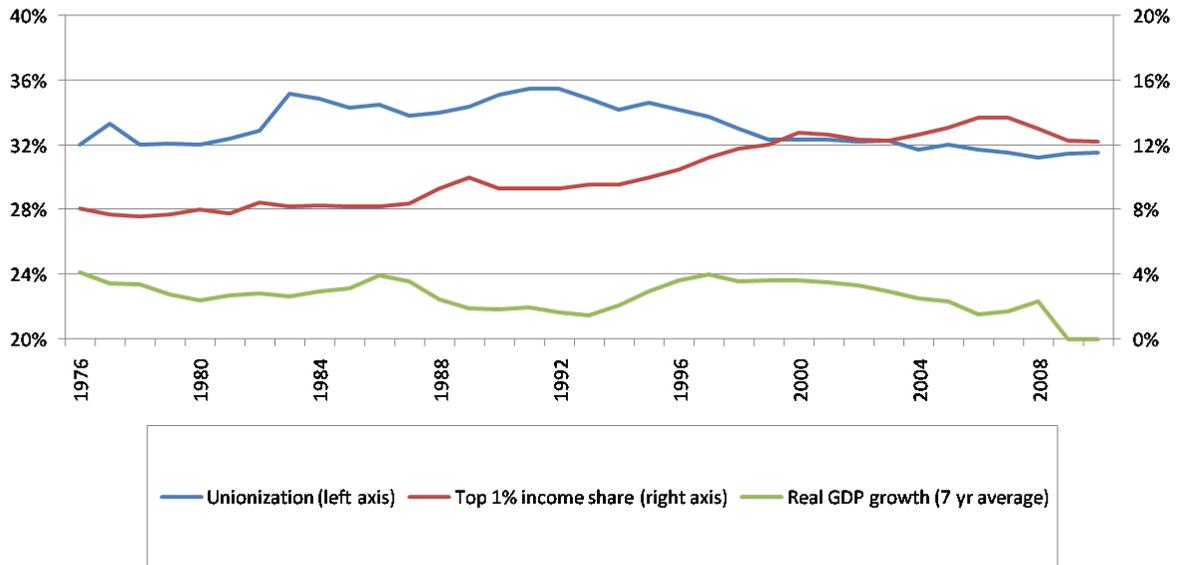
Labour rights, unions and the 99%

The fight over labour rights is escalating in Canada with governments intervening in collective bargaining and trying to restrict the collective power of workers and their unions. This comes at a time when inequality in Canada is getting worse.

There is a clear relationship between unionization and equality. When rates of unionization increase, equality increases and when unionization declines, income inequality is exacerbated and the share going to the top 1% rises.

3 Divided We Stand, OECD: <http://www.oecd.org/els/soc/dividedwestandwhyinequalitykeepsrising.htm>
 Study on Income Inequality, IMF: <http://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf>
[Report on Income Inequality and Tax Fairness, CCPA:](http://www.policyalternatives.ca/sites/default/files/uploads/publications/National_Office_Pubs/2007/Eroding_Tax_Fairness_web.pdf)
http://www.policyalternatives.ca/sites/default/files/uploads/publications/National_Office_Pubs/2007/Eroding_Tax_Fairness_web.pdf
 Unions Matter, Canadian Foundation for Labour Rights:
www.nupge.ca/files/publications/CFLR_Unions_Matter.pdf

Unionization and Inequality in Canada



Sources: World Top Incomes Database, Statistics Canada Cansim Table 279-0026 and 380-0002

Figure 1: Unionization rate, changes in the total share of income of the top one per cent, and change in Real GDP from 1976 to 2010 in Canada. The graph shows that as union density has dropped in Canada, the share in income of the top one per cent has increased.

Public sector wages should reflect broader Canadian values.

Inequality is partly driven by the gender gap in wages. In the public sector women are still paid less than men in similar occupations, high-levels of unionization mean that, women face a smaller pay gap than women in the private sector. If women in the public sector were paid the same as women working in similar jobs in the private sector, they would receive an average of \$1,980 less per year, significantly increasing their pay gap and significantly increasing inequality in Canada.

Further, higher rates of union representation in the public sector have resulted in higher wages especially for lower paid workers, but they are not associated with a significantly higher total wage bill. Instead, the main consequence of higher rates of unionization in the public sector is greater equality of pay, and not higher overall wage and salary costs.

The union's fight to increase equality by raising wages and benefits for their members also increases pressure for non-union employers to pay more. Union wage scales provide greater benefits for the lowest paid and limit pay for top executives. Unions also play an important role in creating more equitable social and economic policies for all through advocacy and political activity.

It is not just the 30% of workers who are members of unions who benefit from collective agreements, but also the rest of the 99%. Any further attacks on unions or undermining the ability of workers to form unions will only further exacerbate income and economic inequality.

Rising Inequality Hurts Aboriginal and Racialized Workers

Public sector cutbacks are hitting Aboriginal people and racialized workers hardest. Further cuts will make the situation even worse for groups who are discriminated against and already have lower incomes, higher unemployment and higher rates of poverty than average.

Public sector cuts exacerbate income inequality among Aboriginal and racialized workers most.

Not only did Aboriginal workers lose jobs at twice the rate of other workers during the recession, but their rate of job loss accelerated in 2010, while employment levels for other Canadians recovered.

The unemployment rate for Aboriginal people averaged 12.3% in June 2012 compared to 7.2% for other Canadians. These figures do not even include First Nations peoples living on reserves or in the Northern Territories, where unemployment rates are much higher, nor do they include discouraged workers who have given up looking for work.

Unemployment rates for most racialized workers are considerably higher and low income poverty rates are at least two or three times the national average, as Sheila Block and Grace-Edward Galabuzi demonstrated in their report on Canada's Colour-Coded Labour Market.⁴

Public sector cuts will increase inequality. Not only are women, low-income and vulnerable families more dependent on public services, but they are more likely to lose their jobs and income through public sector job cuts, contracting out or pay "restraint" measures.

CUPE and other unions have developed measures and contract language to reduce inequality in the workplace, including pay equity, employment equity clauses, reducing barriers and responding to the needs of diverse workers. However, it is much harder to make progress when cuts are being made and when governments and employers are not moving forward with equality measures themselves.

Rising inequality is hurting our economy

Since the global economic crisis of 2008, there has been renewed interest in the growing problem of income inequality from across the political spectrum. Many of these studies have outlined how income inequality contributes to economic crises and disruptions in social cohesion. The common message is clear:

Solving the problem of income inequality will not just help produce a more fair society, it will also produce a more prosperous and functional Canadian economy.

Income inequality in Canada is not only worse than average; it has been getting worse faster.

CUPE has outlined the in many previous submissions to government that inequality is more than just unfair; it is bad for the economy. Household spending and public spending accounts for more than 80% of GDP. Low wage growth has led to record rates of indebtedness and a more precarious economic

4 Canada's Colour-Coded Labour Market: The gap for racialized workers, Block and Galabuzi, 2011: <http://www.policyalternatives.ca/publications/reports/canadas-colour-coded-labour-market>

situation. Now even normally business-friendly organizations, including the International Monetary Fund, (IMF) the Conference Board of Canada, and most recently the Organization for Economic Cooperation and Development (OECD) agree with Warren Buffett and the Occupy movement: trickle-down economics does not work, was a cause of the financial crisis and is holding back economic growth. In conclusion, we ask the Committee to consider these recommendations:

- Enact progressive tax changes so the wealthy and corporations pay their fair share.
- Increase public investment and spending on public services and social supports to boost the economy, create jobs, and improve living standards.
- Work in collaboration with business, educators and labour to create a more innovative, productive and green economy.
- Legislate regulatory changes to better control capital and to strengthen the bargaining power of workers so real wages can increase and provide sharing of productivity gains.

April 5, 2013

wl/cope 491