

A note on wage trends among unionized workers

Manon Nadeau

Wage increases among unionized workers under major collective agreements (covering 500 or more employees) just barely kept ahead of inflation over the 1979 to 1992 period-averaging 6.5% compared with an average inflation rate of 6.2%. This group of workers represents about 22% of all paid workers in Canada [\(1\)](#) and accounts for close to two-thirds of public sector employees.

This note discusses the trend in wage increases since 1979, based on Labour Canada data on collective agreements in force (see [Data source](#)). Statistics Canada's Labour Market Activity Survey has been used as a complementary data source to compare wage hikes between 1986 and 1990, as well as the differences in average hourly rate between unionized and non-unionized workers.

Trends in base wage rates

The period under study can be divided into six time-elements according to real gains or losses registered in base wage increases: 1979, 1980-84, 1985-87, 1988-90, 1991 and 1992 ([Chart A](#)).



Chart A On average, wage increases have barely kept up with the rise in the cost of living over the period.*

Source: Consumer Price Index and Labour Canada

** Construction is excluded from the agreements in force database prior to 1983.*

The late 1970s were marked by a second surge in oil prices and the appearance of an inflation rate exceeding 9%. Overall, wage increases lagged behind the rise in the Consumer Price Index (CPI). However, this trend was not found in all industry sectors ([Chart B](#)).



Chart B

Following dissimilar fluctuations, real wages rose in all industries in 1992.



Chart B - Concluded

Source: Consumer Price Index and Labour Canada

Note: Construction is excluded from the agreements in force database prior to 1983.

In contrast to the preceding period, wage increases remained below the inflation rate during the first part of the expansionary period that followed from 1985 to 1987. The size of the public sector partly explains this moderation in increases in the major wage settlements ([Table 1](#)). During this period, various levels of government introduced restraint programs or wage freezes that varied in the method of application, the duration of enforcement, and the extent of coverage. This loss of purchasing power was felt in all but two industries in the private sector: construction, which registered some gains in 1985, and manufacturing, in 1985 and 1986.



Table 1 Distribution of unionized workers covered by major wage settlements, by industry and sector (1979-92 average)*.

Source: Labour Canada

* The distribution of workers was determined by calculating the average number of employees included in the agreements in force in each industry/sector, from 1979 to 1992. Construction is excluded from the agreements in force database prior to 1983.

There were some real gains from 1980 to 1984, since the upward trend in wages kept slightly ahead of the CPI. In other words, despite strong inflationary pressures at the time, the collective agreements in force (see [Data source](#)) still protected the purchasing power of those covered by them. All industries covered by the major collective agreements benefited, with the exception of community, business and personal services, and public administration, which registered increases below or equal to the CPI in some years.

However, from 1988 to 1990, at the end of the expansionary period in the Canadian economy, wages increased ahead of the CPI, and this trend continued during the first year of recession. These wage increases may have reflected a desire to compensate for the wage losses in the preceding period. A breakdown in the data by industry discloses that only construction, manufacturing, public administration, and community, business and personal services experienced increases equal to or greater than the CPI during this period.

The introduction of the Goods and Services Tax (GST) in 1991 boosted the inflation rate from 4.8% in 1990 to 5.6% in 1991, while the increase in the average base wage rate was slightly below the CPI. However, increases exceeding the CPI were achieved in the primary, manufacturing, and construction industries as well as in trade, finance, insurance and real estate.

In 1992, each industry regained some ground, as real wages rose while the inflation rate dropped to 1.5%, the lowest since 1979.



Table 2 **Average increases in base wage rates (major collective agreements in force), 1979-1992*.**

Source: Labour Canada

* Construction is excluded prior to 1983.

What about non-unionized workers?

A profile for all workers can be established using the 1986-1990 results of the Labour Market Activity Survey (LMAS). This household survey includes all unionized employees, regardless of the type or size of their collective agreement as well as non-unionized workers. The LMAS can be used to produce data on labour market participation and the characteristics of those employed during a calendar year (up to five jobs). The average hourly pay (usual pay, estimated on an hourly basis, which may include some overtime, tips, bonuses, and commissions in 1986) for all jobs held during a year was calculated for each year studied.

In 1986 and 1990, in each industry examined, unionized workers had a higher average hourly rate than their non-unionized counterparts. In 1986, the average hourly wage of unionized employees in all industries (\$13.21) was 28.5% higher than that of non-unionized workers (\$10.28). This wage discrepancy between the two groups increased slightly between 1986 and 1990 (to 29.5%), particularly in the following industries: community, business and personal services, and trade, finance, insurance and

real estate.

During this short period, real wage increases were barely sufficient to enable unionized employees to counteract the effects of inflation (0.5%), while non-unionized employees, as a whole, lost ground (-0.3%). The small increase in wages among union members is basically attributable to community, business and personal services (3.0%).

From 1986 to 1990, unionized workers covered by major wage settlements across all industries (Labour Canada data) obtained no increase in real wages, compared with a very slight increase of 0.5% for unionized employees covered by the Labour Market Activity Survey. In other words, both sources of data on unionized workers show a lack of significant real gains in this short period.

For additional information on the LMAS, contact Stephan Roller, Special Surveys, at (613) 951-4625.



Table **Average hourly earnings of paid workers by industry and unionization, 1986 and 1990.**

Source: Labour Market Activity Survey

Data source

The information drawn by Labour Canada from collective agreements covering 500 or more employees provides data on changes in base wage rates in all industries. (The base rate is the lowest paid classification used for qualified workers in the bargaining unit.) A few agreements are excluded where the basis of payment is on a piece/mileage rate basis. The construction industry is excluded prior to 1983. The data obtained are also broken down by province, commercial and non-commercial sectors, and private and public sectors.

Since 1992, Labour Canada has been publishing statistics on agreements in force. The data in this note are based on these agreements. They include "... wage adjustments for all employees under major collective bargaining agreements. This series, a measure of changes in 'union wage rates', monitors all adjustments (increases, decreases and no changes) in base wage rates from all settlements in force C from those reached in the period, from agreements reached earlier with changes deferred to the period, and those resulting from COLA clauses.

The "agreements in force" data reflect wage changes in all major collective agreements which are effective as of the period shown, and are representative of the universe of major collective agreements,

except for the exclusion of those contracts which have expired and have not been renewed C usually because they are still in negotiations. "Agreements in force" data, when shown for future periods, are a measure of wage increases which will come into effect in the relevant period C from all agreements currently in the data base of major collective bargaining agreements." ([Labour Canada](#), 1992)

Labour Canada also publishes statistics on "new settlements," that is, wage outcomes resulting from collective agreements, on the basis of the period in which settlements are reached. [\(2\)](#)

Perspectives on labour and income publishes the number of agreements and the number of employees covered as well as the increase in base wage rates of new settlements for the current and preceding years in the "Key labour and income facts" section under Major wage settlements.

Notes

Note 1

This percentage was estimated by the following method: dividing the average number of unionized employees covered by the major wage settlements by the average number of paid workers derived from the Labour Force Survey for the 1979 to 1992 period. These unionized employees accounted for more than half of all unionized workers in Canada in 1992.

Note 2

The information in *Data source* is taken from the publication *Major wage settlements* ([Labour Canada](#), 1992) in the sections on "Wage adjustments from all agreements in force" (pp. 12-14) and "Technical notes" (pp. 15-18).

References

- Labour Canada. *Major wage settlements - first quarter 1992*. Ottawa, 1992.
- Statistics Canada. *Consumer prices and price indexes*. Various issues 1979-1992. Catalogue 62-010. Ottawa.
- ---. *Historical labour force statistics, 1992*. Catalogue 71-201. Ottawa, 1993.


Author

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Source

Perspectives on Labour and Income, Autumn 1993, Vol. 5, No. 3 (Statistics Canada, Catalogue 75-001E). This is the sixth of six articles in the issue.

 **HIGHLIGHTS**

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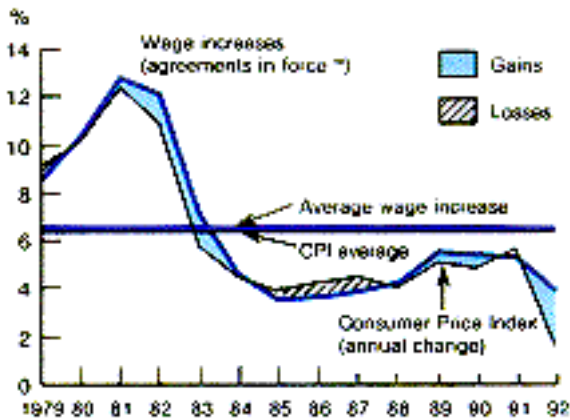
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Chart A

On average, wage increases have barely kept up with the rise in the cost of living over the period. *

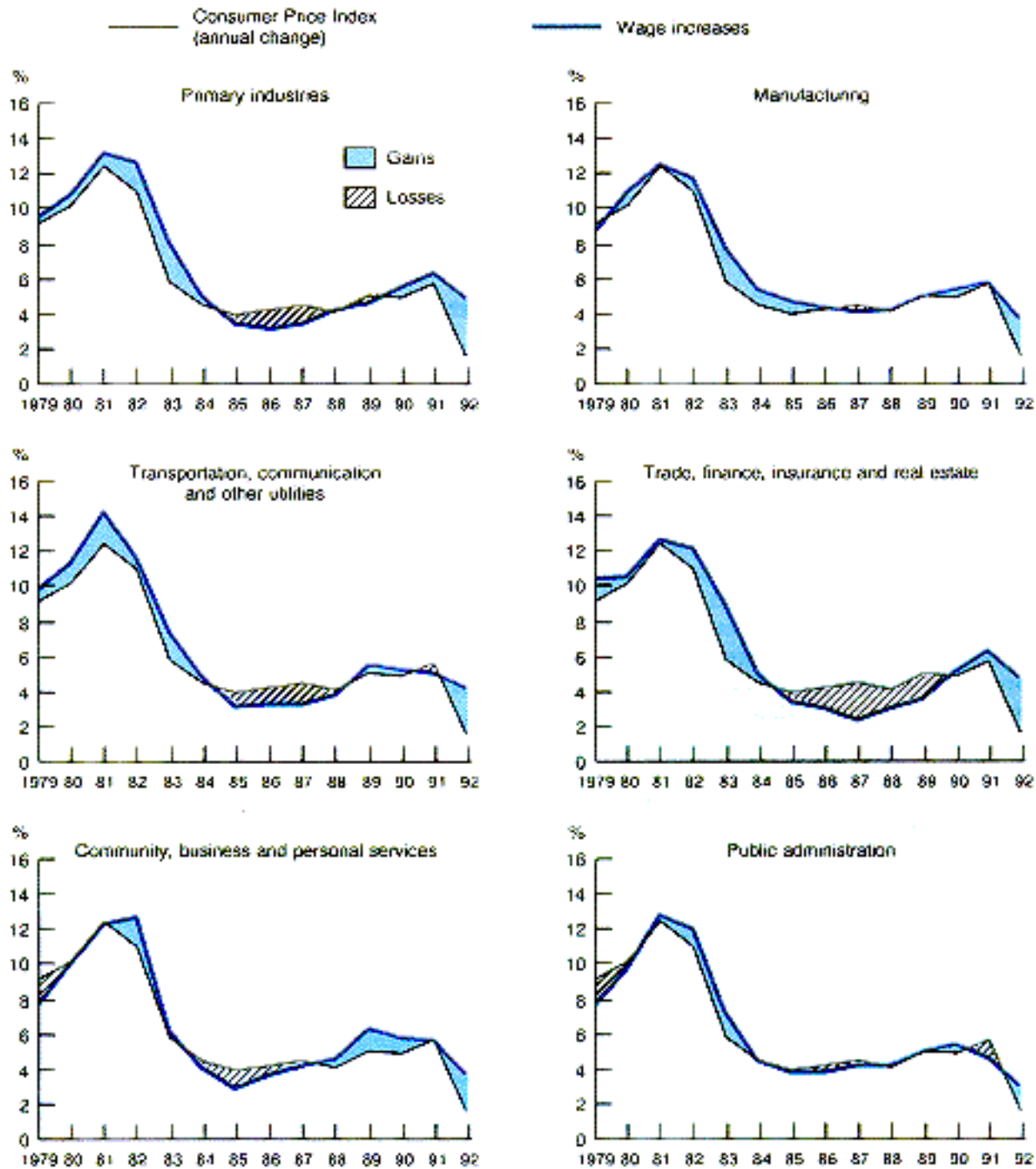


Sources: Consumer Price Index and Labour Canada

- * Construction is excluded from the agreements in force database prior to 1983.
- ** Includes agreements with and without cost-of-living allowance (COLA) clauses.

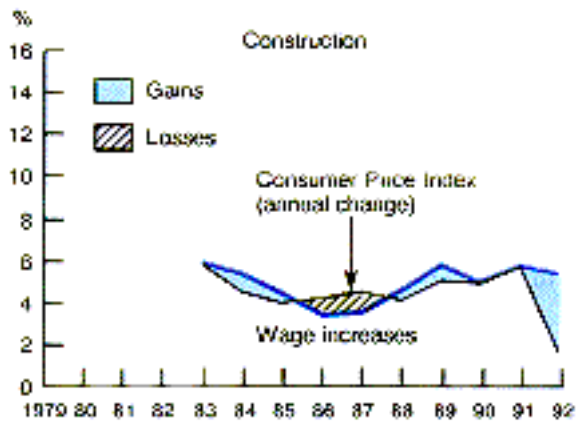
Chart B

Following dissimilar fluctuations, real wages rose in all industries in 1992.



Sources: Consumer Price Index and Labour Canada

Chart B (continued)



Sources: Consumer Price Index and Labour Canada
Note: Construction is excluded from the agreements in force database prior to 1983.

Table 1

Distribution of unionized workers covered by major wage settlements, by industry and sector (1979-92 average)*

	%
All industries	100
Primary industries	2
Manufacturing	16
Construction	6
Transportation, communication and other utilities	16
Trade, finance, insurance and real estate	5
Community, business and personal services	33
Public administration	22
Public sector	63
Private sector	37

Source: Labour Canada

** The distribution of workers was determined by calculating the average number of employees included in the agreements in force in each industry/sector, from 1979 to 1992. Construction is excluded from the agreements in force database prior to 1983.*

Table 2

Average increases in base wage rates (major collective agreements in force), 1979-1992*

	Number of agreements	Number of workers covered	Average wage increases**	Annual change in the CPI
		'000	%	%
1979	959	2,055	8.5	9.1
1980	1,020	2,114	10.4	10.2
1981	1,014	2,121	12.8	12.4
1982	1,027	2,136	12.1	10.9
1983	1,022	2,147	7.1	5.7
1984	1,053	2,259	4.6	4.4
1985	1,066	2,248	3.5	3.9
1986	1,092	2,356	3.6	4.2
1987	1,115	2,363	3.8	4.4
1988	1,120	2,430	4.2	4.0
1989	1,129	2,462	5.5	5.0
1990	1,129	2,436	5.4	4.8
1991	1,134	2,604	5.3	5.6
1992	996	2,305	3.8	1.5
Average	1,063	2,288	6.5	6.2

Source: Labour Canada

** Construction is excluded prior to 1983.*

*** Includes agreements with and without cost-of-living allowance (COLA) clauses.*

Average hourly earnings of paid workers by industry and unionization, 1986 and 1990

	Average hourly wage		Change 1986-1990
	1986*	1990**	
	1986 \$		
All industries	11.48	11.46	-0.2
Unionized	13.21	13.27	0.5
Non-unionized	10.28	10.25	-0.3
Primary industries	11.41	11.41	0.0
Unionized	14.17	13.68	-3.5
Non-unionized	10.44	10.54	1.0
Manufacturing	11.95	11.92	-0.3
Unionized	12.41	12.28	-1.0
Non-unionized	11.54	11.64	0.9
Construction	12.16	12.11	-0.4
Unionized	14.98	14.90	-0.5
Non-unionized	10.36	10.52	1.5
Transportation, communication and other utilities	13.50	13.31	-1.4
Unionized	14.34	14.04	-2.1
Non-unionized	12.13	12.13	0.0
Trade, finance, insurance and real estate	10.08	9.86	-2.2
Unionized	11.03	10.93	-0.9
Non-unionized	9.91	9.67	-2.4
Community, business and personal services	10.85	11.02	1.6
Unionized	13.15	13.55	3.0
Non-unionized	9.10	9.19	1.0
Public administration	13.90	14.03	0.9
Unionized	14.04	14.03	-0.1
Non-unionized	13.48	14.03	4.1

Source: Labour Market Activity Survey

* May include some reported overtime, tips, bonuses and commissions.

** Adjusted for inflation.