



Tough labour talks ahead as workers push for wage hikes

Quoting Sundeep Gokhale

February 10, 2014



Wages are set to take centre stage in a tough bargaining climate this year, as unionized workers push for better compensation after seeing pay increases ebb to a 16-year low.

Average pay hikes fell to 1.4 per cent for unionized workers last year, data compiled by Employment and Social Development Canada show. Public-sector wage settlements fell to their lowest point since 1996.

Several trends suggest difficult labour talks ahead. Austerity will continue in the public sector as governments seek to balance budgets and, in some cases, impose wage freezes. On the private-sector side, employers aim to contain costs and boost competitiveness. And workers, frustrated by years of tepid wage gains, are hoping for higher pay as the economic

outlook improves.

“We expect 2014 to be a challenging environment for collective bargaining,” said Karla Thorpe, director of human resources research at the Conference Board of Canada.

A recovery in the U.S. economy and the decline in the Canadian dollar are raising expectations among those who work for exporting companies that improved fortunes will trickle down. The urgency of fixing pensions has abated as pension plan returns rebounded last year. Workers are also aware of some big pay hikes for corporate executives, said Jerry Dias, president of Unifor, Canada’s largest private-sector union.

“Workers were a part of the solution when times were tough. Now that things are reversed, they expect a return on their investment, in wage increases,” said Mr. Dias.

Among workers, “there’s this notion that okay, we did you a favour in 2008, 2009 – we didn’t try to go after the huge increases, but it’s time now. That’s an issue for collective bargaining, and hopefully parties continue to be realistic,” said Sundeep Gokhale, partner at Sherrard Kuzz LLP who represents public and private employers in Ontario.

Several factors tipped the balance of power to employers last year. The federal government intervened in several labour disputes, thwarting the bargaining clout of unions, while low inflation helped employers persuade workers to accept smaller wage increases.

High-profile wage freezes in the public sector have also had a dampening effect when it comes to private-sector bargaining, said Mr. Gokhale.

Last year, public-sector wage settlements eased to 1 per cent, while average private-sector wage increases picked up, to 2.2 per cent. This year, Ms. Thorpe expects average wage settlements of 1.9 per cent, with 1.5 per cent on

the public-sector side and 2.2 per cent in the private sector.

Public-sector bargaining is expected to be “particularly difficult” this year, with wage restraints already announced in Ontario and British Columbia, she said.

Canadian Pacific Railway, Maple Leaf Foods and Bombardier Aerospace are among those employers heading into bargaining this year, along with hundreds of thousands of federal, provincial and municipal workers. About 31 per cent of Canada’s work force is unionized, down from 34 per cent in the 1990s.

Even in Alberta, home to Canada’s hottest economy, wage hikes aren’t rocketing higher. For the public sector, “there’s a theme of restraint” and the prospect of a legislated wage freeze. In the private sector, unions and employers are balancing fair and competitive wages with a still-uncertain economy, says Dwayne Chomyn, an Edmonton lawyer with Neuman Thompson who represents public and private-sector employers.

Mr. Gokhale expects to see more employers move away from defined benefit pension plans, and the growth of more two-tiered work forces, where new hires get paid on a lower wage scales (sometimes with reduced benefits).

The average duration of contracts has gotten shorter. At 36 months it’s the lowest in nine years, reflecting an uncertain economic outlook. “On neither side do people want to get locked into an arrangement, which from management’s perspective might be unsustainable if the economy starts to do more poorly, and from a union’s perspective if the economy really picks up, might leave them falling behind in the economy,” said Ms. Thorpe.

The outlook is cloudy enough that Mr. Gokhale is seeing more and more two-year deals “because of the uncertainty of what year three and four will bring.”

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