

Economic Spotlight

Negotiated Wage Settlements Update

Wage Settlements in 2000

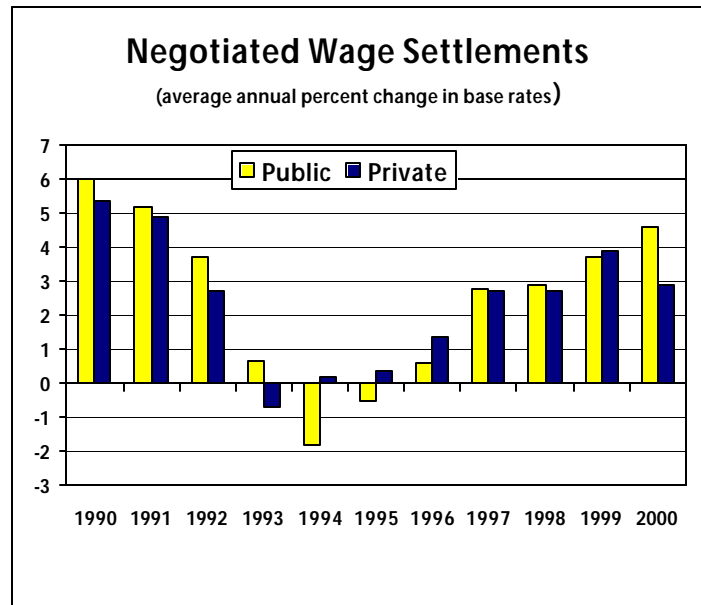
Wage settlements for all of 2000 were up 4.3%, relative to a 3.7% increase recorded in 1999. This increase represents the fifth consecutive annual increase in wage settlements since 1996, and the largest annual increase since 1991.

Negotiated wage settlements for the public sector averaged 4.6% for 2000, compared to 3.7% in 1999. The increase was propelled by the health care industry, where wage settlements averaged 6.1%, compared to 4.3% in 1999. This increase was the result of both market adjustments for previous cutbacks, as well as tight

labour market conditions. The unemployment rate in health occupations was extremely low at 1.0% for 2000 with labour shortages appearing in some areas. The majority of health contracts will have been renegotiated by the end of 2001, after which it is expected that health care settlements will return to more normal levels.

Private sector settlements averaged 2.9% in 2000, down from 3.9% in 1999. Among the industries included in the private sector, construction and service wage settlements posted healthy gains for 2000 with increases of 4.0% and 3.1% respectively. Negotiated wage settlements in transportation, (up 2.6% for 2000), manufacturing (2.5%), trade (2.3%), and primary resources (2.0%) also displayed moderate growth over the past year.

Caution must be exercised when comparing public and private settlements as employee coverage differs greatly between the two sectors. Of the 64,480 employees covered by new wage agreements in 2000, 80% (51,039) belonged to the public sector versus 20% in the private sector (13,441). In contrast, public sector employment accounted for roughly 21.4% of total employment in 2000. Therefore it is necessary to look at other measures of wage growth to gain an accurate view of Alberta's growth in labour income during 2000. Two other measures of labour income, both provided by Statistics Canada, include average weekly earnings and total wages and salaries income.

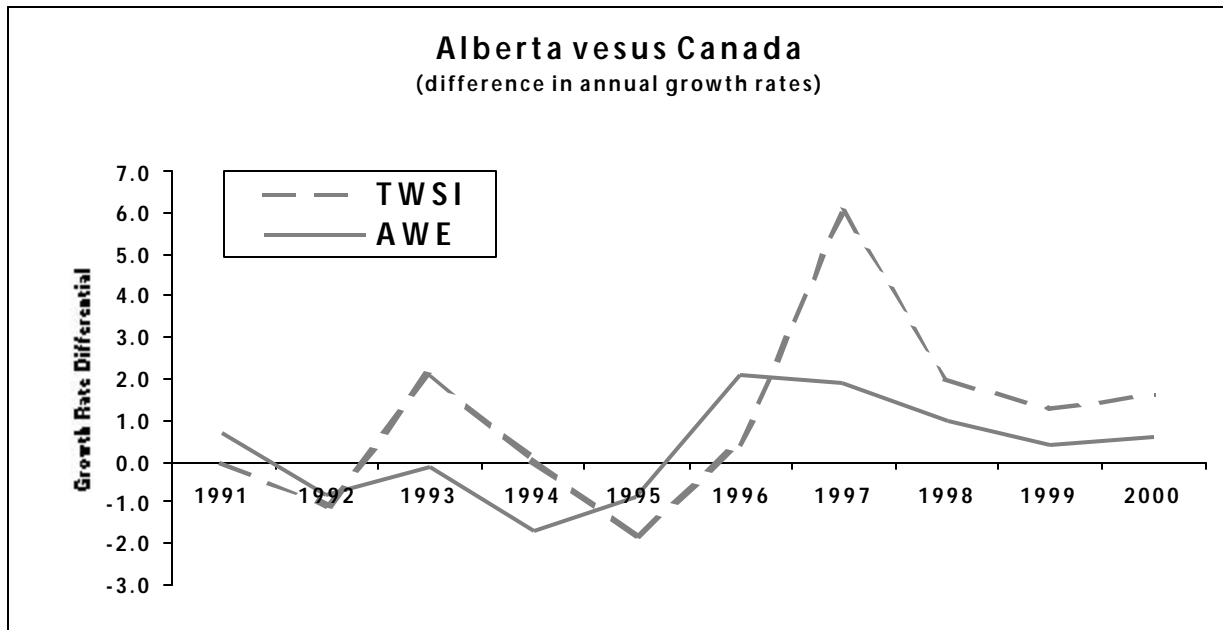


Average Weekly Earnings

Average weekly earnings (AWE) are calculated from administrative data collected from a variety of Alberta businesses through Statistics Canada's Survey of Employment, Payroll and Hours (SEPH). Businesses and individuals that are excluded from AWE estimates include agricultural producers, religious organisations, military personal, household services, partners and officers of unincorporated businesses as well as the self-employed. This data also excludes individuals who did not receive pay from the employer for the last seven days of the month (e.g. persons on strike or unpaid leave) or casual employees for whom a T-4 for is not required. AWE does however include a portion of bonuses, commissions and other types special payments.

Alberta's average weekly earnings including overtime (AWE) increased by 3.3% to \$641.89 during the first 10 months of 2000, compared to the same period in 1999. This increase is the third largest among the provinces, behind New Brunswick (4.2%) and Manitoba (3.4%). For the first 10 months of 2000 all provinces experienced gains in AWE, resulting in a national increase of 2.7% to \$625.58. Provinces with the smallest increases in AWE during the period include: Quebec (2.2%); British Columbia (1.9%); Prince Edward Island (1.8%); and Nova Scotia (1.5%).

Historically, Alberta has outperformed national AWE growth since 1996. Since 1996, however, this growth differential has been on a declining trend, reaching a low of 0.4% in 1999 (see chart below



Total Wages and Salaries Income

Total wages and salaries income (TWSI) represents the total earnings of all individuals employed in Alberta. This industry wage data is based on SEPH, with the exception of federal and provincial services. This measurement therefore treats several types of wage data differently than AWE (e.g. provincial and local administration, federal government offices and the military). It also incorporates several categories of wage and salary data that AWE excludes (e.g. military personal, agricultural producers, and the self-employed). TWSI also differs from AWE as it is benchmarked to taxation data once a year.

For the first 10 months of 2000 total wages and salaries income (TWSI) increased 8.3% in Alberta. Total wages and salaries income per employee has increased a substantial 6.0% over the same period in 1999. Nationally TWSI per employee was up 4.4% relative to the first 10 months of 1999.

Alberta's total wages and salaries per employee have been growing faster than the national average since 1996. The growth differentials of TWSI per employee are more pronounced than AWE but generally exhibit the same trend (see previous chart). This trend has been declining since 1997 with a slight recovery in 1999. Given current concerns regarding labour shortages in several Alberta industries this upward trend could continue in 2001 if sector specific labour supply remains low.

Conclusion

In 2000, negotiated wage settlements for private and public sectors in Alberta increased 2.9% and 4.6% respectively. The large increase in public settlements is primarily the result of significant growth in health care wage settlements (up 6.1% for 2000). This is the biggest increase since 1990 for the health care industry, and is primarily the result of market adjustments occurring in 2000 and 2001, as well as low industry specific unemployment.

The difference between wage growth and inflation gives a measure of real wage growth. Given that inflation was 3.5% in 2000, wage growth must exceed this value for consumers to realize an increase in purchasing power. Using the data to measure real income growth during 2000 provides a range of possibilities. Real growth in negotiated wage settlements was 0.8% for 2000, compared to real average weekly earnings growth of -0.2% during the first 10 months of 2000. Average weekly earnings however neglects some aspects of Alberta's population (e.g. military personnel, agricultural producers, and the self-employed) and is therefore not as broad a measure as total wages and salaries data. Real growth in total wages and salaries per employee was 2.5% during the first 10 months of 2000.

Alberta has outperformed Canada in terms of TWSI per employee and AWE growth over the past 5 years. While this trend has been declining since 1997, it has recently shown some upward momentum. If skilled labour shortages persist this trend could continue into the near future.

Negotiated Wage Settlements
(average annual per cent change in base rates)

	1994	1995	1996	1997	1998	1999	2000
Alberta^a							
All Industries							
Number of Employees	153,173	69,919	58,780	131,203	107,028	121,773	64,480
Wage Settlement (percent)	-1.4	-0.2	0.9	2.8	2.9	3.7	4.3
Public Sector							
Number of Employees	128,590	44,901	40,692	83,892	89,755	84,730	51,039
Wage Settlement (percent)	-1.8	-0.5	0.6	2.8	2.9	3.7	4.6
Private Sector							
Number of Employees	24,583	25,018	18,088	47,311	17,273	37,043	13,441
Wage Settlement (percent)	0.2	0.4	1.4	2.7	2.7	3.9	2.9
Inflation (percent)^b							
Alberta	1.4	2.3	2.2	2.1	1.1	2.5	3.5
Canada	0.2	2.2	1.6	1.6	1.0	1.7	2.7
Average Weekly Earnings Growth^b							
(including overtime)							
Alberta	0.1	0.1	4.2	4.0	2.4	1.1	3.3 ^c
Canada	1.8	1.0	2.1	2.1	1.4	0.7	2.7 ^c
Average Weekly Earnings Growth^b							
(excluding overtime)							
Alberta	-0.1	0.6	3.8	3.6	2.9	1.0	3.5 ^c
Canada	1.6	1.1	2.0	1.6	1.5	0.7	2.5 ^c
Average Wages and Salary^b							
Income per Employee							
Alberta	0.6	-0.7	2.1	9.5	4.6	3.8	6.0
Canada	0.5	1.1	1.7	3.5	2.6	2.5	4.4

^a Source: Alberta Human Resources and Employment – Data is prone to future revisions.

^b Source: Statistics Canada

^c Values for the first 10 months of 2000 relative to 1999.