Joining a union best investment of all

What's the best investment an ordinary working Canadian can make?

- Real estate?
- A balanced investment fund?
- The next hot tech stock?
- Bitcoin?

The surprising answer is: none of the above. By far the best investment most working Canadians can make is to join a union. Let's have a closer look.

Union members in Canada are paid, on average, an extra $5.26 an hour, $180 more weekly, and over $9,000 more per year than non-unionized workers. This union wage premium is about 20 per cent higher than non-unionized wages.

When adjusted for age, gender, education, industry and other characteristics, the union wage premium is estimated to be lower, but still amounts to five to 20 per cent more than non-union workers. It is considerably higher for younger workers and generally greater for women and lower paid workers, thanks to unions' fight for equality at the bargaining table and in the courts. And also union members benefit from much better access to pensions, supplementary health benefits, paid leave, and better job security than non-union workers.

A vast majority of union workers have access to superior defined benefit pension plans and better access to all other forms of benefits than non-union workers. The total additional value of these benefits often exceeds the union wage premium, boosting the total union wage and benefits premium.

The additional wages and benefits workers gain from union membership make for an exceptional return on investment: annual union dues in Canada average 1.6 per cent of workers' wages, less than $800 annually. This means the actual return on union dues, the direct benefits of workers collectively bargaining and acting in solidarity with each other, provides an average payback of at least five to one, and a minimum return of 400 per cent annually, and usually much more than that.

That's a far better return than investments in real estate, mutual funds, the stock market or high-tech, and one that provides less risk and greater security.

Union membership – a great investment!

Sources: Canada Revenue Agency, T1 Final Statistics Table 4 for average union dues (2015-latest year), and Labour Force Survey, Table: 14-10-0065-01 for union vs non-union average weekly wages (also for 2015).

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CUPE Canadian Union of Public Employees

ECONOMIC BRIEFS

Happiest places not richest or biggest

The happiest places to live in Canada aren't the biggest or richest. According to a study of 1,200 neighbourhoods and communities across Canada, people in smaller and rural communities tend to be happier. Positive characteristics include greater wellbeing, equality, a sense of community belonging, lower commute times and affordable housing. Average incomes and unemployment rates had little impact.

The happiest communities in Canada? Neebing, ON (pop 2,055), Hope, BC (pop 6,181) and Souris, PEI (pop 1,173), while people living in the big cities of Vancouver and Toronto have lower average life satisfaction—although Montrealers are slightly happier than the Canadian average. Some large city neighbourhoods are among the happiest in Canada, but those in suburban high-commuting or very dense downtown neighbourhoods are distinctly less happy.

According to the World Happiness Report, Canadians are the 7th happiest people in the world, with Nordic countries such as Norway, Finland and Denmark consistently at the top.

CCPA wealth study and OECD distribution of wealth

Most people are aware that income inequality has gotten worse, with the top one per cent taking more than 11 per cent of total incomes. However as bad as income inequality is, wealth inequality is even worse.

Recent statistics from the Organisation for Economic Co-operation and Development (OECD) show that Canada's wealthiest 10 per cent own more than 50 per cent of all the household wealth in Canada while our bottom 60 per cent own just 12 per cent.

As the Canadian Centre for Policy Alternatives recently reported, Canada's wealthiest 87 families have an average net worth of $3 billion each, twice as much as in 1999 and equal to the net wealth of 12 million Canadians. The reality is likely even worse: an estimated $300 billion are hidden in tax havens by wealthy Canadians.

Work less, produce more

A New Zealand company, Perpetual Guardian, experimented with a four-day work week and no reduction in pay or benefits and found it was a resounding success.

Workers were getting over-stretched with home, family and work commitments, and workplace productivity was declining. Moving to a four-day work week and giving workers more control over their work enabled employees to better deal with life and home commitments, and better focus on their jobs during working hours, resulting in greater employee productivity, improved work-life balance, and reduced stress. Countries with lower average work weeks—such as Norway, Denmark and Finland—rank higher in the world happiness rankings. Seven in 10 Canadians say they'd like to work four days a week even if it means they'd have to work longer hours on those four days.

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ECONOMIC DIRECTIONS
Latest economic trends at a glance

Economic growth	Canada's economy is expected to grow by at least 2.0 per cent in 2018 and taper down to 1.8 per cent in 2019. While Trump's trade wars could have a much larger impact going forward, Canada's economic growth has been stronger than expected this year, thanks to stronger employment and wage growth.
Jobs	The number of jobs in Canada is expected to increase by 1.2 per cent this year and by 0.9 per cent in 2019. The jobless rate is expected to average 5.8 per cent in both years.
Wages	Base wage increases in major collective agreements are moving up following a dismal average of just 0.8 per cent in the first quarter and now average 1.3 per cent for the year. However, this remains below inflation and below economy-wide increases in hourly wages.
Inflation	Consumer price inflation accelerated to 3.0 per cent in July due to rising fuel prices and is expected to average 2.4 per cent this year and 2.2 per cent in 2019, with a soft dollar and tariffs keeping prices up.
Interest rates	The Bank of Canada has already hiked its key lending rate three times since last summer, bringing it up to 1.5 per cent. Another hike is expected, partly so the Bank has more leeway to cut rates if needed in the future.

SPOTLIGHT ON MEGA-CORPORATIONS

An increasing number of mainstream economists are taking notice of the problems of growing mega-corporations, the negative impact they're having on the economy, and how the decline in union power is leading to lower wage growth.

Today's corporate growth can be traced in part back to the rise of the right in the 1980s. Politicians like Reagan, Thatcher, and Mulroney not only attacked union and worker rights, they also worked to expand the power of corporations through deregulation, free-trade agreements, "property rights," regressive tax measures, and the weakening of anti-monopoly and anti-competition rules. Since then, we've seen a decline in unionization and the massive expansion and growing concentration of corporate power.

This year, two of the largest corporations passed significant thresholds: Apple reached a stock market valuation of US $1 trillion and Walmart's annual revenues exceeded US $500 million—more than the annual GDP of all but two dozen nations in the world. As recently as three years ago, the OECD lauded how much more productive these large firms were and that others should emulate them, but there is a different perspective and attitude now.

Corporations in advanced economies like the US and Canada have increased their average markup ratios (the difference between their selling price and cost) by almost 39 per cent since 1980. This has been led by mega-corporations that have become even larger and more dominant in their sectors at the expense of small and medium-sized businesses, achieving virtual monopoly status. And when industries become dominated by these giant corporations, investment and innovation declines. These corporations have also excelled at using tax havens to reduce their tax bills, giving them even further advantages over domestic rivals.

It's all blatantly unfair, but so far most governments have pandered to these mega-corporations, which include Facebook, Apple, Google, Walmart and Amazon—and competed with each other to offer them incentives.

As corporate markups have increased, labour's share has declined. In Europe, other research has identified declining union power as the major cause of lower wage increases and labour's shrinking share of the economic pie.

There is finally greater recognition that increased corporate concentration and power and weakened union power have not only had negative social consequences, but also negative economic impact. We need to hold our politicians accountable, and make sure they stand up for workers and smaller businesses.

Returns on investment in education

It's back to school time, and many post-secondary students are asking themselves, "Is it really worth it?"

Despite rising tuition and course fees, the high cost of time and money for higher education still pays off for most people, and in most areas. Each year of additional schooling increases a worker's earning by *an average* of about 10 per cent.

Those with a four-year undergraduate university degree can expect to be paid, on average, 40 per cent more over their lifetime than those with a high school education. Those with a two-year college certificate make on average 20 per cent more. These figures are averages, and there is a lot of variation depending on field of study, occupation, gender, province, years of study, and other individual characteristics.

In higher paid fields such as medicine, engineering, law and business, students can expect returns around 15 per cent. In fine arts, it's closer to five per cent. While there is a high monetary return for most college certificates and undergraduate university degrees, the rates of return tend to decline with more advanced degrees, but they are still solidly positive for most master's programs and especially for MBAs. There had been little additional monetary benefit to many PhD degrees—students were doing them for the love of knowledge or other reasons—but more recently, the PhD payoffs seem to be rising.

Someone with a college degree can expect to be paid an average of $220,000 more than a high school graduate over 40 years. A bachelor's degree is worth $750,000 extra and a post-graduate degree more than $1 million extra.

These higher earnings also translate to higher tax revenues, so governments benefit as well. Those with higher education are less likely to be unemployed, to be laid-off, to depend on government transfers, and more likely to have a workplace pension—so higher education pays off in other ways as well. If we consider what individuals pay (and give up in terms of lost earnings) for education and what society pays in terms of support and subsidies for education, these private individual and social rates of return also average close to 10 per cent.

Of course, a post-secondary degree isn't for everyone. Many people can make more money and, more importantly, get more life satisfaction, without one. But everyone should have the opportunity to pursue post-secondary education if they want to, without the cost of tuition being a barrier. The bottom line is that investing in education pays off, both for individuals, for governments and for society in general, and often much more than most other investments—except joining a union!

Earnings Premium Relative to a High School Graduate over 40 Years, by Region

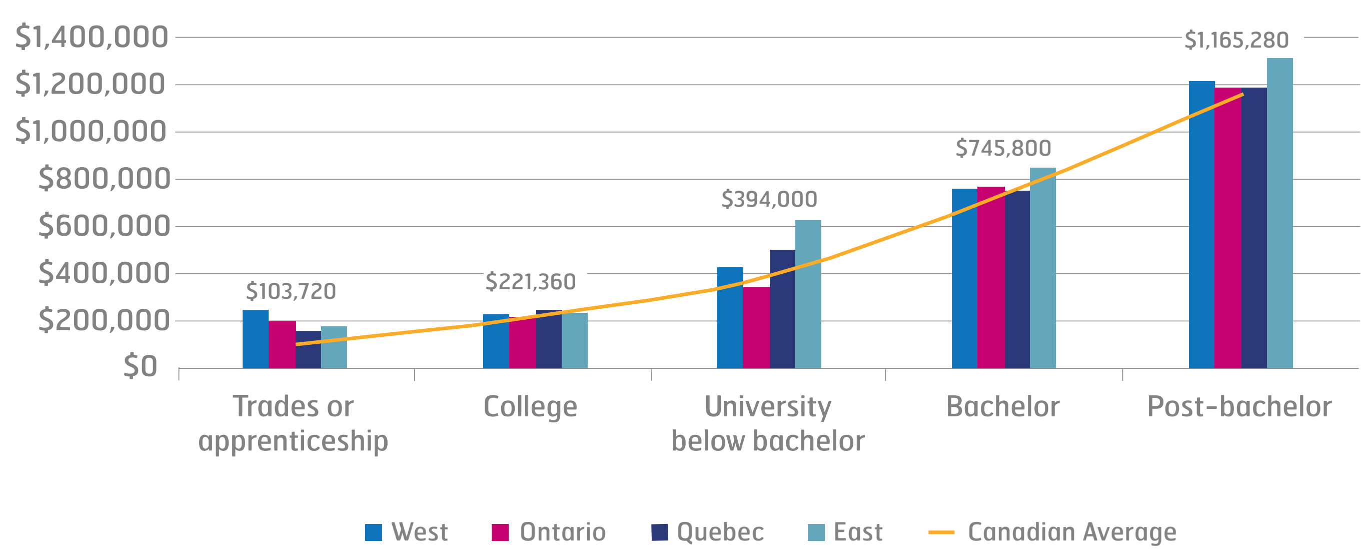

Chart by Joseph Berger and Andrew Perkin; *The Value of a Degree: Education, Employment and Earnings in Canada*