Alberta's Disappearing Advantage:

The Crisis in Alberta Wages, and How to Fix It

By Dr. Jim Stanford
Economist and Director
The Centre for Future Work

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Centre for FutureWork

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Centre for Future Work
centreforfuturework.ca
info@centreforfuturework.ca

About the Author

Jim Stanford is Economist and Director of the Centre for Future Work. He is also the Harold Innis Industry Professor in Economics at McMaster University in Hamilton, Canada, and an Honorary Professor in the Department of Political Economy at the University of Sydney. Jim received his Ph.D. in Economics from the New School for Social Research in New York. He also holds an M.Phil. from Cambridge University, and a B.A. (Hons.) from the University of Calgary.

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Introduction: Alberta’s Disappearing Advantage

In recent years, workers in Alberta have experienced unprecedented reductions in their incomes, their purchasing power, and their living standards. Wage growth over the past decade has been much weaker than past history, and much weaker than other provinces. Meanwhile, sluggish economic growth and job-creation, rising inflation, and the erosion of public services have further undermined job opportunities, economic security, and living standards.

Many of these same challenges have also been experienced elsewhere in Canada, and around the world, as a result of the COVID-19 pandemic and its aftereffects. But the evidence shows that by many measures, the crisis in living standards has been worse in Alberta than in any other province. And while macroeconomic and global factors have been important, the evidence is also clear that these challenges have been made far worse by deliberate wage-suppressing policies in Alberta. These policies have prioritized expanding profits for corporations and business, by deliberately restricting wages and job security for workers. The evidence presented in this paper shows those policies have “worked”: profits in Alberta have grown to unprecedented heights, while workers’ share of the economic pie (and their real living standards) have declined.

For many years, Alberta boasted the highest wages in Canada – built on the foundation of the province’s successful and high-productivity economy. However, as of 2023 that is no longer the case: hourly employees now earn more in B.C. than in Alberta. In 2023, Alberta’s average wages were only 3% higher than the Canadian average, down from a 17% advantage in 2013. The real purchasing power of an average hour of paid work in Alberta has fallen 10% in the last decade. The long-celebrated “Alberta advantage” is disappearing quickly for workers – although, as shown below, the province still offers enormous advantages for corporations, as confirmed by their profits and power.

The erosion of the Alberta advantage first became visible when global oil prices collapsed in 2014, and a decade-long boom in resource investments came to a close. But the decline in real wages in Alberta has continued regardless of the state of the oil industry – including since 2022, when surging world oil prices generated the largest profits the petroleum industry (and other business sectors in Alberta) have ever seen. It’s no longer convincing for Albertans to simply hope that another petroleum boom will restore prosperity: the current boom is mostly passing workers by (as described by

Heave, 2023), and future upswings will also fail to "trickle down" unless the province adopts a more even-handed and inclusive approach to work, wages, and prosperity.

2024 will be a critical year to start the process of building a more balanced and fair economy in Alberta. This year a record number of unionized workers will negotiate new contracts: covering around 250,000 workers, in both the public and private sectors of the economy, constituting almost half of the province's unionized workforce (see Leedham, 2024, for more details). This mega-year for collective bargaining occurs at a vital, sensitive moment in the economy. Alberta workers experienced major real wage declines after COVID-19 lockdowns ended and inflation took off. Workers will be determined to repair the damage to their living standards since the pandemic, to protect against the effects of future inflation, and to gain a share of future economic progress and productivity growth (through gradual real wage gains).

Real wage losses since the pandemic have been particularly severe for workers in provincially funded public sector jobs (including health care, education, and provincial administration). For them, the damage to living standards was amplified by aggressive wage suppression strategies wielded by provincial negotiators during past rounds of public sector bargaining (in 2020 and 2021). Those negotiations were hard enough, occurring amidst the worst moments of the pandemic. But various top-down wage restrictions – including secret "mandates," threats of fines for employers, threats of legislation to block work stoppages, and more (see Foster et al., 2024) – made things worse, and resulted in unprecedented and painful wage stagnation. Public sector workers won cumulative wage gains of just 3 to 4% over multi-year contracts, just as inflation accelerated. These workers thus experienced a historic (and predictable) decline in their real wages: of as much as 10% since 2020. The 2024 round of bargaining is the chance for them to begin to repair that damage, as well as protect workers more effectively against the impacts of ongoing and future inflation (which continues to run faster than usual).

While public sector negotiations will naturally capture much media and political attention in coming months, the crisis in living standards for Alberta workers has been experienced throughout the provincial economy, not just in public sector occupations. Real wages have declined rapidly in almost all private-sector industries, as well. Even in the super-profitable petroleum and mining sector, real earnings declined over the past five years – indeed, by more than average for the whole economy. Moreover, the erosion of living standards for private sector workers reflects a similar set of policy causes. Wage-suppressing provincial policies (including an unprecedented six-year freeze in the nominal minimum wage, and ongoing restrictions on union activity and collective bargaining) have undermined wage growth, even in industries which have enjoyed immense profits. Meanwhile, private employers continue to exploit opportunities to undermine or evade entirely normal minimum labour standards – such as the growing use of digital platform business models which avoid minimum wages, workers' compensation obligations, and basic pensions.

So repairing workers' living standards, and empowering them to win better and more secure jobs and incomes, is a universal priority for Alberta workers, whatever industry they work in. And it is clear that the structural and institutional causes of the erosion of workers' living standards must be corrected, if Albertan workers are to once again share fairly and securely in the wealth they produce. It is not enough to simply hope that another oil boom, or some other macroeconomic miracle, will lift all boats, trickle wealth downward, and restore the lost purchasing power that has so hurt the quality of life for working people, their families, and communities.

Instead, Albertans must press their government to commit to repairing and improving real wages as a top priority in its economic policy. It can do that in obvious and proven ways – learning from other provinces, where wage trends have been much stronger than in Alberta:

- Boosting minimum wages to lift incomes for low-wage workers.
- Reforming labour relations laws to remove barriers for workers to join unions and negotiate better wages and conditions.
- Respecting principles of free and fair collective bargaining in negotiations relations with its own employees, and workers in broader public services.
- Strengthening enforcement of basic labour standards (including minimum wages) to help workers in precarious and non-standard roles (including labour hire, temporary, contractor, and platform jobs).

This report will review numerous dimensions of the crisis in wages and living standards in Alberta. The next section provides data[1] on the state of work and wages in Alberta, documenting the sustained slowdown in wage growth that has persisted for several years, and highlighting some of its key causes (including wage-suppressing provincial policies). The following section considers how these inadequate wages have translated into a crisis in living standards for Alberta workers: evidenced by falling real wages, falling real household incomes, and growing poverty. The next two sections provide an evaluation of the broader economic context for wage determination and living standards in Alberta: first showing that Alberta's macroeconomic performance has been inferior to other provinces by a multitude of indicators, and then describing how

[1] All data reported in this paper was attained from public sources, mostly from Statistics Canada.

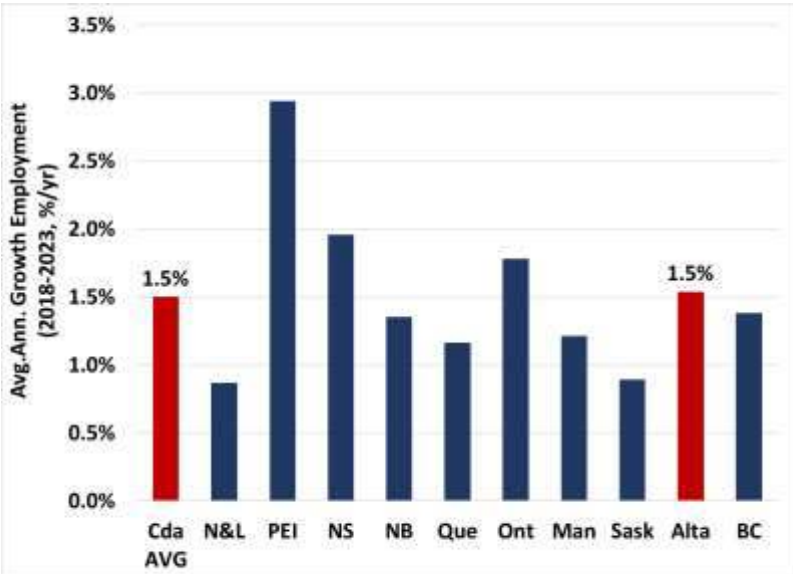
the gains from that (disappointing) economic trajectory have been maldistributed in favour of business profits rather than labour compensation.

Finally, the report considers the implications of recent losses in real wages and purchasing power for the major upcoming wage negotiations. These negotiations are an essential opportunity to restore living standards for the large number of workers covered by them. Perhaps even more importantly, they are an opportunity for the provincial government to demonstrate a change in its fundamental approach to wages. It's well past time for the government to recognize that higher wages are a goal to be promoted, not a problem to be avoided, and that achieving better living standards for Albertans requires empowering them to win a better share of the wealth they produce.

Work and Wages

For most Albertans, finding and keeping paid work is essential to supporting themselves and their families. Despite the aftereffects of the COVID-19 pandemic, and the more recent headwinds of inflation and high interest rates, Alberta's economy has continued to generate new jobs, at a pace that roughly matches the overall expansion of employment in Canada as a whole. As illustrated in Figure 1, total employment in Alberta increased at an average annual rate of 1.5% per year in the last five years, matching the overall Canadian rate.

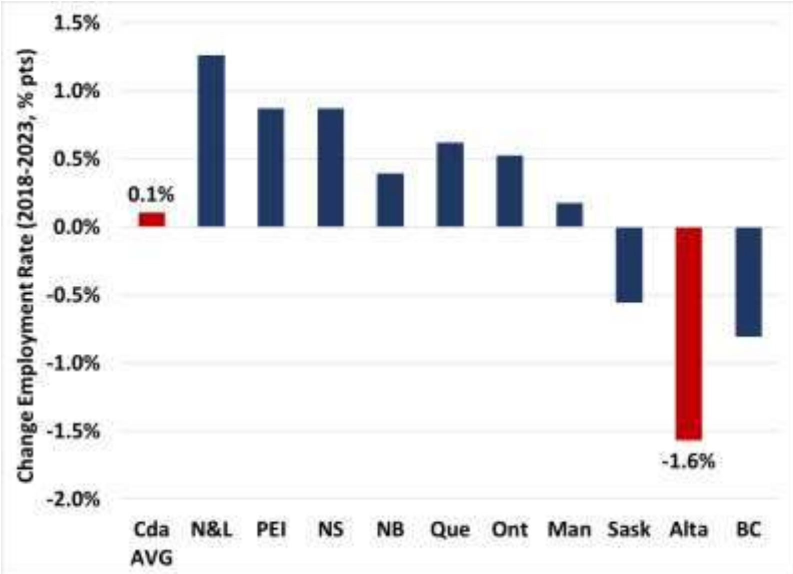
Figure 1. Average Annual Growth Employment, 2018-2023



Source: Calculations from Statistics Canada Table 14-10-0393-01.

However, Alberta's population is growing faster than the overall Canadian population, due both to rapid immigration from other countries, and net interprovincial inflows from elsewhere in Canada (Strasser, 2023). Alberta's population increased almost 10% over those same five years; the province's working age population grew even faster (since most incoming migrants are of working age). Unfortunately, the pace of job-creation in Alberta (which matched the Canadian average) was not sufficient to keep up with Alberta's faster-than-average population growth. As a result, the share of the working age population with paid work (known as the "employment rate") has declined. Indeed, as shown in Figure 2, the decline in the employment rate over the last five years has been by far the worst of any province: as a share of the working-age population, employment fell by 1.6 percentage points since 2018. In contrast, for Canada as a whole, the employment rate increased slightly over that period.

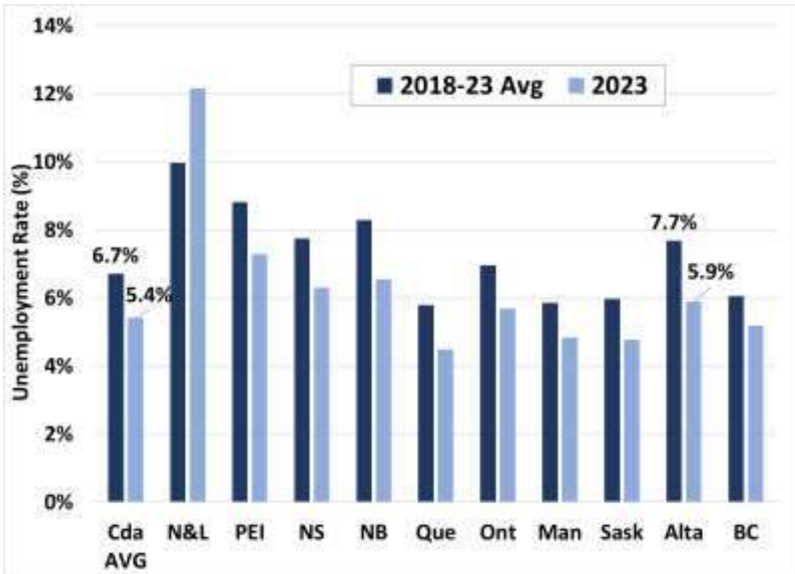
Figure 2. Change Employment-Population Rate, 2018-2023



Source: Calculations from Statistics Canada Table 14-10-0393-01.

The fact that Alberta's rate of job-creation only matched the Canadian average, and fell short of what was required to provide employment for its growing population, refutes the oft-heard claim that Alberta's uniquely corporate-friendly tax, regulatory, and labour policies will translate into faster growth and more opportunity for all. To the contrary, relative to population, job opportunities have been more scarce in Alberta than elsewhere in Canada.

Figure 3. Unemployment Rates by Province, 2018-2023



Source: Calculations from Statistics Canada Table 14-10-0393-01.

The mismatch between population growth and job-creation in Alberta translates into underperformance in the overall labour market balance. Alberta's official unemployment rate has remained significantly higher than most other provinces, and higher than the Canadian average, through the last five years. The unemployment rate for 2023 in the province was 5.9%, one-half percentage point higher than the Canadian average (Figure 3). And Alberta's unemployment rate is rising, up to 7.0% in April 2024. On average over the past five years, Alberta's unemployment rate was a full percentage point higher than the Canadian average.

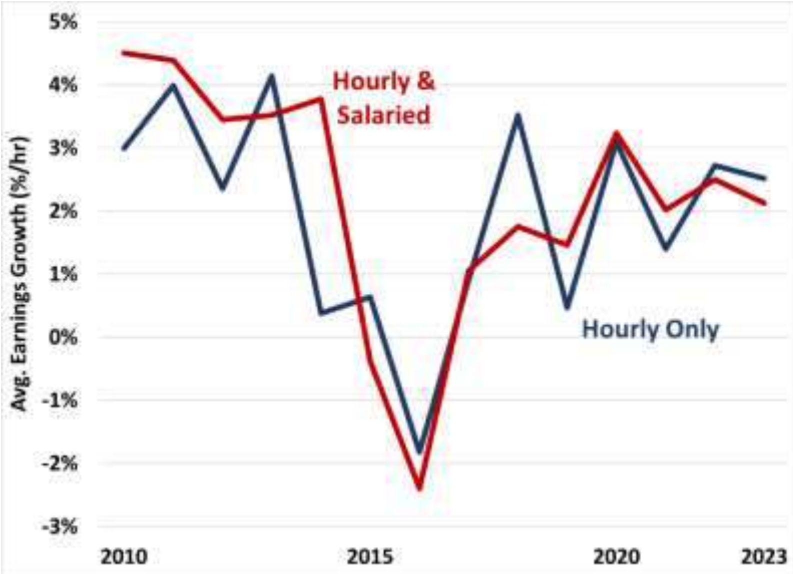
Finding a job is the first step in achieving a decent living standard for most Albertans. Winning decent, secure compensation from that job is the next step. On that score, wages in Alberta have been uniquely weak: relative both to previous history, and to the wage trajectories of other provinces.

There are numerous measures of wages reported by Statistics Canada. For waged employees (not counting self-employed individuals), the most reliable indicator of wages is provided by Statistics Canada's monthly Survey of Employment, Payrolls and Hours (SEPH, known as the "payroll survey"; see Statistics Canada, 2024a, for details on methodology). It receives monthly reports from all major employers, and also conducts an extensive sample of smaller employers; it is considered to provide the most accurate and detailed description of wages, salaries, hours of work, industrial sectors, job classifications, and other key dimensions of employment.[2] This report relies on hourly wages and weekly earnings data from the SEPH survey.

Figure 4 illustrates the sustained slowdown in nominal growth in both hourly wages and weekly earnings in Alberta over the last decade. Hourly wages are reported for waged employees who are paid by the hour. Weekly earnings are average total earnings for both hourly and salaried employees; this series thus captures the impact of changes in hours worked by hourly-paid employees (a factor which is not reflected in hourly wage data). The two series show a similar trend. In the first two years after the global oil price crash of 2014, wage growth slowed dramatically: indeed, for a time average nominal earnings were actually falling, indicating widespread wage deflation (a rare and painful condition). By 2017 nominal wages were growing again, albeit slowly. Then, through the shocks of the COVID-19 pandemic (including temporary labour shortages in some industries after lockdowns, and then the impacts of faster inflation), nominal wage growth has remained anemic by historic and interprovincial standards, with pay increases ranging between 2-3% per year.

[2] Another important source of data on earnings is Statistics Canada's monthly Labour Force Survey (known as the "household survey"), which surveys individuals. It includes self-employment, lacks the same detail on job types and hours, and is generally considered a less reliable indicator of wages.

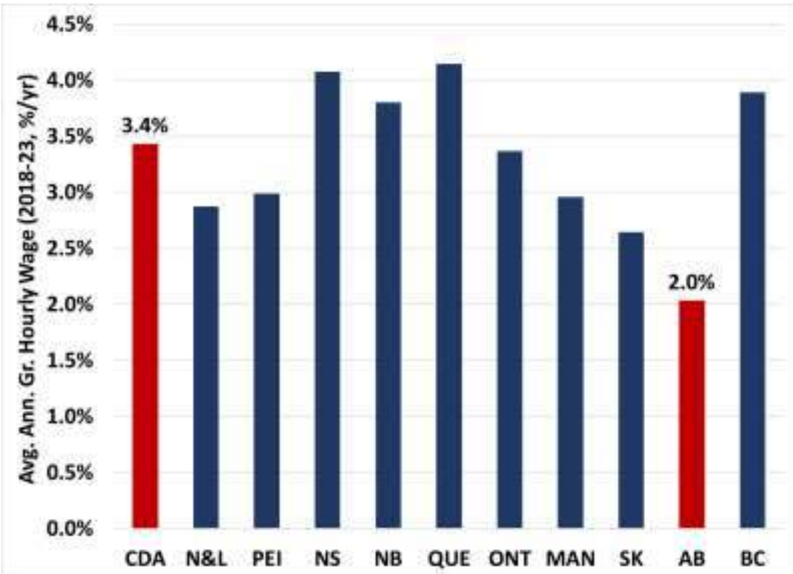
Figure 4. Annual Growth in Average Earnings, Alberta, 2010-2023



Source: Calculations from Statistics Canada Tables 14-10-0204-01 and 14-10-0206-01.

Alberta's nominal wage growth during this period has been the weakest of any province. From 2018 through 2023, hourly employees received annual wage increases averaging just 2% per year (Figure 5). That was far slower than the Canadian average (3.4% over this time), and just half the pace of wage growth in the leading provinces (Nova Scotia, Quebec, and British Columbia).

Figure 5. Growth in Average Wages for Employees Paid by the Hour, 2018-2023

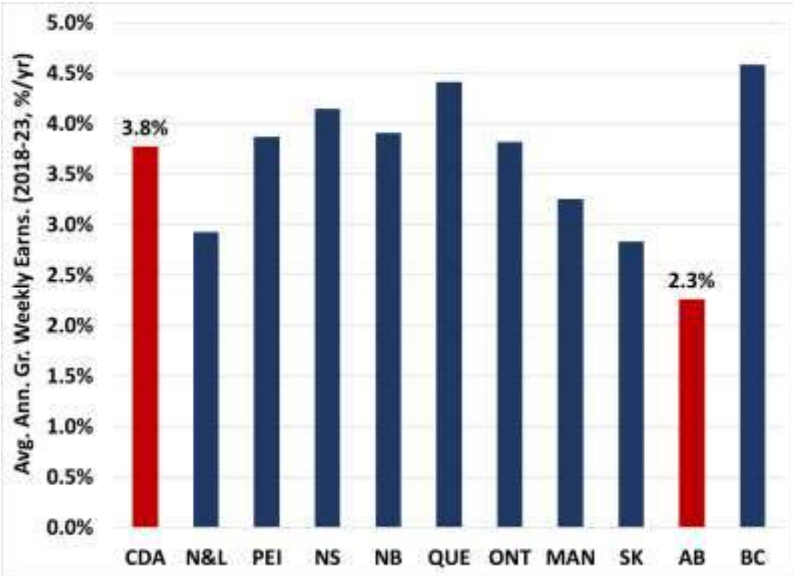


Source: Calculations from Statistics Canada Table 14-10-0206-01.

Even if we include earnings for salaried workers (who, on average, tend to be better paid than hourly employees), the numbers do not look much better. As shown in

Figure 6, average annual growth in nominal weekly earnings for all employees equaled 2.3% in the last five years. Again, that is worse than any other province, and well behind the Canadian average (3.8%). So not only has the quantity of employment in Alberta lagged behind population growth to a greater degree than in any other province, pay increases for those with jobs have also been the slowest in Canada.

Figure 6. Growth in Average Weekly Earnings for All Employees, 2018-2023

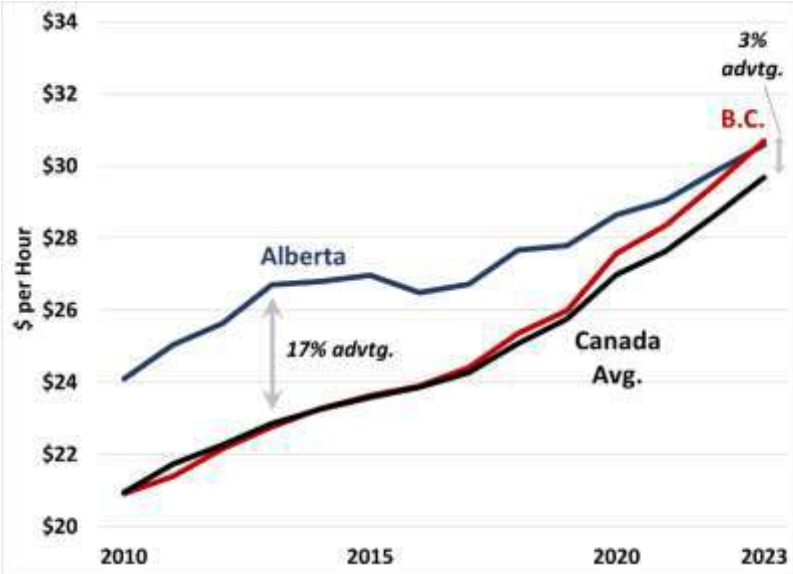


Source: Calculations from Statistics Canada Table 14-10-0204-01.

As a result of this sustained weakness in wage growth, Alberta's once-vaunted superiority in wages is evaporating – and quickly. In 2013, average hourly wages for hourly employees were 17% higher in Alberta than the Canadian average. The "Alberta advantage" in this regard was obvious and undeniable (Figure 7). Today that advantage has shrunk to just 3%. The fact that average wages in Alberta are now just mediocre by national standards is especially ironic given that Alberta's GDP is much higher (in per person terms) than the Canadian average, and the cost of living is also higher than most provinces. Both of those factors suggest that wages *should* be higher in Alberta than elsewhere – yet that wage superiority, once taken for granted, has now largely disappeared.

A potent symbol of Alberta's disappearing wage advantage is the fact that as of 2023, Alberta no longer has the highest hourly wage (for hourly employees) in the country. On the strength of several years of strong growth, underpinned by deliberate wage-supporting policies (like regular increases in the minimum wage and support for the expansion of collective bargaining), nominal hourly wages in neighbouring B.C. have grown much more robustly (by over 4% per year on average in the last five years). Last year wages in B.C. surpassed those in Alberta. How long this remains, and whether

Figure 7. Alberta's Disappearing Wage Advantage



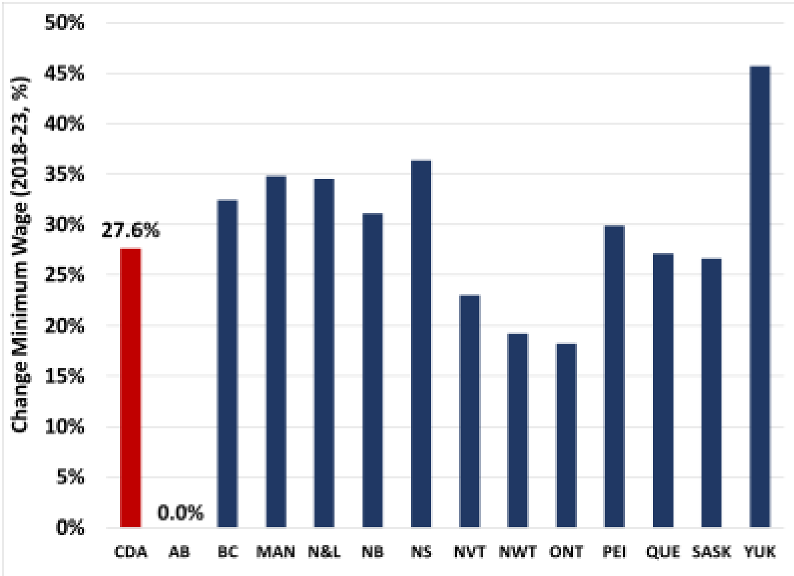
Source: Statistics Canada Table 14-10-0206-01; employees paid by the hour.

other provinces also catch up, depends largely on whether the Alberta government continues its multi-pronged strategy of deliberate wage suppression – or changes course to support wage growth more in line with other provinces.

In that regard, no single indicator more reveals the government's deliberate effort to suppress wages than its long-term freeze in minimum wages. Governments elsewhere in Canada, and around the world, have increasingly recognized the importance of stronger minimum wages for lifting wages throughout the labour market, reducing the incidence of poverty among working people, achieving a more balanced distribution of income, and strengthening household financial security and consumer spending (which, in turn, reinforce economic growth). Old shibboleths about minimum wages constituting unproductive 'interference' in free markets and causing higher unemployment, have been mostly abandoned by economists and policy-makers alike. There is accumulating empirical evidence that minimum wages have little effect (and possibly even a positive effect) on employment.[3]

[3] For a summary of international evidence to this effect, see Card and Krueger (2015) and Dube (2019).

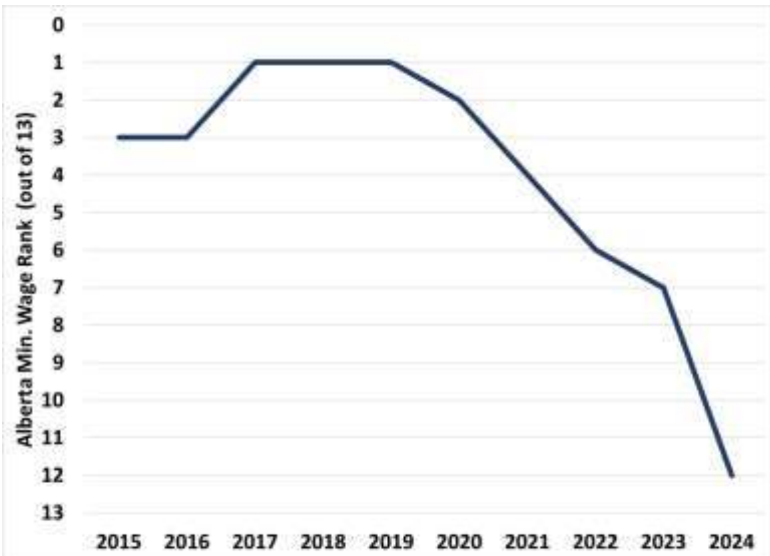
Figure 8. Increase in Provincial Minimum Wage, 2018-2023



Source: Calculations from Government of Canada, Minimum Wage Database. Canada unweighted average.

Unfortunately, Alberta's government ignores that international evidence, and has frozen the nominal minimum wage since 2018. This long freeze in the minimum wage contrasts sharply with all other jurisdictions in Canada (including all other provinces, the three territories, and now even the federal government – which has instituted its own minimum wage for federally-regulated industries). Across all of Canada minimum wages have increased by an (unweighted) average of 27% in the same time, and by more than that in several provinces.

Figure 9. Alberta's Falling Rank by Minimum Wage, 2015-2023

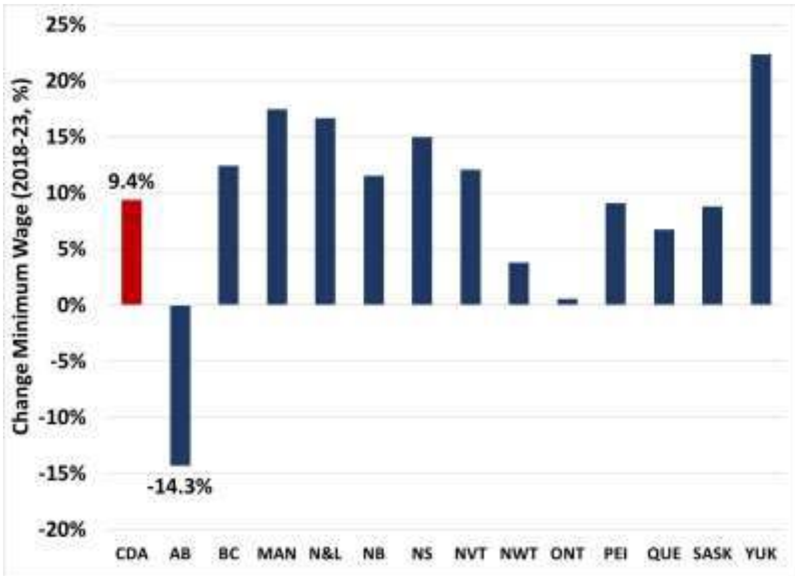


Source: Calculations from Government of Canada, Minimum Wage Database.

Coincident with its long-time status as Canada's wage leader, Alberta also traditionally had one of the highest minimum wages in the country. Even prior to the ambitious minimum wage increases implemented by the former NDP government in Alberta in 2016-2018, Alberta ranked highly among the provinces in its minimum wage. From 2017 through 2019, Alberta had the highest minimum wage. Since then, however, the combination of a minimum wage freeze and ambitious minimum wage increases in other provinces has pushed Alberta down the ranks (Figure 9). As of 2024, Alberta is now tied with Saskatchewan (another province whose government maintains faith in business-led, trickle-down economics) as having the lowest minimum wage in Canada. By this measure, Alberta's advantage has transformed into a a painful handicap.

The long-term freeze in nominal minimum wages has been all the more painful given the acceleration of inflation in Canada since the COVID-19 pandemic. In real terms (relative to provincial inflation), Alberta's minimum wage has lost 14% of its value since 2018 (Figure 10). So the weakness of wages in the province has been particularly acute for those who can least afford it: those working at the bottom of the income ladder. Worse yet, these are the same workers who also disproportionately face insecure and inadequate hours of work, on top of earning rock-bottom hourly wages.

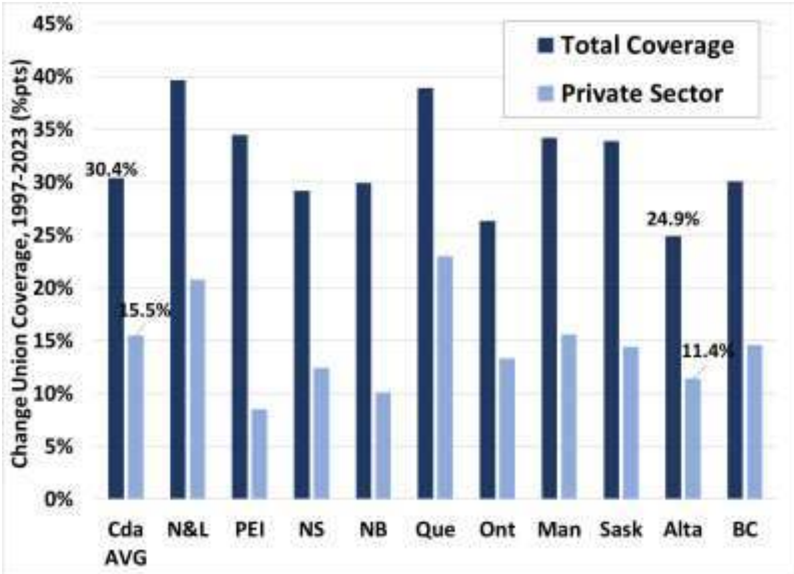
Figure 10. Change in Real Provincial Minimum Wage, 2018-2023



Source: Minimum Wage Database, Statistics Canada Table 18-10-0005-01.

Another critical institutional support for wage growth is provided by collective bargaining, which allows workers to exercise more influence with their employers than if each had to negotiate wages and benefits individually. On this score, too, Alberta's workers face a profound and lasting disadvantage.

Figure 11. Union Coverage by Province and Sector, 2023



Source: Calculations from Statistics Canada Table 14-10-0070-01.

As indicated in Figure 11, union coverage is lower in Alberta than in any other province.[4] Just under 25% of Alberta workers have the benefit of a collective agreement to determine their wages, benefits, and working conditions – compared to over 30% across Canada as a whole. Collective bargaining is especially rare in Alberta's private sector, where just 11% of workers (one in nine) are supported by a collective agreement; worse yet, that low level of private sector coverage fell by 3 percentage points over the last quarter-century. Without the bargaining power and security that comes from a collective agreement, workers in private sector industries face a very lopsided playing field in their efforts to attain better jobs and compensation.

[4] Union coverage refers to workers whose wages and other terms of employment are determined by a union-negotiated collective agreement; it includes a small share of employees (about 2% of all employees) who are covered by such agreements but do not belong to a union. The unionization rate is thus slightly lower.

Prices and Living Standards

Having a job that pays decent wages is an essential precondition for most households to attain a decent standard of living. But an equally central determinant of living standards is the cost of what workers must buy. How far can a worker's wages go in buying necessities, and providing for stable and decent living conditions for workers and their families? This section will consider the rising cost of living in Alberta in recent years, showing how it has vastly outpaced the poor pace of wage growth described above.

Inflation has been a huge concern in all parts of Canada since the COVID-19 pandemic, and with good reason. Prior to the pandemic, inflation averaged about 2% per year (the Bank of Canada's official target). Inflation first declined in the wake of pandemic lockdowns – slipping into outright deflation for a short time in spring 2020. Then, after lockdowns ended and the global economy reopened, inflation accelerated rapidly – peaking at 8% in June 2022.

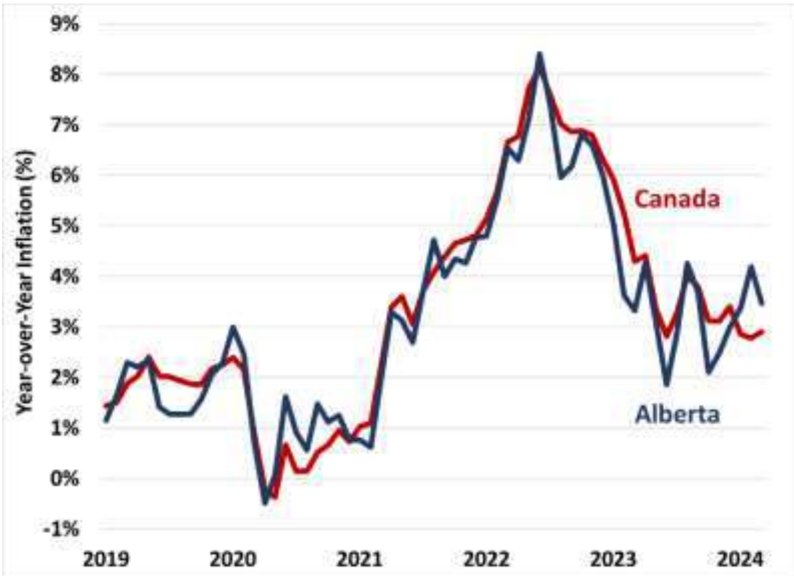
The causes of post-COVID inflation were varied and unique, including:

- Disruptions in global supply chains.
- Shortages of key products (like semiconductors, building materials, and autos).
- An initial surge of pent-up consumer demand as shoppers emerged from lockdown.
- A global energy price spike (replicated in Canada, thanks to our energy policy framework) following Russia's invasion of Ukraine in early 2022.
- Climate disasters that have impacted food prices.
- A historic increase in profits in many industries, as companies took advantage of consumer uncertainty and desperation to increase prices far beyond their costs.

Since peaking in mid-2022, inflation has decelerated rapidly, but has not yet returned to its pre-pandemic pace. Year-over-year inflation is currently running at about 3%. It is expected to slow gradually back to the 2% rate (in line with the Bank of Canada's target) by later in 2025. However, global developments (including geopolitical instability in the Middle East, which could cause another inflationary oil price spike) mean the risks of continued above-target inflation are still significant.

As indicated in Figure 12, inflation in Alberta has closely tracked Canada-wide averages. Provincial inflation rates have been somewhat more volatile than the Canada-wide average, but over the full period of the pandemic and its aftermath there has been no sustained difference between inflation in Alberta and Canada as a whole. It is important to note that slower wage growth in Alberta than elsewhere in Canada, had no impact on provincial inflation. Since post-COVID inflation was not caused by wages, but rather was driven by other, mostly supply-side factors, this is not surprising. Unfortunately, it means that workers in Alberta received no 'compensation' in the form of lower prices, to offset their unusually weak wage increases.

Figure 12. Consumer Price Inflation in Alberta and Canada, 2019-2024



Source: Calculations from Statistics Canada Table 18-10-0004-01.

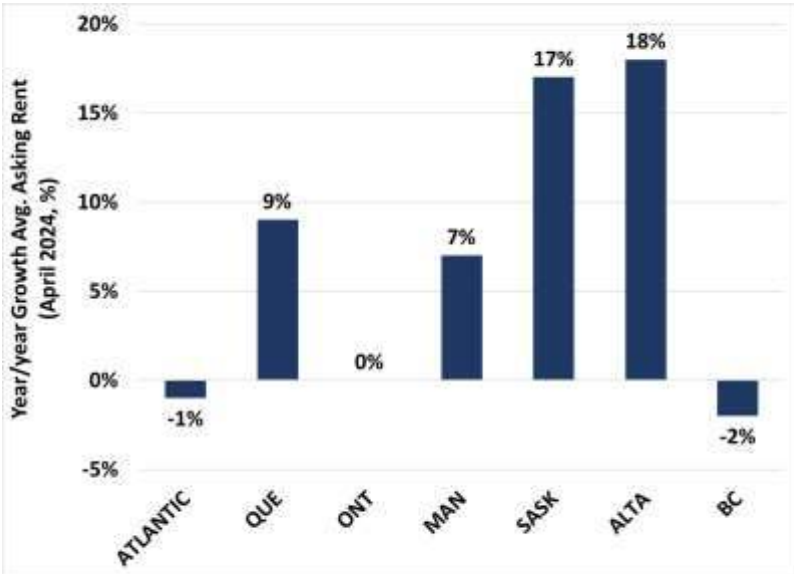
Figure 12 shows the path of all-items inflation as measured by Statistics Canada, reflecting the cost of a representative basket of all the goods and services purchased by private consumers. Let us consider in more details some of the key factors that drove that inflation. In Alberta, like elsewhere in Canada, food inflation has been a major concern – with food prices rising much faster than average consumer prices since 2021. Food prices in Alberta grew by a cumulative 27% over the five years from 2018 through 2023, equal to the Canada-wide rate of food inflation. More recently, food price inflation has slowed down to a similar pace as overall inflation, although the level of food prices remains high.[5]

Housing has been another major contributor to recent inflation. The shelter component of the consumer price index in Alberta increased 22% over the last five

[5] A decline in the *rate* of food inflation means food prices are growing less rapidly – but the *level* of food prices remains high as a result of previous, faster inflation.

years, again matching the Canada-wide experience. In some ways, the official Statistics Canada measure of shelter costs understates true inflation in housing. For example, the rental component of the CPI reflects a weighted average of rents for people living under existing leases, and the smaller share of people seeking new rental accommodation. It is the cost of the latter component (market rents for new tenants) that has increased most dramatically. Alternative data sources (such as the index of rental costs published by Urbanation, illustrated in Figure 13), shows that rental costs are rising much faster than indicated in the consumer price index. Worse yet, they show that rents are presently rising faster in Alberta than anywhere else in Canada. The lack of rent control policies has contributed to the rapid escalation of rents in Alberta. This has been especially painful for low- and middle-income workers who cannot purchase their own homes.

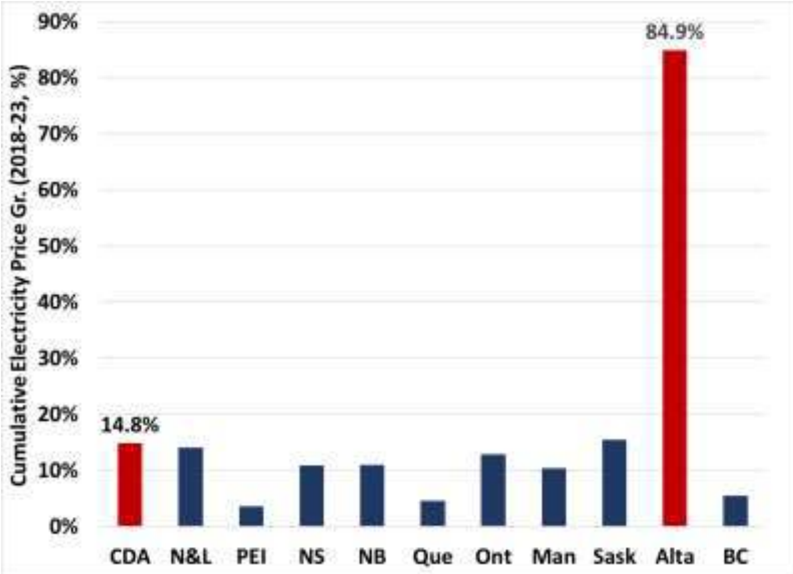
Figure 13. Rental Accommodation Increases, 2024



Source: Urbanation Inc., Rent Report, April 2024.

There are other examples of how economic mismanagement by the provincial government, and its misplaced confidence in the efficiency of private market forces, has made inflation worse than it needs to be in Alberta. One dramatic example is skyrocketing electricity prices, resulting from the failure of the province’s privatized, fragmented system of electricity planning. As indicated in Figure 14, the 85% increase in electricity costs in Alberta in the last five years (almost six times worse than the Canada average) vastly exceeds electricity prices in other provinces. Not only has the failure of Alberta’s electricity system been painful for hard-pressed consumers there, it even contributed measurably to Canada-wide inflation data – and hence to restrictive Bank of Canada interest rate policies that have hurt all Canadians (including, of course, Albertans).

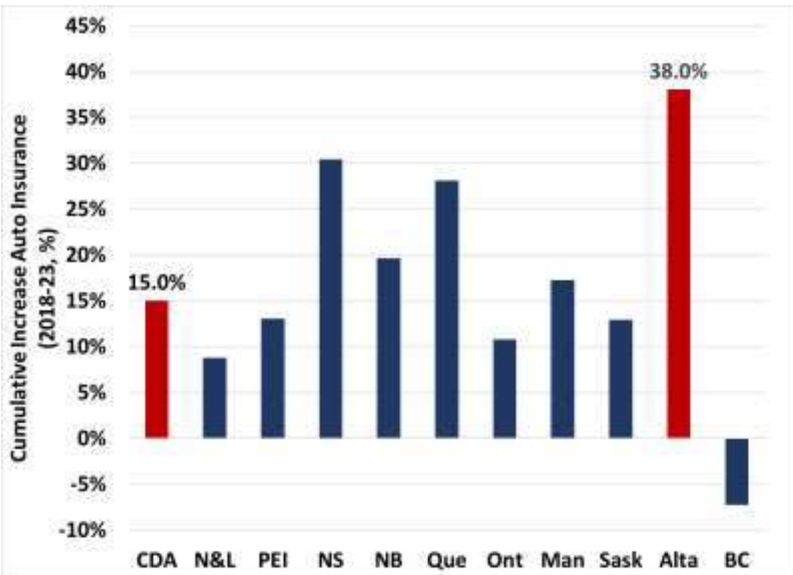
Figure 14. Electricity Price Increases, 2018-2023



Source: Calculations from Statistics Canada Table 18-10-0004-01.

Another provincial policy failure is visible in Alberta's unusually high auto insurance costs – now reported to be the highest in Canada (Insurance Bureau of Canada, 2024). Inflation in this component of the consumer price index totaled 38% in Alberta over the past five years (Figure 15), more than twice the average premium increases across Canada, and once again the worst of any province. Provincial policy failures, including most fundamentally the absence of a public auto insurance program (as exists in some other provinces), has clearly contributed to this inflationary outcome.

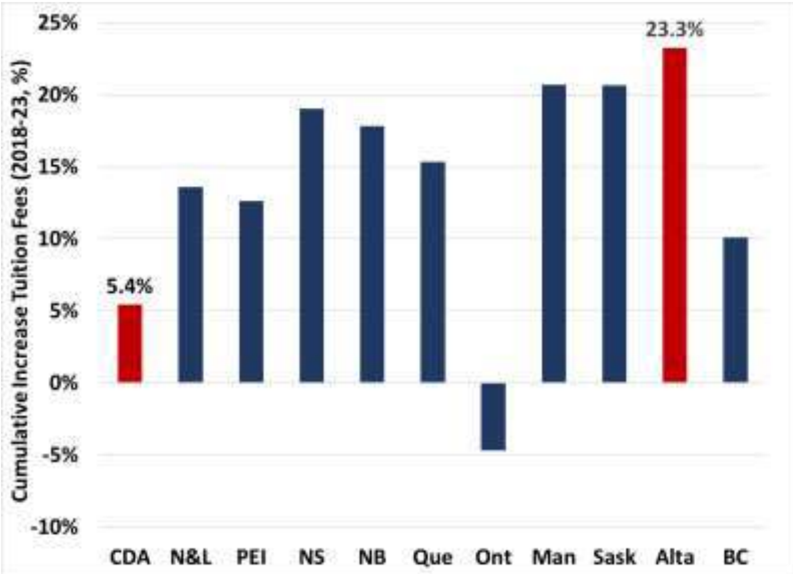
Figure 15. Auto Insurance Premium Increases, 2018-2023



Source: Calculations from Statistics Canada Table 18-10-0004-01.

Another aspect of Alberta's high cost of living that also reflects misguided provincial policy is its Canada-leading rate of increase in tuition fees. As shown in Figure 16, tuition fees at universities and colleges have increased faster than any other province, and over four times faster than the Canadian average. This is the predictable result of harsh cutbacks in provincial funding for higher education.

Figure 16. Tuition Fee Increases, 2018-2023

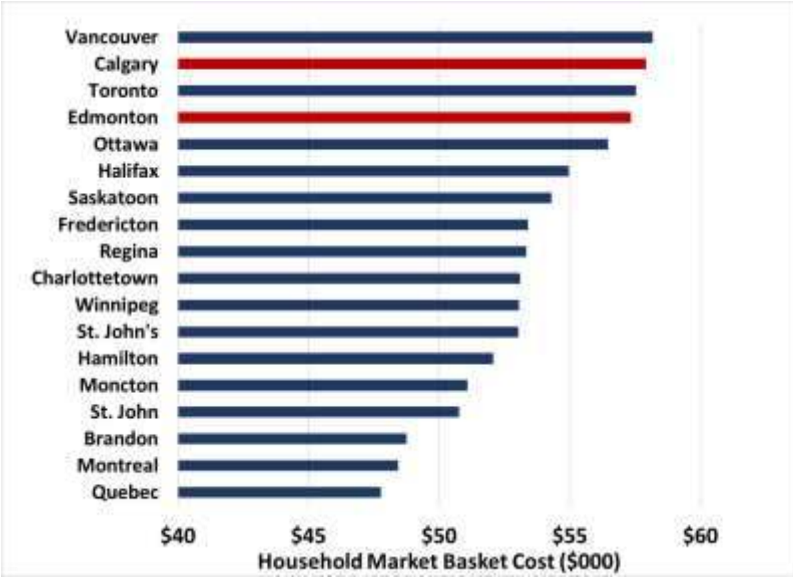


Source: Calculations from Statistics Canada Table 18-10-0004-01.

The overall rate of inflation in Alberta has broadly matched price increases in the rest of Canada. However, while the rate of increase of prices in Alberta was not worse than elsewhere, the *level* of prices is relatively high. The rate of inflation measures how fast prices are rising, but does not convey how high prices are in absolute terms. Other sources of data are required to compare actual living costs in different locations. Statistics Canada conducts such a survey as part of its calculation of "market basket measures". This survey measures the composite cost of the goods and services necessary for a minimal standard of living – including housing, food, other essentials, and modest provisions for entertainment and services. This measure allows a comparison of living costs across locations in Canada; the survey is conducted for specific communities in each province.

Figure 17 illustrates the cost of this benchmark market basket in 18 major cities tracked by Statistics Canada. Calgary ranks as the second-most expensive city in Canada in which to live (behind Vancouver, but ahead of Toronto), and Edmonton ranks as the fourth most expensive city.

Figure 17. Market Basket Thresholds by Major City, 2023



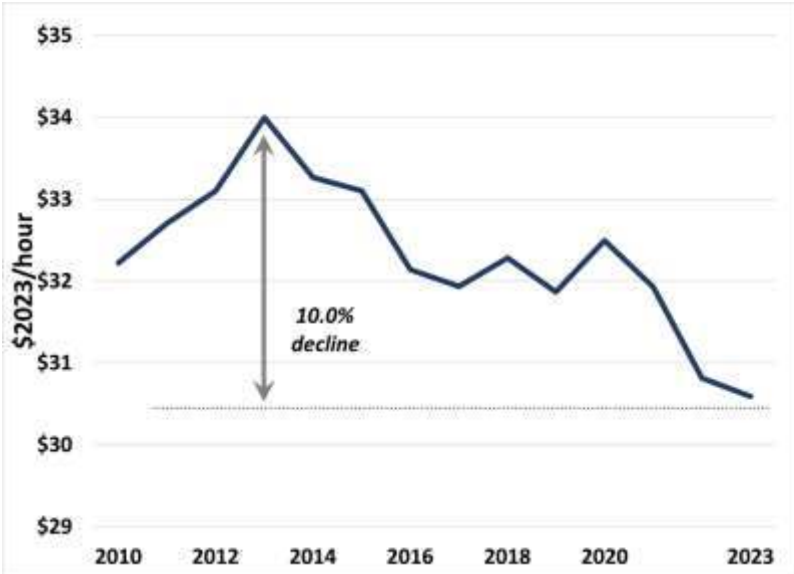
Source: Statistics Canada Table 11-10-0066-01.

Given that the absolute cost of living is higher in Alberta than most other places in Canada, it is all the more important that the province offer superior income opportunities for its workforce. Unfortunately, as indicated above, that wage advantage has mostly disappeared. As an illustration of this problem, consider that the average cost of living as captured by the market basket measure in Calgary and Edmonton is now 8% higher than the average for all the major cities tracked by Statistics Canada. However, average wages for hourly employees in Alberta are only 3% higher than for Canada as a whole. Receiving only 3% higher wages, to cover an 8% higher cost of living, is obviously not a winning formula. This has worrisome implications for the real living standards of Alberta workers.

More evidence of the crisis in living standards for Alberta workers is provided by analysis of changes in their real incomes, measured relative to rising prices. Real wages equal the level of nominal (money) wages deflated by changes in prices; they provide an indication of the actual purchasing power of workers' incomes. It was noted earlier that wages have grown more slowly in Alberta over the past five years than anywhere else in Canada. But inflation has matched Canada-wide price increases. This implies that real wages in Alberta have been negatively impacted.

Figure 18 illustrates the evolution of real average wages for hourly employees in Alberta since 2010. The data is expressed in 2023 dollar terms: that is, nominal wages earned in each year, relative to the level of prices prevailing in 2023. Real wages in Alberta increased during the early 2010s, before starting to fall in 2013. Perhaps that initial descent could be attributed to the 2014 global oil price collapse, but wages have continued to fall ever since – regardless of the state of the oil industry. Indeed, the all-time record oil industry revenues and profits (in 2022 and 2023) were associated with a renewed acceleration in the loss of purchasing power for Alberta workers – in part due to the impact of higher petroleum costs on real wages right here in Alberta. In total, real wages have declined by 10% in Alberta in the last decade – representing a loss of one-tenth of the purchasing power of workers' incomes. That is a painful, and historically unprecedented, erosion in workers earnings and living standards.

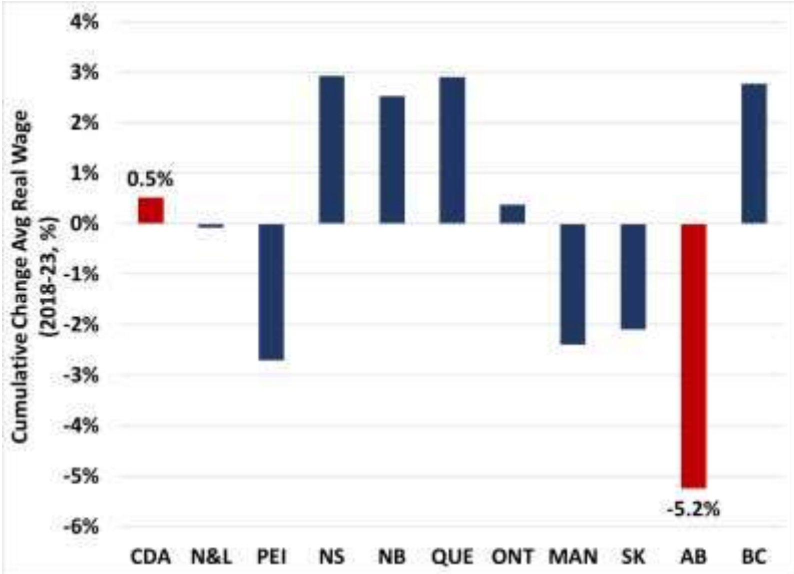
Figure 18. Real Hourly Wage for Hourly Employees in Alberta, 2010-2023



Source: Calculations from Statistics Canada Table 14-10-0206-01 and 18-10-0004-01.

Alberta's real wage losses are far out of line with the experience of other provinces. As shown in Figure 19, Alberta workers experienced a 5.2% decline in real wages since 2018. That represents half of the cumulative 10% real wage decline that started in 2013. In contrast, real hourly wages in Canada as a whole grew slightly in the last five years, indicating that other Canadian workers were able to just keep up with inflation. Some other provinces also experienced real wage losses (namely, PEI, Manitoba, and Saskatchewan), but Alberta's 5.2% decline was by far the worst. This indicates that provincial policies have played a central role in suppressing wages in Alberta; the problem cannot be blamed solely on broader macroeconomic or global factors.

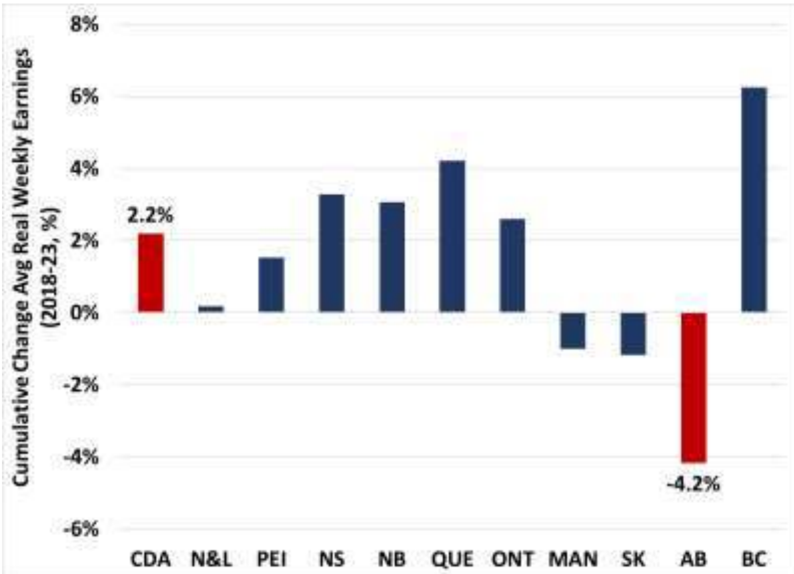
Figure 19. Change Real Average Hourly Wage for Hourly Employees, 2018-2023



Source: Calculations from Statistics Canada Table 14-10-0206-01 and 18-10-0004-01.

As discussed above, wages have performed slightly better for salaried workers, than for their hourly counterparts. Considering all weekly earnings (and thus capturing raises for salaried workers, as well as changes in hours worked by hourly employees), average real earnings declined in Alberta by 4.2% between 2018 and 2023 – slightly less than the decline in real hourly wages (Figure 20).

Figure 20. Change Real Average Weekly Earnings for All Employees, 2018-2023

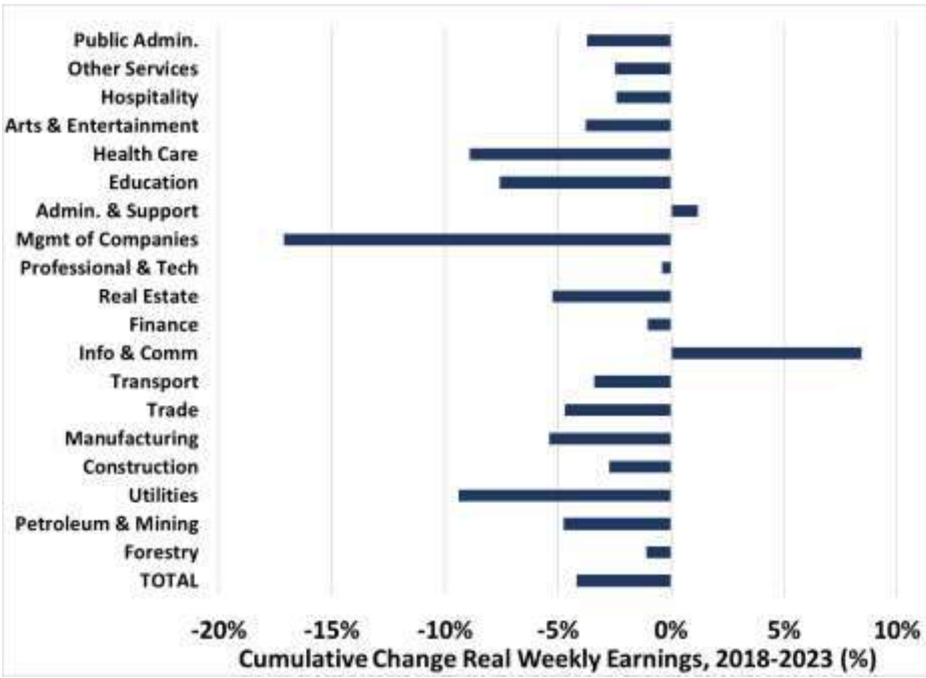


Source: Calculations from Statistics Canada Tables 14-10-0204-01 and 18-10-0004-01.

But now the relative inferiority of Alberta's performance is even more stark: real weekly earnings grew 2.2% in Canada as a whole. And there are only two other provinces (Manitoba and Saskatchewan) which experienced slight losses in real weekly earnings. By this measure, the "Alberta advantage" has been completely flipped on its head, and now constitutes a large and painful disadvantage.

The experience of falling real wages has been shared across almost all industries in Alberta. To be sure, as a result of austere wage settlements in the previous round of bargaining, combined with the subsequent acceleration of inflation, real wage losses were especially severe for public service workers: including real wage cuts of almost 9% for health care workers in five years, and 7.5% for education workers. However, virtually every other sector in the provincial economy, including private industries, also experienced declining real earnings (Figure 21). Even the super-profitable oil and mining sector, which experienced more revenue and more profits in 2022 than any time in its history, cut real weekly earnings by more than the Alberta average: down 4.75% over the five years. This is proof positive that lifting corporate profits, on the assumption that wealth will automatically "trickle down" to workers, is not a credible economic strategy. Only 2 of the 19 industries tracked by Statistics Canada reported an increase in real earnings over the 2018-2023 period: information and communication technology (thanks to strong demand for computer and other technical skills), and administration and support services. In every other industry, public or private, the real earnings of workers (both hourly and salaried) have been eroded.

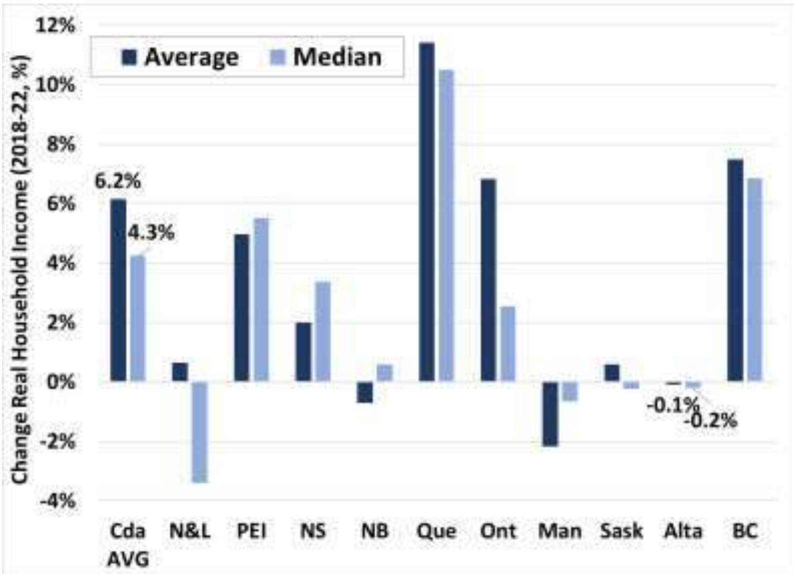
Figure 21. Change Real Weekly Earnings by Industry, Alberta, 2018-2023



Source: Calculations from Statistics Canada Tables 14-10-0204-01 and 18-10-0004-01. Forestry sector measures change since 2019 (2018 data unavailable).

Wages and salaries are the core source of income for working families, of course, but not the only one. If we consider other sources of income (including investment income, small business profits, and government transfer payments), and then adjust for changes in the cost of living, a summary portrait of total household incomes can be generated. Statistics Canada collects data on total household incomes, adjusted for inflation (most recent data is for 2022). The agency reports both average household income, and median household income.[6] As shown in Figure 22, by these measures, Alberta has performed poorly compared to other provinces. Both average and median real household incomes declined slightly in Alberta over the latest five years of data. That contrasts with growth in real household incomes across Canada as a whole (up more than 6% for average, and over 4% for median). Alberta's performance on this metric was among the worst of any province – across both measures, Alberta ranks better only than Manitoba.

Figure 22. Change Real Household Incomes, 2018-2022



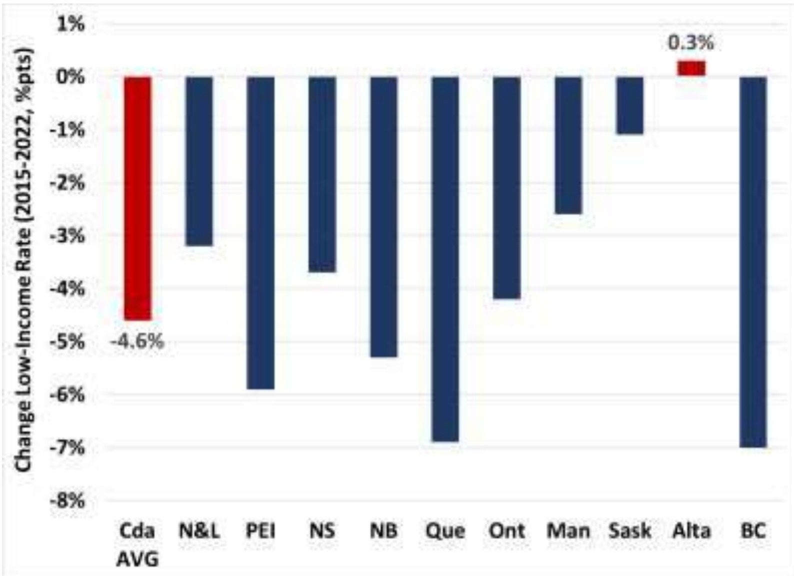
Source: Calculations from Statistics Canada Table 11-10-0191-01.

The erosion of real incomes has been especially painful for households at the lower end of the income distribution. They have fewer resources (such as personal savings) to fall back on. They have also been disproportionately affected by other policies (like the long freeze in Alberta's minimum wage) that have hurt income opportunities for lower-income Albertans.

[6] Median income reflects the income of the household at the 50% level of the income distribution; it is often considered a more accurate measure of income and well-being, because it is less influenced by the impact of a small number of outlier high-income observations, than is average income. Another factor influencing household incomes is changes in the average size of households.

Figure 23 illustrates the change in the proportion of individuals in each province living below the market basket measure estimated by Statistics Canada to describe the requirements of a minimum level of subsistence in each community. This “low-income rate”[7] has declined significantly across most of Canada since 2015 – largely due to federal anti-poverty measures (especially the Canada Child Benefit, which has substantially reduced poverty among families with children). The low-income rate fell almost 5 percentage points in Canada since 2015 (when expanded child benefits began), and by more than that in some provinces (notably Quebec and B.C., thanks to complementary provincial anti-poverty measures).

Figure 23. Change in Incidence of Low-Income, 2015-2022



Source: Calculations from Statistics Canada Table 11-10-0093-01.

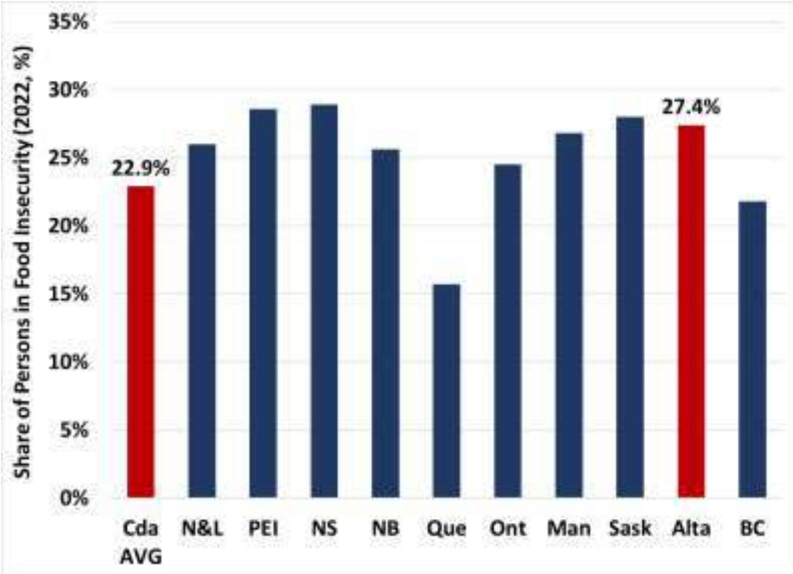
In Alberta, in contrast, the opportunity provided by the expansion of federal low-income benefits has been fully offset by the erosion of other incomes for low-income Albertans. This reflects the province’s weakness in real wages (especially for lower-income workers), as well as the impacts of restrictive social policy measures (such as inadequate provincial welfare, disability, and workers’ compensation benefits). The low-income rate was higher in Alberta in 2022 (most recent data) than in 2015, and Alberta is the only province to go backward on this score in this period.

Another measure of the hardship faced by households in Alberta, especially those with lower incomes, is the shocking prevalence of food insecurity. Nothing is surely more important to any family than being able to put food on the table. But the combination

[7] This measure is often understood as a “poverty rate”, but Statistics Canada and most analysts prefer the more precise definition of “low-income rate”, given difficulties in defining and measuring “poverty”.

of falling real incomes, the growing incidence of low income, and skyrocketing food prices has made that difficult for many Albertans. According to Statistics Canada surveys, over one in four Albertans is unsure about their access to normal nutrition (Figure 24). That is significantly higher than in Canada as a whole. And for a province with the richest economy in Canada (measured by per capita GDP), the existence of widespread food insecurity and even hunger constitutes a shocking failure of economic and social policy.

Figure 24. Food Insecurity by Province, 2022



Source: Statistics Canada Table 13-10-0834-01.

The Economic Context

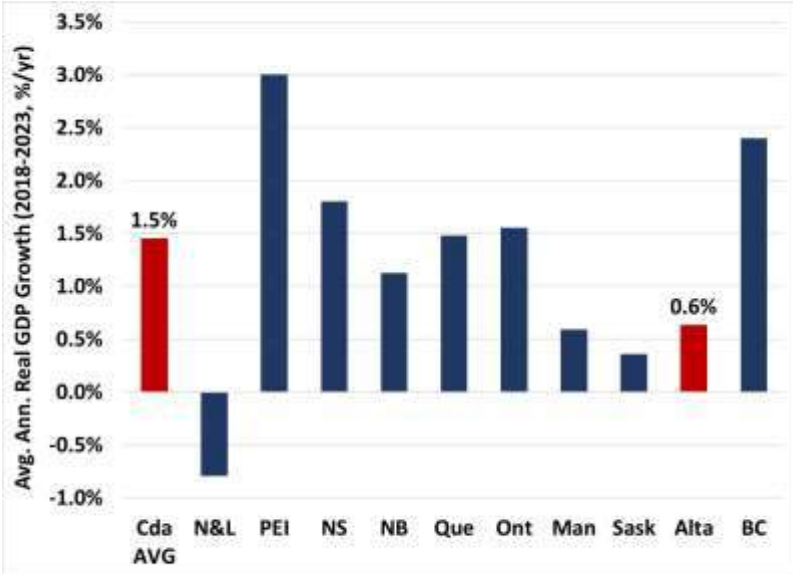
The living standards of workers in Alberta depend obviously on the overall state of the provincial economy. An examination of Alberta's broader economic trajectory reinforces concerns about the future course of living standards in the province. This section of the report reviews several key indicators of Alberta's underlying economic condition. Together they point to an economy that has lost entrepreneurial and innovation momentum. In contrast to the business-oriented rhetoric of the government, it is clear that its policy mix of favours for corporations, deliberate wage suppression, and austerity and privatization in public services, has undermined genuine growth, productivity, and progress.

As noted above, the pace of job-creation in Alberta broadly matched the Canada-wide average over the past five years. However, Alberta experienced faster-than-average population growth over that same period (with the province's population growing almost 10% in those five years). As a result, job-creation was not sufficient to provide work opportunities for everyone, and the proportion of working-age Albertans with a job declined – by 1.6 percentage points between 2018 and 2023, more than any other province. That deterioration in employment opportunities has undermined well-being for many Albertans, exacerbated by the erosion of real earnings for those who could find work.

Equally worrying is the evident weakness in Alberta's overall economic growth trajectory. Over the five years from 2018 through 2023, Alberta recorded average annual growth in real provincial GDP (measured at basic prices) of just 0.6% per year. Of course, economic activity everywhere in Canada was battered by the COVID-19 pandemic; output and employment then recovered quickly, but incompletely, when the lockdowns ended. More recently, growth has been suppressed again by high interest rates imposed by the Bank of Canada.

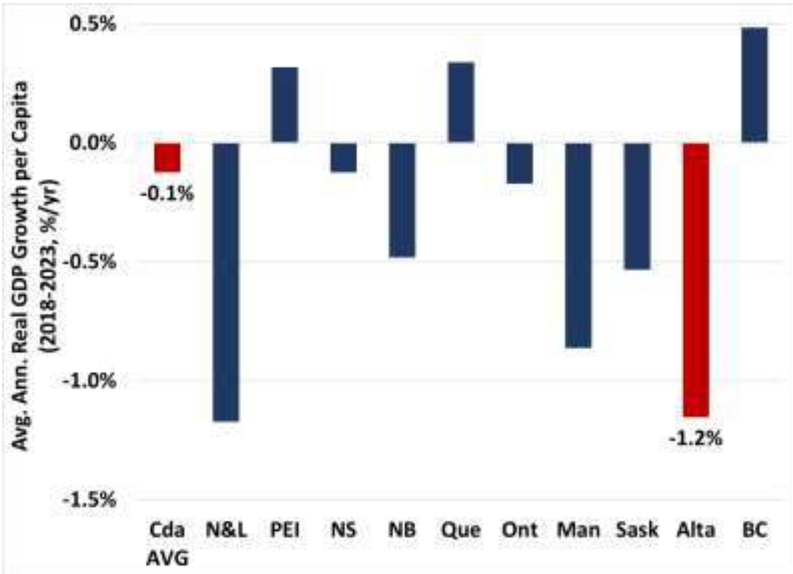
These headwinds have been experienced in all parts of Canada. But Alberta's GDP growth through this period (0.6% per year) was the fourth worst of any province. That was less than half as fast as the Canadian average (which grew at an average pace of 1.5% per year; Figure 25). The corporate-oriented policies implemented by the Alberta government since 2019 (including reducing corporate taxes, freezing the minimum wage, and privatizing some public services) have not produced faster economic growth. It seems those changes were motivated by a desire to redistribute the economic pie (in favour of businesses and their owners), not by an effort to grow it.

Figure 25. Average Annual Real GDP Growth, 2018-2023



Source: Calculations from Statistics Canada Table 36-10-0402-01, basic prices.

Figure 26. Average Annual Real GDP per Capita Growth, 2018-2023

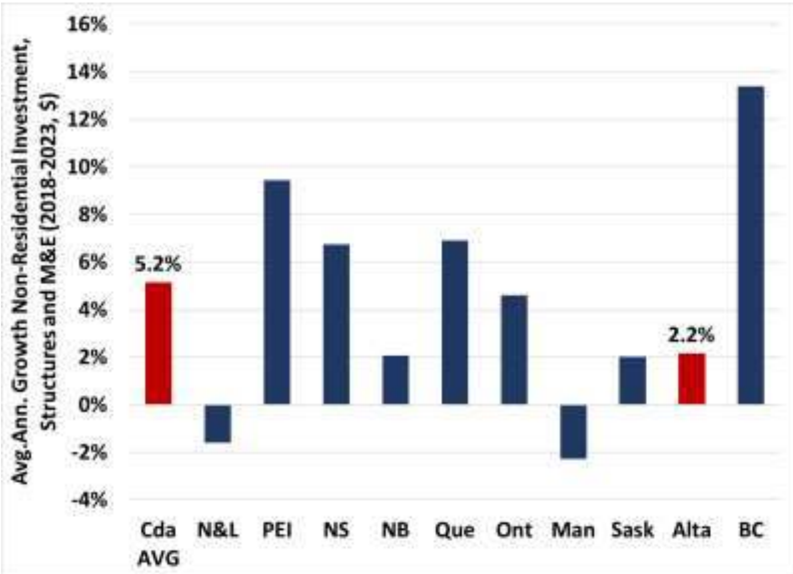


Source: Calculations from Statistics Canada Tables 17-10-0005-01, 36-10-0402-01, basic prices.

As noted, Alberta's population growth was relatively fast compared to other provinces. As with employment, therefore, the slow pace of economic expansion lagged well behind rapid population growth. In per capita terms, Alberta's real GDP performance thus looks even worse. In fact, the province has experienced an annual *decline* in real per capita GDP of 1.2% per year since 2018 (Figure 26). That ties with Newfoundland for worst performance in the country, and contrasts sharply with the Canada-wide average (which saw only a slight decline in real per capita GDP, of 0.1% per year, over the same period).[8]

Business investment spending is a major driver of economic growth and innovation. The Alberta government prides itself on its business-friendly orientation, claiming that its policies (including corporate tax cuts, “red tape” reduction, and wage suppression) will attract more business to Alberta and thus spur growth. The empirical evidence regarding capital investment in the province, however, suggests the opposite: business capital spending has been historically weak, and by some measures the weakest of any province.

Figure 27. Nominal Non-Residential Capital Spending by Province, 2018-23



Calculations from Statistics Canada Table 34-10-0035-01.

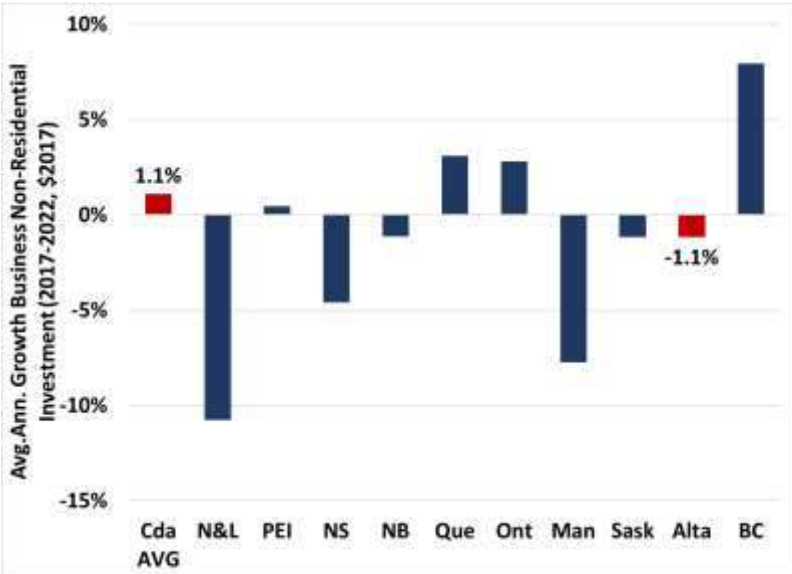
Figure 27 illustrates growth in total investment (including both private and public investment) in non-residential structures, machinery and equipment over the latest five years (measured in nominal terms). Over that period nominal investment spending in Alberta grew by just 2.2% per year (lagging behind inflation, and hence falling in real terms). That was less than half as fast as the growth of investment spending in Canada as a whole. Moreover, the latest investment intentions forecast from Statistics Canada indicates a slight decline in nominal investment spending in 2024 (forecast to fall by about 1%; Statistics Canada, 2024b), contrasting with a reasonable 4% increase in capital spending across Canada. The declining scale of public and infrastructure investment undertaken by the provincial government has contributed to this sustained

[8] Newfoundland’s GDP growth was much worse than Alberta’s, with real output declining over the five-year period. But population growth there was one-fifth as fast as in Alberta, so in per capita terms the two provinces performed equally poorly.

weakness of total investment performance in Alberta. From 2020 to 2022, provincial government capital spending fell by 19%.[9]

An alternate source of Statistics Canada data on investment spending allows a focus on the business sector, and this reinforces the perception of declining economic vitality in Alberta's private sector – despite the business-friendly rhetoric emanating from the provincial government. Figure 28 illustrates the change in real non-residential capital spending by private firms (adjusted for inflation) in Alberta over the most recent five years of data.[10] It indicates a decline in real business capital spending, which fell at an average annual rate of 1.1% during that period. In contrast, real business capital spending increased by 1.1% per year in Canada as a whole. Many economists have expressed concern about the slow pace of investment spending in Canada, and its impacts on economic growth, international competitiveness, and productivity. Alberta's experience in this regard has been worse than the Canadian average.

Figure 28. Real Business Spending on Structures, Machinery & Equipment, 2017-2022



Source: Calculations from Statistics Canada Table 36-10-0222-01.

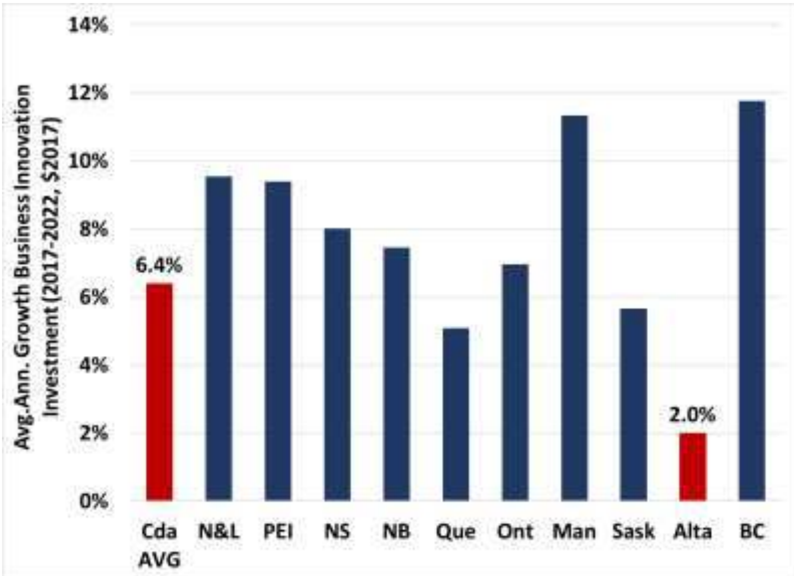
Another key engine of economic growth is business investment in intangible assets: such as research and development, intellectual property, software development, pharmaceutical formulae, and more. On this score, Alberta is positioned firmly in the rear of Canada's economy. Business innovation spending has been relatively robust in Canada, growing at an annual average real rate of over 6% per year during the most

[9] Calculations from Statistics Canada Table 34-10-0282-01.

[10] Real business capital spending statistics are sourced from provincial economic accounts data, which are released later than the investment intentions data cited above; at time of writing, the most recent data available was for 2022.

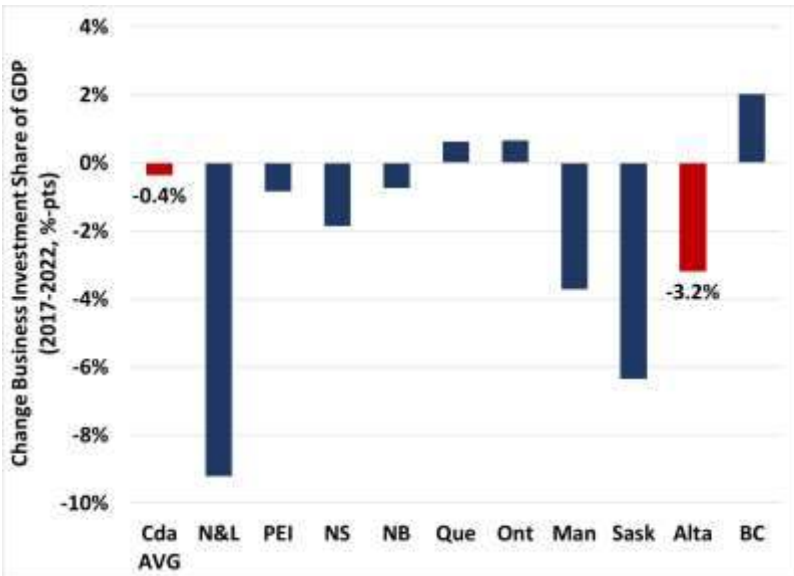
recent five years of data. Alberta's real innovation spending, in contrast, grew less than one-third as fast, by just 2% per year – by far the weakest of any province (Figure 29). Corporate-friendly policies from the provincial government actually contribute to weaker innovation activity: by favouring corporations with lower taxes, lower wages, and weaker environmental protections, these policies reduce the impetus for genuine innovation in more productive and sustainable products and processes.

Figure 29. Real Business Innovation Investment, 2017-2022



Source: Calculations from Statistics Canada Table 36-10-0222-01.

Figure 30. Change in Business Non-Residential Investment as Share GDP, 2017-2022

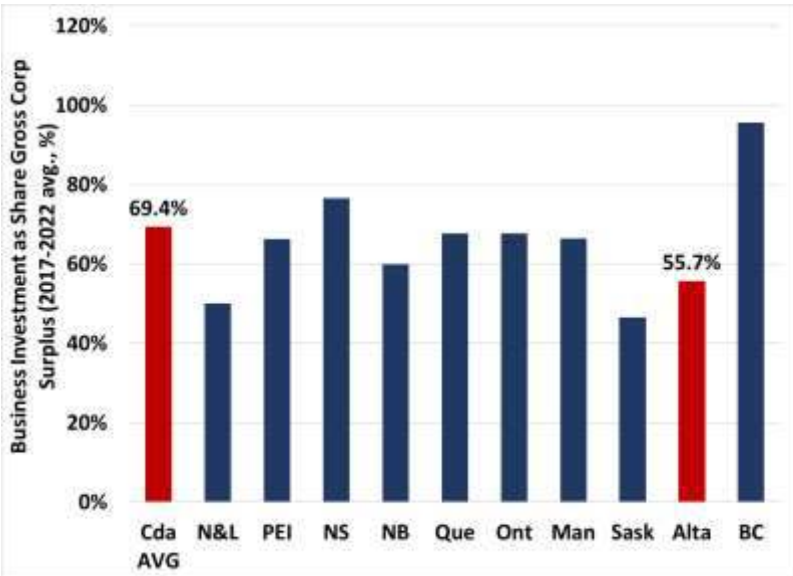


Source: Calculations from Statistics Canada Table 36-10-0222-01.

Because investment spending has been so sluggish in Alberta, business investment has declined as a share of the overall provincial economy. In other words, Alberta is allocating a smaller slice of its economic pie to investment – in contrast to government pledges to unleash entrepreneurial energy and business leadership. The investment share of provincial GDP fell by over 3 percentage points since 2017, much worse than the slight decline for Canada as a whole (Figure 30). By that measure, business investment in Alberta was among the weakest of any province.

Another measure of the vibrancy of business investment is provided by the extent to which corporate profits (which have surged dramatically in Alberta, as detailed below) have been reinvested in the province. Are companies taking the profits earned in the province, and channeling them back into new growth-inducing projects? Or are business owners pocketing those profits via retained earnings, special dividends, or share buybacks – none of which stimulate further growth? The answer, illustrated in Figure 31, is disappointing: companies in Alberta are reinvesting barely half of their current gross profits back into new investment projects in the province. Fueled by sky-high petroleum prices and other inflation, gross corporate surpluses in Alberta surged by 85% between 2017 and 2022 (the most recent five years of data). But on average, corporations re-invested just 55 cents of each dollar of those profits in new projects in Alberta.[11]

Figure 31. Business Profit Re-Investment Rate, 2017-2022



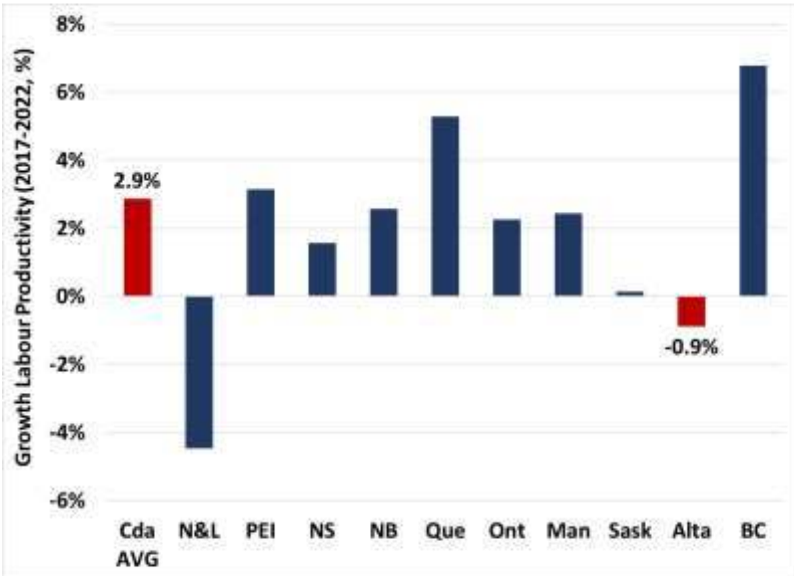
Source: Calculations from Statistics Canada Tables 36-10-0222-01 and 36-10-0221-01.

[11] For purposes of Figure 31, both corporate surpluses and investment are measured in gross terms (before depreciation).

That is among the weakest re-investment rates of any province. Clearly, it takes more than business-friendly rhetoric to motivate business investment spending: it takes sustained growth, development of a top-quality workforce, reliable public infrastructure and services, and a commitment to share the gains of growth (thus reinforcing all stakeholders' motivation and participation).

Productivity is another key economic variable that was shocked by the COVID-19 pandemic and its aftermath. Initially, recorded productivity surged during COVID lockdowns – because a disproportionate share of the jobs lost in the lockdowns were lower-wage positions in less productive private services sectors (such as retail, hospitality, and personal services). As a result, average productivity in the jobs that remained was higher. Then productivity began to slip, as the lockdowns ended, workers returned to those lower-productivity jobs, and the labour market experienced other adjustments (including a rapid increase in immigration).

Figure 32. Average Annual Growth Labour Productivity, 2017-2022



Source: Calculations from Statistics Canada Table 36-10-0480-01, all industries.

Through all of these shocks, Alberta lagged most of the rest of the country in productivity performance. Hourly labour productivity across all industries in Alberta was about 1% lower in 2022 than in 2017.[12] That compares poorly with the 3% improvement in labour productivity recorded in the Canadian economy as a whole (Figure 32), and slower than any other province except Newfoundland and Labrador. Alberta's performance is especially worrisome in contrast to the experience of neighbouring B.C., where average labour productivity grew almost 7% in the same time.

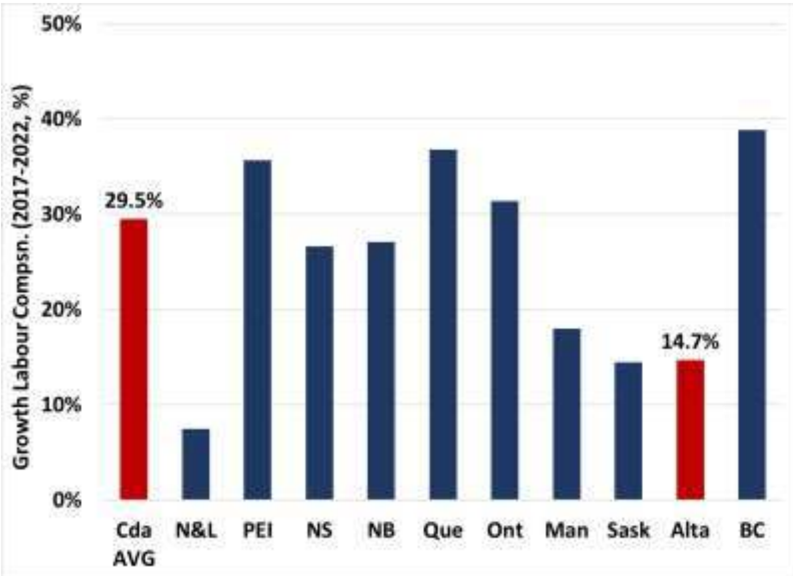
[12] Provincial productivity data has not yet been reported for 2023.

There are various reasons productivity performance in Alberta has been so poor – none of which reflect the skills or effort of Alberta's workforce (which is younger and better-educated than any other province). Weak business spending on capital, machinery and equipment, and innovation means businesses are not improving their processes, nor able to undertake production of higher-value products. An overreliance on resource extraction is often associated with declining productivity, as the most accessible deposits of resources are extracted first, with remaining deposits requiring more labour to access. The provincial government's efforts to suppress wages also deter productivity growth: with labour relatively "cheaper" over time, businesses face little compulsion to conserve it (through labour-saving technology). All of these factors have contributed to Alberta's productivity failure. A more balanced economic strategy, that stresses a broader set of technology-intensive industries, and a commitment to value and conserve labour (rather than treating it like an inexpensive, disposable input), are all prerequisites for a more successful model of economic development.

Redividing the Economic Pie

It is not enough to simply expand total economic output, through better investment, innovation, and productivity. It is equally important to consider how the resulting economic "pie" is shared amongst the various stakeholders who help bake it. For Alberta's workers, the consequences of relatively weak overall economic growth (with the weakest per capita GDP growth in Canada) have been compounded by a perverse *redistribution* of that growth: shifting income away from workers, and toward corporations. In other words, not only is Alberta's economic pie not growing – but the slice received by workers has been shrinking.

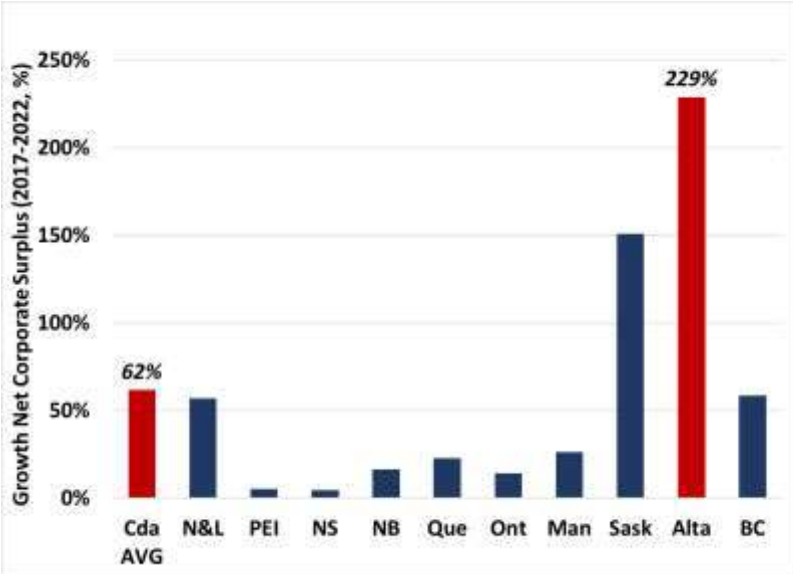
Figure 33. Labour Compensation Growth, 2017-2022



Source: Calculations from Statistics Canada Table 36-10-0221-01.

Total labour compensation (including pensions and other supplementary compensation) grew relatively slowly in Alberta, compared to other provinces, according to the latest five years of data. Labour compensation rose by 14.5% between 2017 and 2022, less than half the pace in Canada as a whole (Figure 33). Compensation in Alberta grew more slowly than in any other province except Newfoundland and Labrador – where aggregate labour compensation was held back by slow population and hence employment growth.

Figure 34. Net Corporate Surplus Growth, 2017-2022

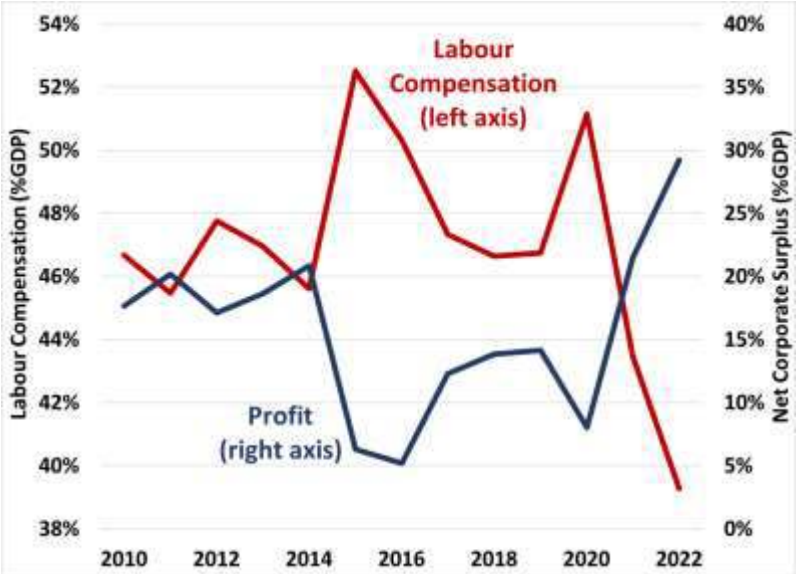


Source: Calculations from Statistics Canada Table 36-10-0221-01.

The sluggish growth of labour compensation in Alberta was vastly outstripped by a spectacular expansion of corporate profits. Net corporate operating surpluses – a broad definition of pre-tax business profits, calculated after deducting depreciation – more than tripled in Alberta between 2017 and 2022 (latest data; Figure 34). Needless to say, Alberta's 229% explosion in corporate profits was far and away the biggest rise in profits in Canada, and was almost four times faster than the growth of profits in Canada as a whole. Corporate profits in most of Canada grew after the pandemic, thanks in part to higher profit margins associated with rising inflation. But the increase in profits was massive in Alberta.

As a share of Alberta's GDP, corporate profits increased dramatically. Net corporate operating surpluses reached almost 30% of Alberta GDP in 2022. That is ten percentage points higher than their ten-year pre-pandemic average (Figure 35). But the labour compensation share declined in the same period: it fell by 8 percentage points of GDP between 2017 and 2022. In essence, workers have given up an 8% slice of the economic pie, and seen it transferred to corporate profits.

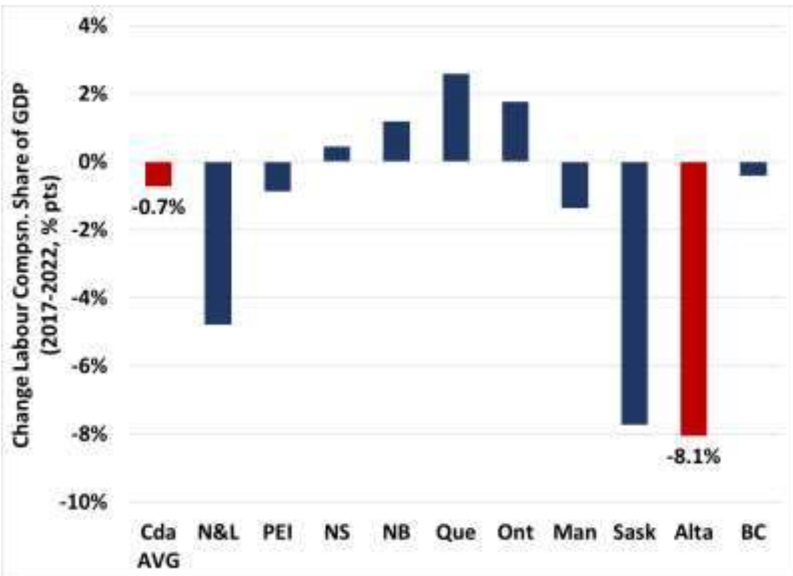
Figure 35. Changing Income Shares in Alberta, 2010-2022



Source: Calculations from Statistics Canada Table 36-10-0221-01.

The corporate slice was further fattened by decline in other stakeholders' slices, too. Some of that came from small business sector: net income for small businesses fared even worse than wages during this period (rising just 12.4% through five years of high inflation, and shrinking by over one percentage point as a share of GDP). So corporations have been the clear winner from the "trickle-down" policies of the Alberta government; every other sector has seen its share of the economic pie shrink.

Figure 36. Change in Labour Compensation as Share of GDP, 2017-2022



Source: Calculations from Statistics Canada Table 36-10-0221-01.

The decline in labour’s share of GDP has been more severe in Alberta than in any other province. Over the most recent five years of data, the labour share of GDP declined by over 8 percentage points (Figure 36). That compares to a small decline of less than one percentage point across Canada as a whole. By this fundamental measure of how the gains of economic growth are shared across society, it is clear that the long-vaunted “Alberta advantage” is very much a thing of the past.

Implications for Wage Negotiations

The evidence presented above paints a grim and multi-dimensional portrait of an economy being deliberately distorted in order to suppress normal wage growth (which should result from productivity growth, labour market conditions, and supportive institutions like a strong minimum wage), and instead redirect income toward corporations. Alberta's economic performance in recent years has been mediocre at best, measured by core indicators such as GDP growth, investment, innovation, and productivity. This refutes the provincial government's claim that its aggressively pro-corporate policies will unleash economic benefits that will "trickle down" to the whole population. Not only has the wealth not trickled down, but the vitality of growth was undermined in the first place by an unbalanced and distorted policy approach.

The weakness of Alberta's economic performance has contributed to a painful erosion of real living standards for Albertan workers. On this score, the effects of weak growth were amplified by deliberate measures to suppress wage growth. Policies like a multi-year freeze in the nominal minimum wage, continued barriers to union organizing and collective bargaining, and aggressive wage austerity imposed in the public sector, all contributed to weak wage growth that has been undeniably worse than anywhere else in Canada. Combined with the acceleration of inflation after the pandemic, this wage suppression created a crisis in real living standards for hundreds of thousands of Albertans.

How can that crisis be addressed and ameliorated? The first step in any recovery program is to admit that the patient has a problem. On this score, it is essential for the provincial government to recognize that its deliberate attempts to suppress wages, and shift more income toward corporations, have been fundamentally wrong. They have undermined consumer purchasing power and household financial stability; they have discouraged productivity growth and innovation; they have distorted the distribution of aggregate income. Most painfully, they have produced poverty and even hunger. The government should thus start its recovery program by acknowledging, publicly and explicitly, that higher wages are both wanted and necessary – and committing to undertake measures to spur faster growth in wages, rather than trying to suppress them.

The first steps are obvious. The government should immediately increase the minimum wage by at least 15%, restoring its real value to 2018 levels, and enhancing incomes for the lowest-paid Albertans. It should implement some of the labour practices used in other provinces to arrest and reverse the decline in union coverage, and ensure that Albertans who want the protection of a union contract have a more reasonable opportunity to get one. These reforms should include measures, now common in other Canadian jurisdictions, such as: single-step certification of new bargaining units, first-contact arbitration options for new units, prohibition of replacement workers during work stoppages, and more opportunity for sectoral or multi-employer bargaining arrangements.

The government should also take a leading role in raising wages for its own employees and other public sector workers. It should approach the current round of collective negotiations with unions in the broader public sector (including health care, education, and provincial public servants) with a commitment to free and fair bargaining practices. Its previous wage-suppressing tactics (such as secret mandates, threatened prevention of legitimate industrial action, and fines imposed on employers who break from government guidelines) should be abandoned, and the government should negotiate honestly and reasonably with public sector unions.

Table 1
Protecting Against Inflation: Backward and Forward

Previous Term of Agreement	Four Years
Cumulative Wage Increase	4.25% or less
Cumulative Alberta Inflation (Latest Four Years)	16.1%
Change in Real Wage	-10.2% or more
Likely Inflation Next Four Years	2.5%, 2.25%, 2%, 2%
Cumulative Inflation Next Four Years	9.0%
Needed to Restore Real Wage	21.4% or more
Required Annual Wage Gain to Restore Real Wage	5.0% / year (compound)

Table 1 provides a broad indication of the scale of wage settlements required in current bargaining to repair damage to real wages since the last round. In the current talks, workers will need to consider both the impacts of past inflation on their real wages and living standards, and the impact of future inflation. Looking backward, the combination of austere wage gains and rapid inflation reduced real wages for public sector workers in Alberta by a shocking degree. Consider a hypothetical contract in effect over the last four years. During that time, consumer prices in Alberta grew by over 16%. Yet the most recent public sector contracts featured very modest wage gains: no more than 4.25% in cumulative total over those same four years (see Bellefontaine 2021, and Joannu 2021a and 2021b, for examples). That translates into a real wage reduction of 10% in just four years.[13] Job one for wage negotiators will thus be trying to make up for those unprecedented real wage losses.

But negotiators also need to consider the impact of future inflation on real wages over the life of the *next* contract. While inflation has decelerated significantly from its 2022 peak, it is still running faster than the Bank of Canada's target – which is not expected to be re-achieved until later in 2025. In the case of a four-year collective agreement, wages will need to grow by about 9% to protect against likely inflation during this period. Combining the wage gains needed to repair damage to real wages over the last four years, with wage gains necessary to offset inflation over the next four years, will necessitate cumulative wage growth over the next contract (in this illustrative example) of 21%. That works out (on a compound basis) to four consecutive annual wage increments of 5%.

Of course, the specific circumstances of bargaining vary across particular employers, and there are many other priorities to consider in negotiations other than wages. Nevertheless, the challenge is clear. Restrictive provincial policies have badly damaged the real wages, and hence the living standards, of Alberta workers. The major bargaining unfolding in 2024 represents an opportune moment to begin repairing that damage. Workers have a very strong economic and moral case to demand major sustained wage growth in coming years. And by agreeing to those demands, the provincial government could send a signal that it is finally abandoning its counterproductive efforts to suppress wages – keeping them well below what would be normally expected, given inflation, labour market conditions, and recent inflation.

The illustrative example above is designed in reference to provincial public sector workers, who constitute the bulk of the 250,000 workers entering negotiations this year. But the same logic applies equally to workers in the private sector – tens of thousands of whom will also be bargaining new contracts in Alberta this year. As shown above, real wages in virtually every sector of Alberta's economy declined over the past five years. In some of those sectors (including resources, utilities, and manufacturing), the damage was worse than the average for the overall labour market. Unionized workers in those sectors will need to undertake an urgent process of wage repair with as much energy as will be exhibited at public sector tables. And while the provincial government may not be directly present at those private sector bargaining tables, its general strategy of wage suppression (including a long-frozen minimum wage, and labour laws which severely restrict union organizing and

[13] It is tempting, but incorrect, to calculate change in the real wage as the difference between nominal wage gains and cumulative inflation. In reality, the real wage reflects the ratio of nominal wages to consumer prices (in this case, 1.045/1.16, which equals 0.9 – implying a 10% real wage reduction).

bargaining activity), the effects of its one-sided approach to economic and labour policy are being felt just as surely.

The 2024 rounds of bargaining, therefore, in both the public sector and the private sector, are a critical moment for workers in Alberta to stand up to defend their living standards, and demand a new approach from their provincial government. Instead of deliberately suppressing wages, for workers in all industries, the government should accept that higher wages are a sign of success – not a cost to be avoided. The Alberta advantage for workers could be reattained. But only if government supports this as a central economic goal.

Conclusion

Alberta once rightly boasted of its status as a place where working people could find a job, be paid fairly for it, and build good lives for themselves and their families. That reputation no longer fits the statistical reality of work in this province. Alberta's long-standing status as Canada's wage leader has been squandered. Average wages are now only slightly higher than the Canadian average – and that meagre "advantage" must cover living costs that are significantly higher than elsewhere in Canada. Real wages have fallen 10% in Alberta over the last decade, further and faster than any other province. This inevitably translates into falling real household incomes, a greater incidence of low income, and homelessness and hunger.

And while the sacrifices of Alberta workers have certainly contributed to the unprecedented profits accumulated by corporations in the province, accumulating wealth at the top has not spurred any noticeable improvement in economic progress. To the contrary, Alberta's performance by most core metrics (including real GDP growth per capita, investment, innovation, and productivity growth) are among the worst, and in many cases the worst, of any province. Inflation has matched Canadian trends, despite wages that grew slower than anywhere else. Job-creation has lagged well behind population growth. In sum, there has been no economic "payoff" from the province's aggressively pro-corporate economic, labour and fiscal policies.

Alberta's wage advantage has disappeared. This was not solely due to external forces (like the roller-coaster pattern of world oil prices). Rather, it was the predictable result of a deliberate, sustained effort to suppress wages – and structurally disempower workers to stop them from defending their share of the economic pie.

Redressing the erosion of real wages and living standards for Alberta workers and their families, will require a complete about-face by the provincial government – starting with a recognition that higher wages are a sign of success to be celebrated, not a danger to be kept down. To win this change will require the concerted, collective action of working people to demand a better deal for themselves, and for all workers. That concerted, collective action needs to occur in all arenas: in the workplace, in the political arena, and at the bargaining table. The majority of Albertans support unions in performing that role.[14] Fortunately, given the major wage negotiations occurring in Alberta this year, workers can start that process immediately.

[14] See recent polling evidence from Alberta Federation of Labour, 2024.

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