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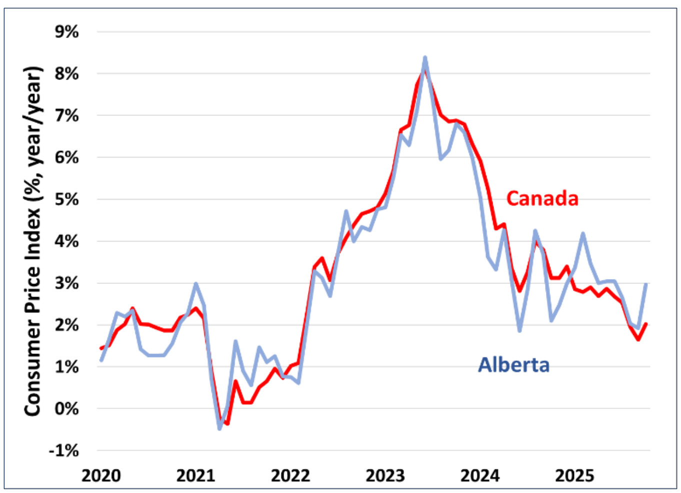
Winning Back Our Purchasing Power

Why Safeway Must Restore Real Compensation for its Alberta Workers

All workers have felt the impact of recent increases in the cost of living. Inflation took off in 2021 and 2022, when the economy re-opened after COVID lockdowns. More recently, inflation has slowed (to about 2% per year). But prices remain high. And for workers whose wages didn't keep up with the spike in inflation, their standard of living has been significantly reduced.

Figure 1: Inflation in Alberta and Canada



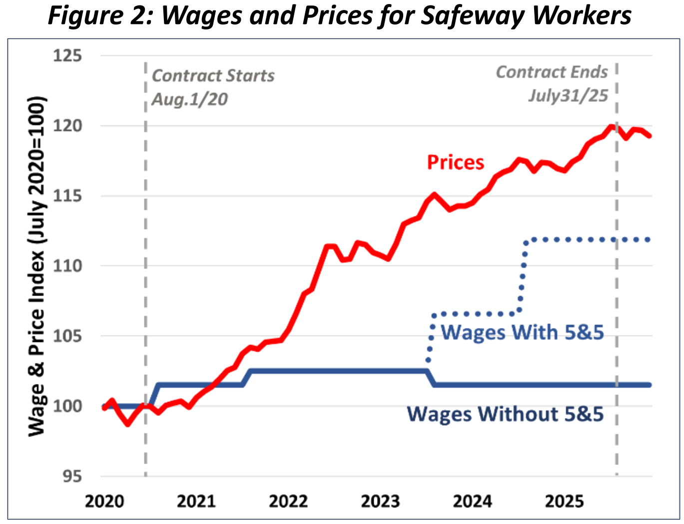
This problem has affected many workers in Canada. But the decline in real purchasing power for Safeway workers in Alberta has been especially severe. Inflation in Alberta was as bad as elsewhere in Canada (Figure 1). However, employers in Alberta were more aggressive in preventing wages from keeping up with prices. And Safeway was among the worst. The Alberta government has frozen the minimum wage since 2018, further undermining wage growth.

First, when the current contract was being negotiated (at the height of the pandemic), Safeway rejected anything other than ultra-minimal wage increases (1.5% in 2020, and two 1% lump sums). Then, under a wage-reopener for 2023 and 2024, Safeway refused *any changes* for on-scale workers. Finally, when the arbitrator awarded two 5% wage gains for over-scale members for 2023 and 2024, Safeway appealed to a judge to overturn the award. The court case is continuing, but Safeway is threatening to take back those raises.

Table 1: Wage & Price Changes July 2020 to October 2024	
All consumer prices, Alberta	+17%
Grocery prices, Alberta	+26%
Safeway wages, Alberta (*Without 5&5 award)*	+12% *(+1.5%)*

Put it all together, the combination of Safeway's harsh wage suppression with rampant inflation has produced a painful cut in the real purchasing power of Safeway workers' pay. Average prices in Alberta have grown 17% since the start of the current contract (Table 1). Grocery prices have soared even more: by 26%. Wages for over-scale members have grown 12% (including the two 5% raises). That's still well behind inflation (Figure 2). But without those 5&5 raises (which the court is reviewing), wages would have grown just 1.5% (since the two 1% lump sums are now long gone). And for on-scale members, wages haven't increased at all (other than normal increments for seniority).

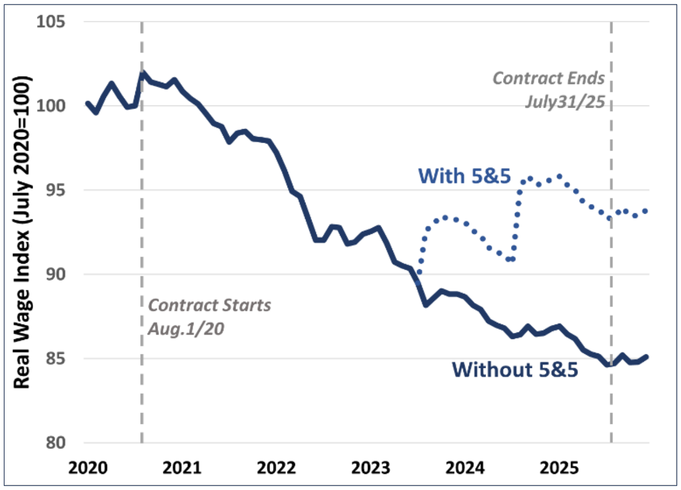
Figure 2: Wages and Prices for Safeway Workers



The Decline in Real Wages

When prices rise faster than wages, this means workers can't buy as much with their income – even if earnings in nominal dollars seem larger. The purchasing power of your wage is called the *real wage*. For Safeway workers in Alberta, real wages have declined significantly since the pandemic.

Figure 3: Real Wages for Safeway Workers



The initial 1.5% wage increase in 2020 roughly protected Safeway workers' purchasing power, but only for the first year. Then, when inflation took off after the pandemic, the real wage started falling – fast. Two 1% lump sums provided only temporary and inadequate relief. By 2023 the real wage had fallen 10%. That means an over-scale Safeway worker had seen their standard of living cut by one-tenth.

The two 5% wage increases awarded in the wage re-opener helped a lot, but even they didn't fully make up for what Safeway workers lost in the previous two years. By the end of the current contract (July 31, 2025), real wages for over-scale workers will still be about 6% lower than they were in 2020. And if the court takes away the 5&5 raises, real wages will be 15% lower. It would be impossible for workers and families to pay their bills, with wages that have hardly changed in 5 years.

What's Needed to Fix Real Wages

The current contract expires July 31. But Safeway wants to negotiate wages now. They are threatening to take away the 5&5 wage gains, hoping to intimidate workers into accepting less. Our union will negotiate constructively. But the bottom line has to be repairing the real wages of our members. They worked to help Safeway, and all Albertans, through the pandemic. They can't now accept a permanent cut in living standards.

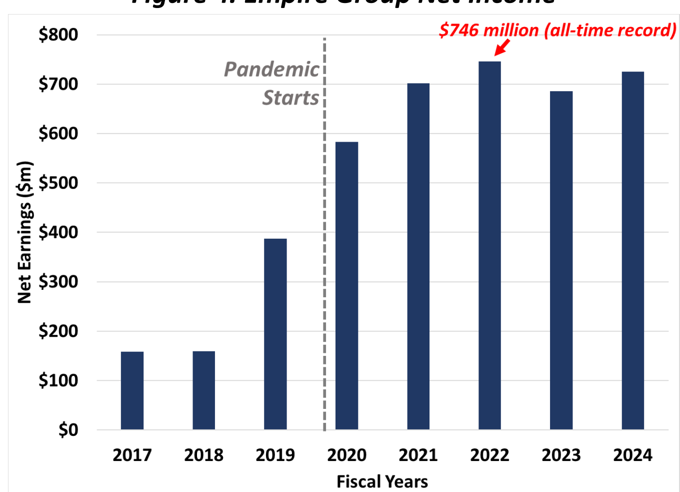
As shown in Figure 3, even with the 5&5 raises in place, real wages for over-scale members will have declined by about 6% by July. To restore real wages to their 2020 levels, and keep up with future inflation, requires further significant wage increases. Remember, inflation is still running at about 2% (its normal historical range), and the Bank of Canada expects it to stay there.

One option is to negotiate a two-year agreement with wage gains on August 1 2025 and 2026, maintaining the previous 5&5 increments for over-scale members. The wage schedule for on-scale workers must also be lifted (by 5% and 5% for 2023 and 2024) to reflect past inflation, with retroactive payments to those members. Then, two more 5% wage increases for all members (on-scale and over-scale) on August 1 2025 and 2026 would restore real wages for 2026-27 to their 2020 level.

Safeway Can Afford It

Safeway is part of the giant Empire chain, majority owned by the Sobeys family. Like other grocery chains, their profits soared after the pandemic. The company took advantage of consumer desperation and supply shortages to push up prices well above their costs. Since COVID, Empire's after-tax profits have averaged $700 million per year – twice the pre-pandemic average.

Figure 4. Empire Group Net Income



Empire earned record profits, even as their customers and workers suffered. Safeway workers have seen their real wages decline substantially – in part thanks to the sky-high cost of the groceries they sell! Safeway can and must repair this injustice. We need decent gains to restore living standards for all Safeway workers.

Analysis by Centre for Future Work from official Statistics Canada sources and company financial reports. Forecast inflation from Bank of Canada Monetary Policy Report. Lump sums modeled as temporary 1% wage increases over contract year.