



Bargaining in Today's Economy

**CUPE BC Provincial
Bargaining Conference 2009**

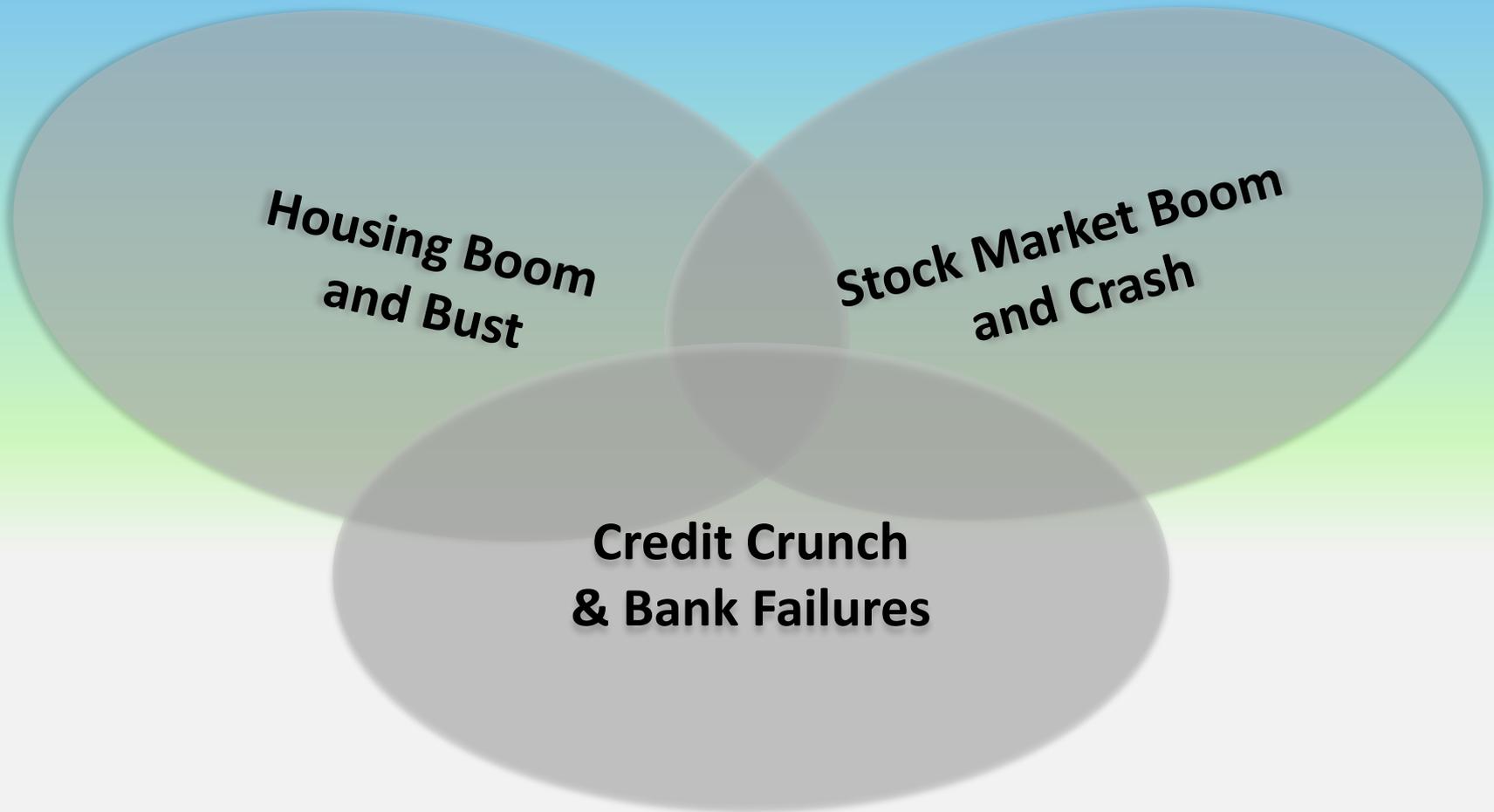
**Richmond, British Columbia
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CUPE National**

Presentation

1. Economic crisis and impacts
2. Causes and responses
3. Economic outlook
4. Impact on public services and workers

We're in a global triple economic bust...



In Canada, combined with on-going manufacturing crisis and resource sector boom turned bust

Canada also affected...

- TSX down 45% since June, massive pension losses
- Business and consumer confidence at record lows
- Bank of Canada interest rate at record low, but investment declining
- Over \$100 billion in support to banks, plus another \$200 billion financing in federal budget but business credit squeezed
- Over 230,000 jobs lost in last three months; national unemployment rate up to 7.2%
- Possible vicious cycle of decline from job loss, lower spending, lower investment

British Columbia hurting...

- House prices down -16% from peak; to drop further
- Housing starts and permits at half level of last year
- Major commodity prices half what they were
- Main export markets: US, Japan, China in recession
- 50,000 jobs lost so far in B.C., 86,000 full time
- Unemployment rate 6.1% up from 4.1% a year ago
- BC likely in recession now, negative or slow growth expected for next three years.

Crisis caused by economic policies...

- *“I found a flaw”* (in the ideology I had followed for 40 years)
Alan Greenspan, former head of U.S. federal reserve,
23 October 2008
- *We are facing a systemic failure. This global crisis ...was created by the system itself; by the system which we created; and by a toxic combination of unethical behavior by companies and a faulty regulation and supervision of their activities.*
OECD Secretary General, 22 January 2009
- *“There’s no question the Washington Consensus is dead”*
Senior World Bank official, 10 October 2008

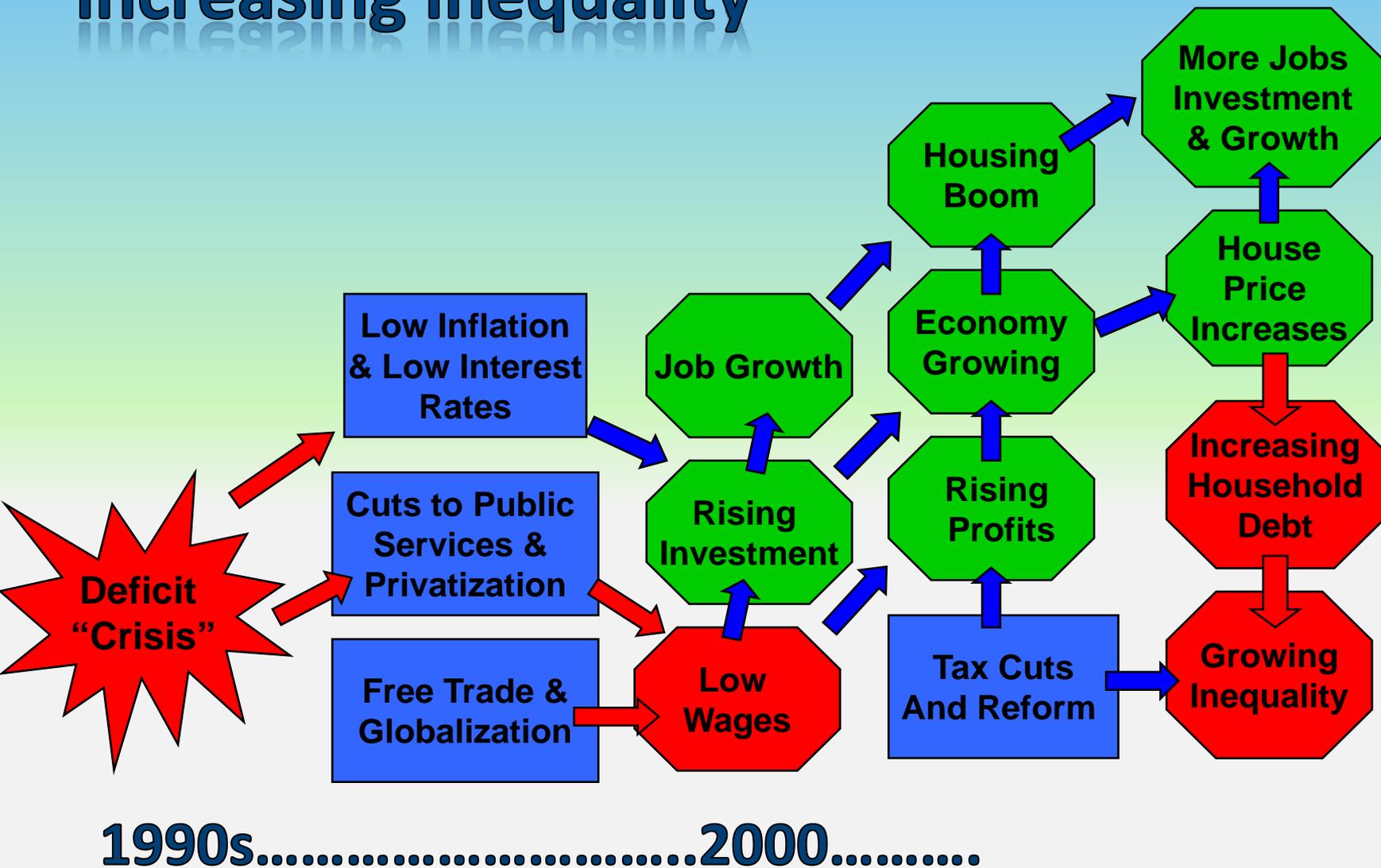
that were put in place decades ago...

Starting in the 1980s, countries put in place a set of economic policies called:

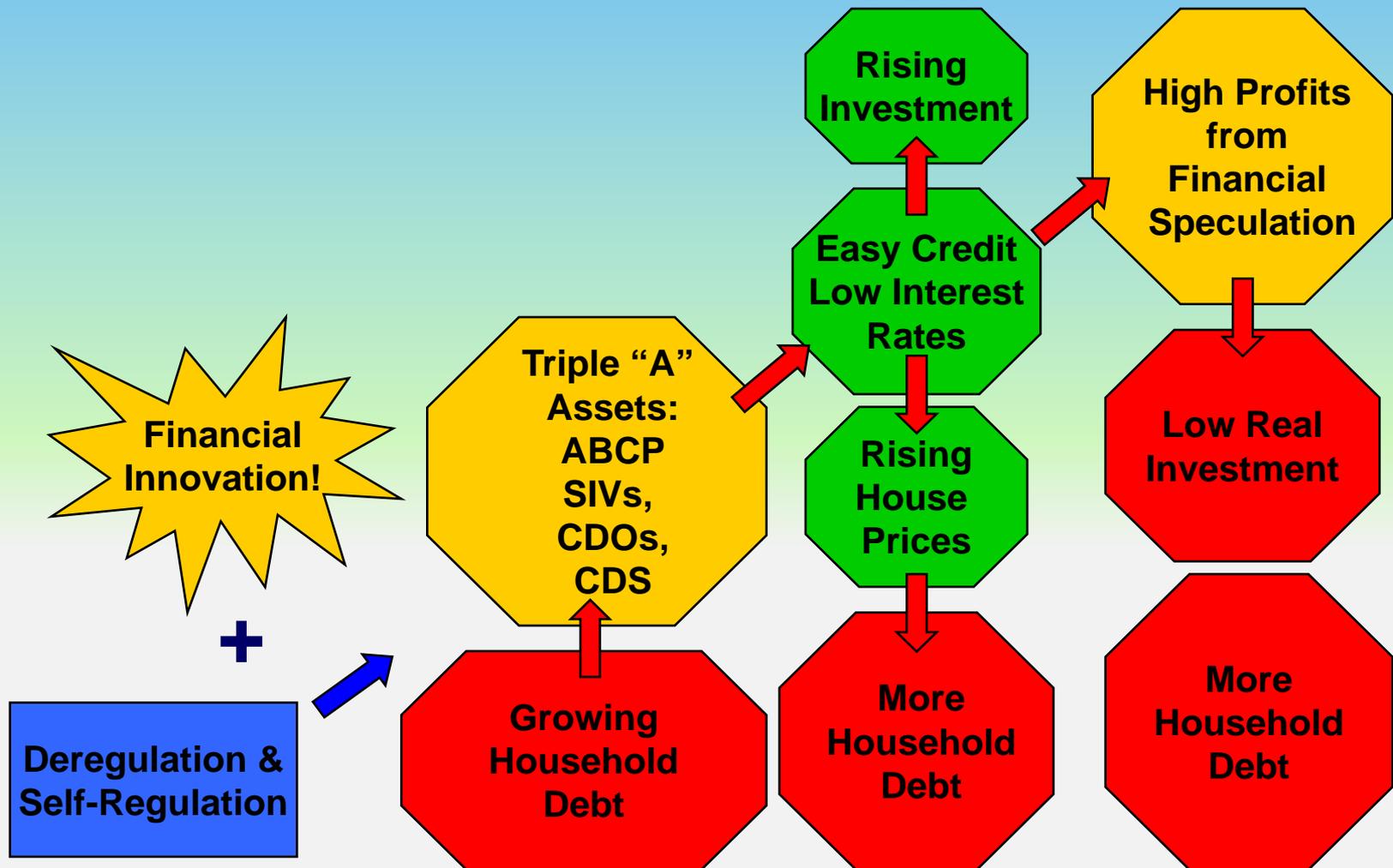
The Washington Consensus

- Cut public spending and reduce deficits
- Reduce inflation
- Privatize public services and government enterprises
- Cut taxes for high income and business
- Free trade, investment & globalization
- Deregulate industry, economy and society

Policies led to growth at first but with increasing inequality



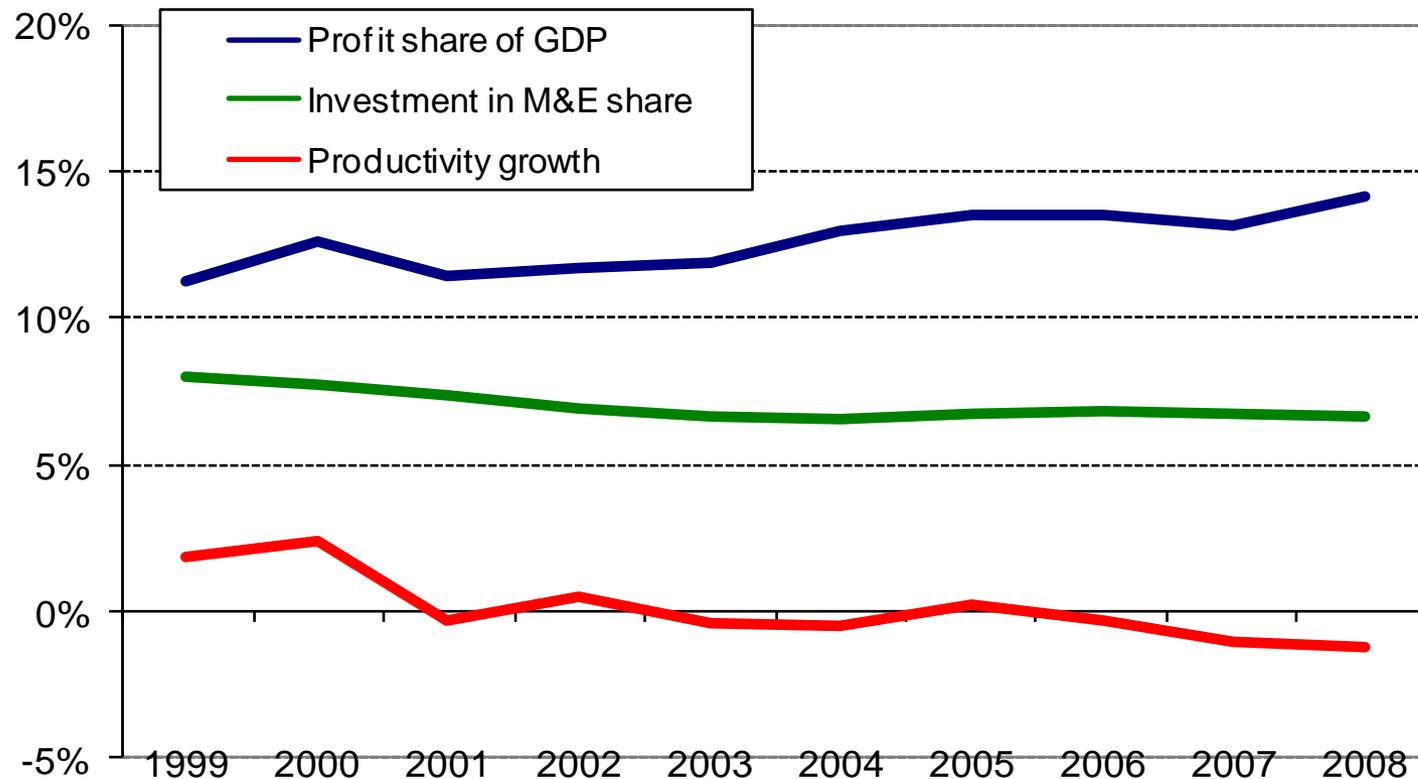
Then a paper boom economy



CUPE 2000.....

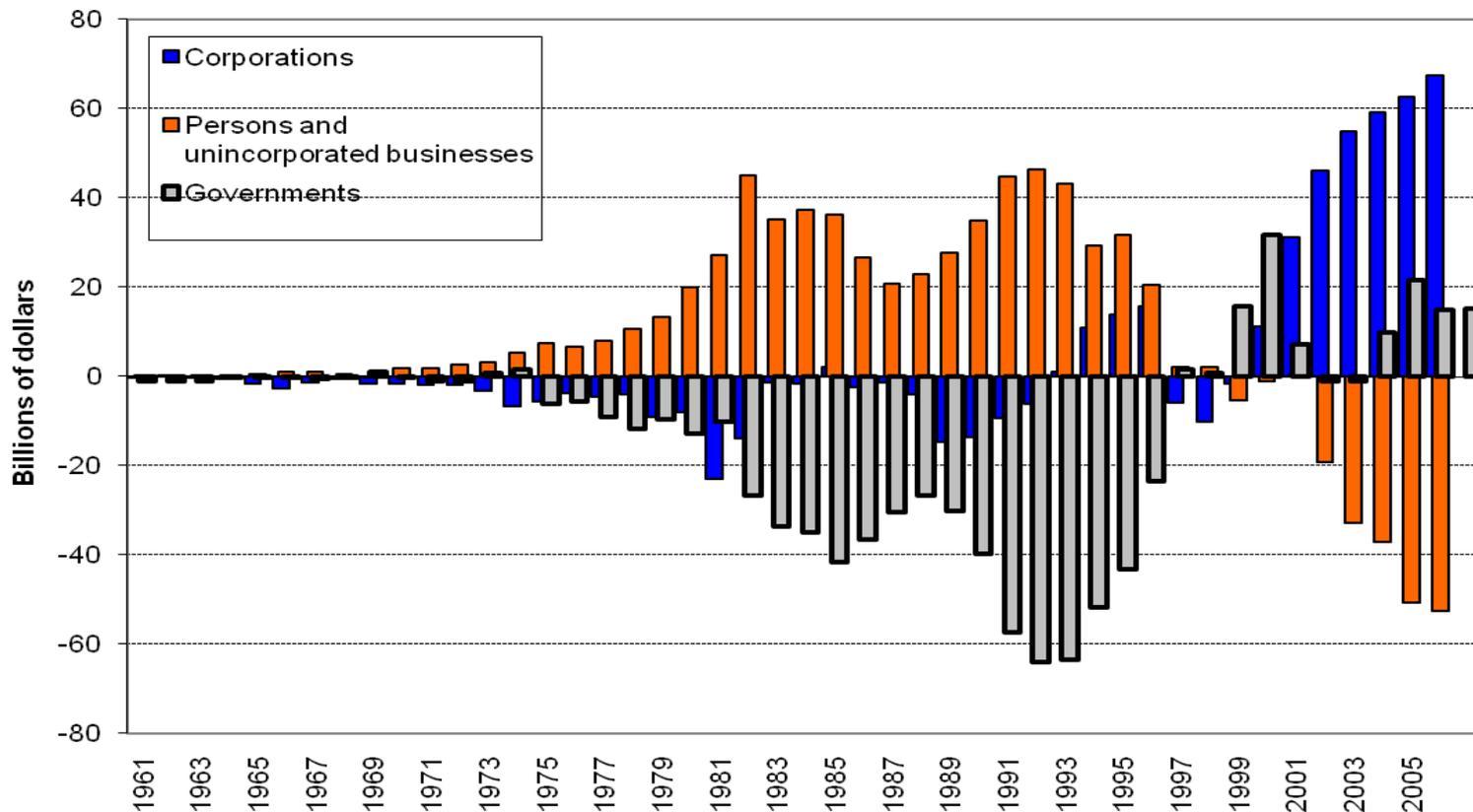
Low real investment led to stagnant productivity growth

Rising profit shares, declining productivity

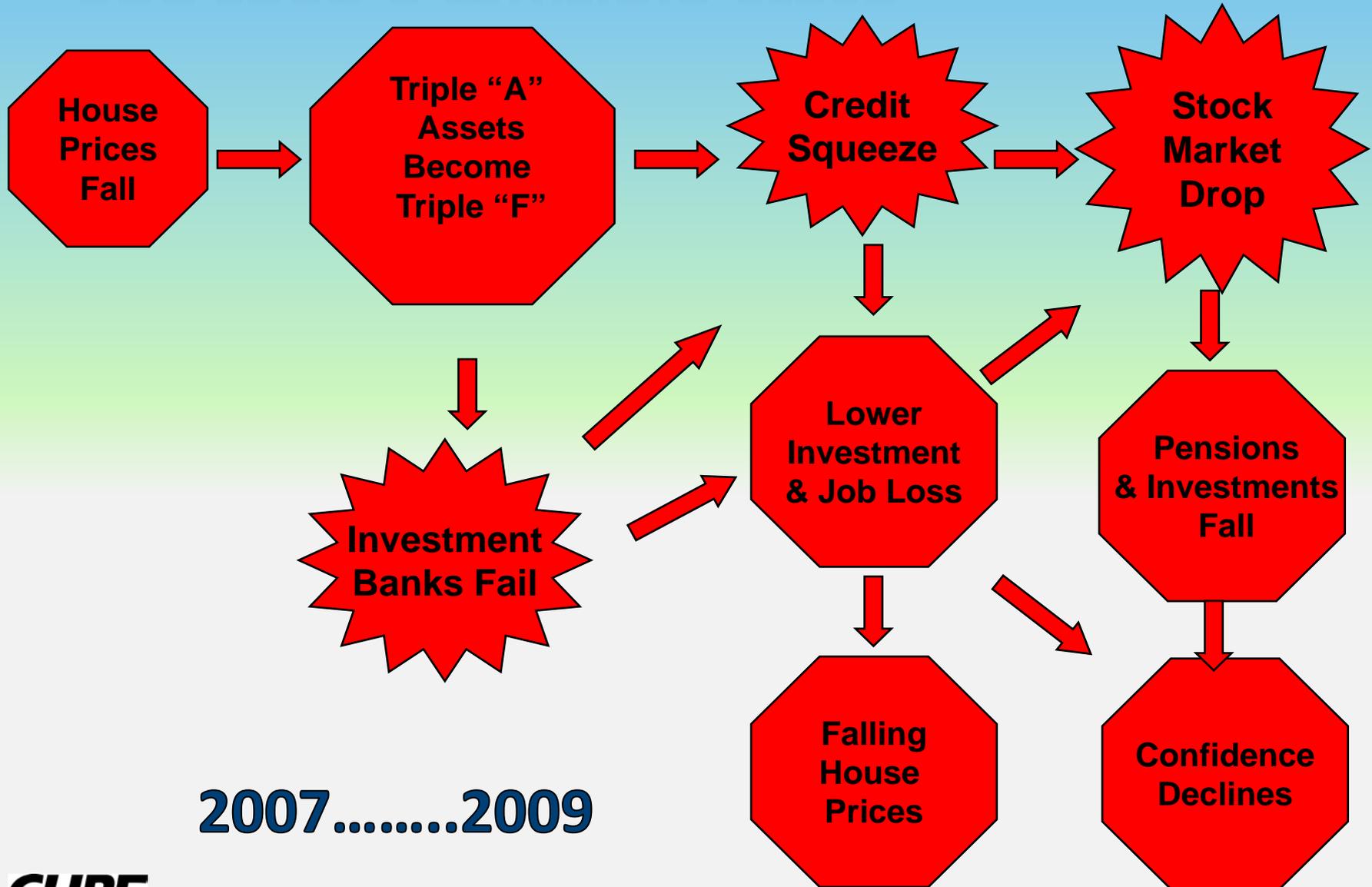


Record household deficits and corporate surpluses...

The Hidden Surplus and Deficit



and then a multiple crash...



2007.....2009

Economic downturn will be prolonged...

- Survey of recessions with house price busts and financial crises found:
 - 1 – 2 years for GDP to reach bottom
 - 2 – 5 years for stock prices to bottom out
 - 4 – 6 years for housing prices to reach bottom
 - 3 – 6 years for unemployment to peak

Depends on what actions governments take....

Neo-con economic policies don't work...

- Monetary policy (interest rates) “pushing on a string” with credit crunch
- Household debt at record levels
- Consumer and business confidence shattered

Need for government to step in to:

- Revive the economy with direct stimulus
- Provide Relief and support for the vulnerable and to protect workers jobs
- Rebuild confidence in the economy and financial system

Even mainstream economists are now talking sense...

- *IMF call for countries to introduce economic stimulus measures equivalent to 2% of GDP with emphasis on public spending.*
 - Oliver Blanchard IMF chief economist, 29 December
- *Fiscal stimulus needs to focus on social protection.*
 - Justin Lin, World Bank chief economist, 14 January
- *“The recipe has to be trickle-up economics...cuts in the corporate tax rate can’t help much...”*
 - Avery Shenfeld, CIBC economist, 23 January
- *“Cuts in hourly wages and salaries (and).. salary freezes (can lead to a) wage price deflationary spiral (that) is very difficult to stop...”*
 - Sherry Cooper, BMO chief economist, 23 January

Federal budget forced to move forward...

Short-term stimulus over two years....

- \$10 billion for infrastructure
- \$2.4 billion for social housing
- \$3.9 billion for EI benefits, training, job creation
- \$3.6 billion for industry sectors
- \$10 billion in tax cuts

Extraordinary access to financing for business

- Direct lending and loan guarantees

National securities regulator

- But using a “principles-based” self-regulation model

but was weak and regressive, too

- Much of the spending politically-motivated
- Net direct stimulus only 1% of GDP
- Cuts to Equalization = \$7 billion over 2 years
- Privatization and spending cuts = \$10 billion
- No increase to EI access or benefit levels
- No protection for pensions, social transfers
- Cuts to child care funding
- No strategic plan for industry, economy
- Federal wage controls, undermining pay equity
- Continued with policies of deregulation, self-regulation, tax cuts, and cuts to public spending

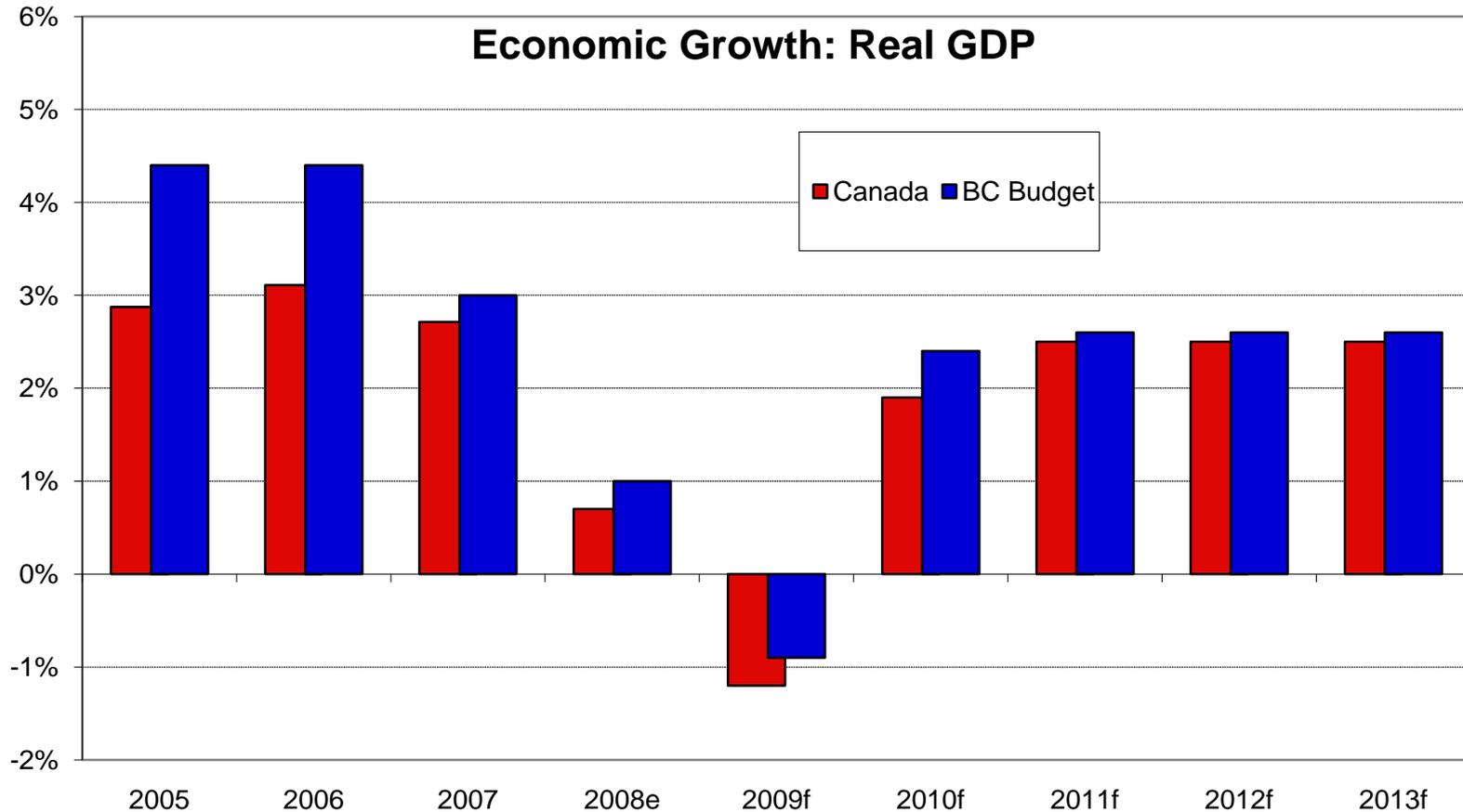
BC do-little & cutback Budget

- Focus on infrastructure investment
- Little to address economic downturn
- Widespread cutbacks: \$2 billion in spending cuts over 3 years
- \$400 million clawback from public sector wages
- No funding set aside for public sector wage increases post 2010: effective wage freeze
- No adjustments to regressive carbon tax

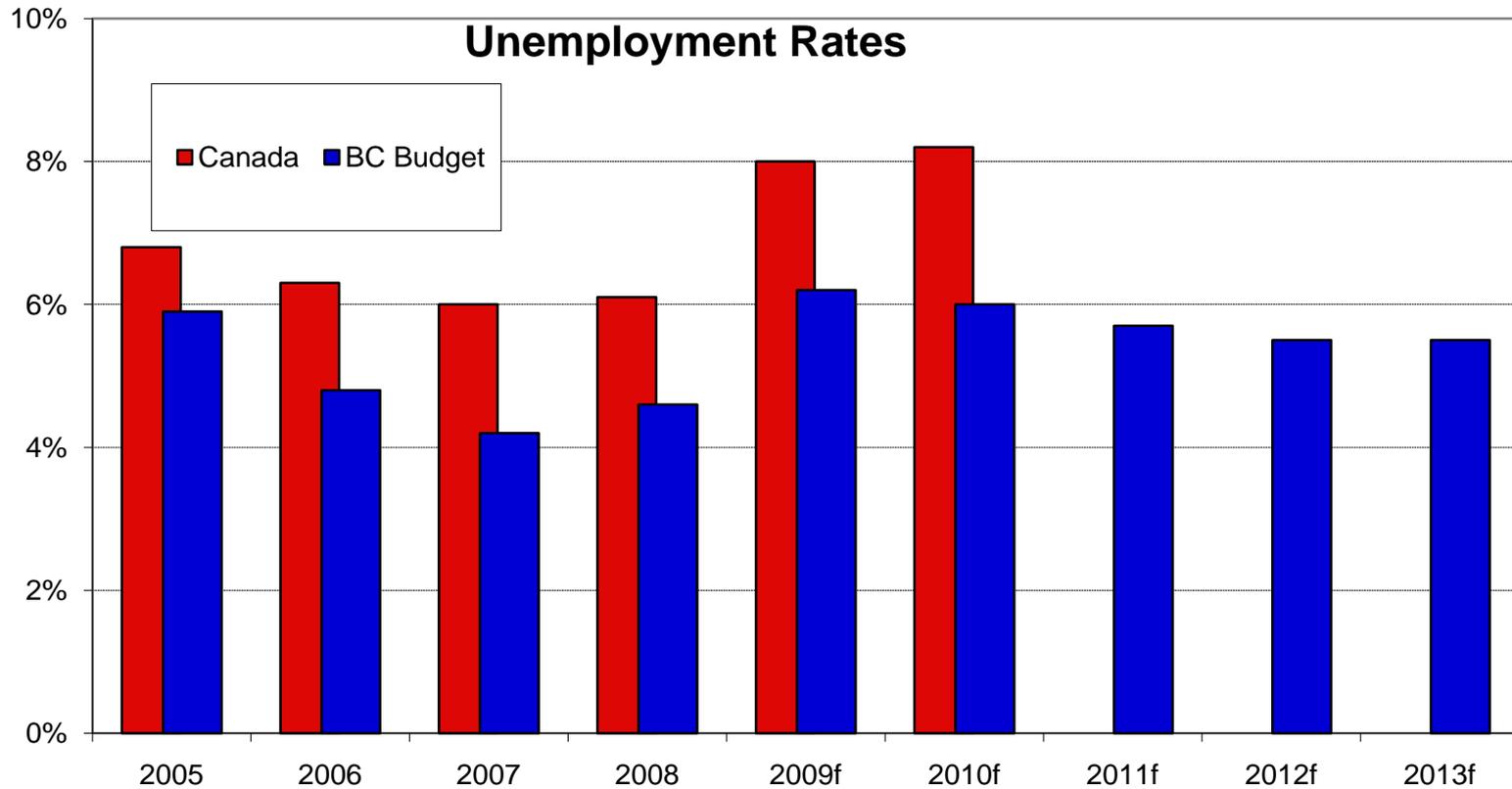
Social spending has strongest stimulus

<i>\$1 billion spending or cut in:</i>	<i>Output (\$billion)</i>	<i>Jobs</i>
Early learning and child care		35,000
Health care	2.0	18,000
Infrastructure	2.8	16,000
Education	1.9	12,000
EI Rate cut	1.8	8,000
Income tax cut	1.3	6,000

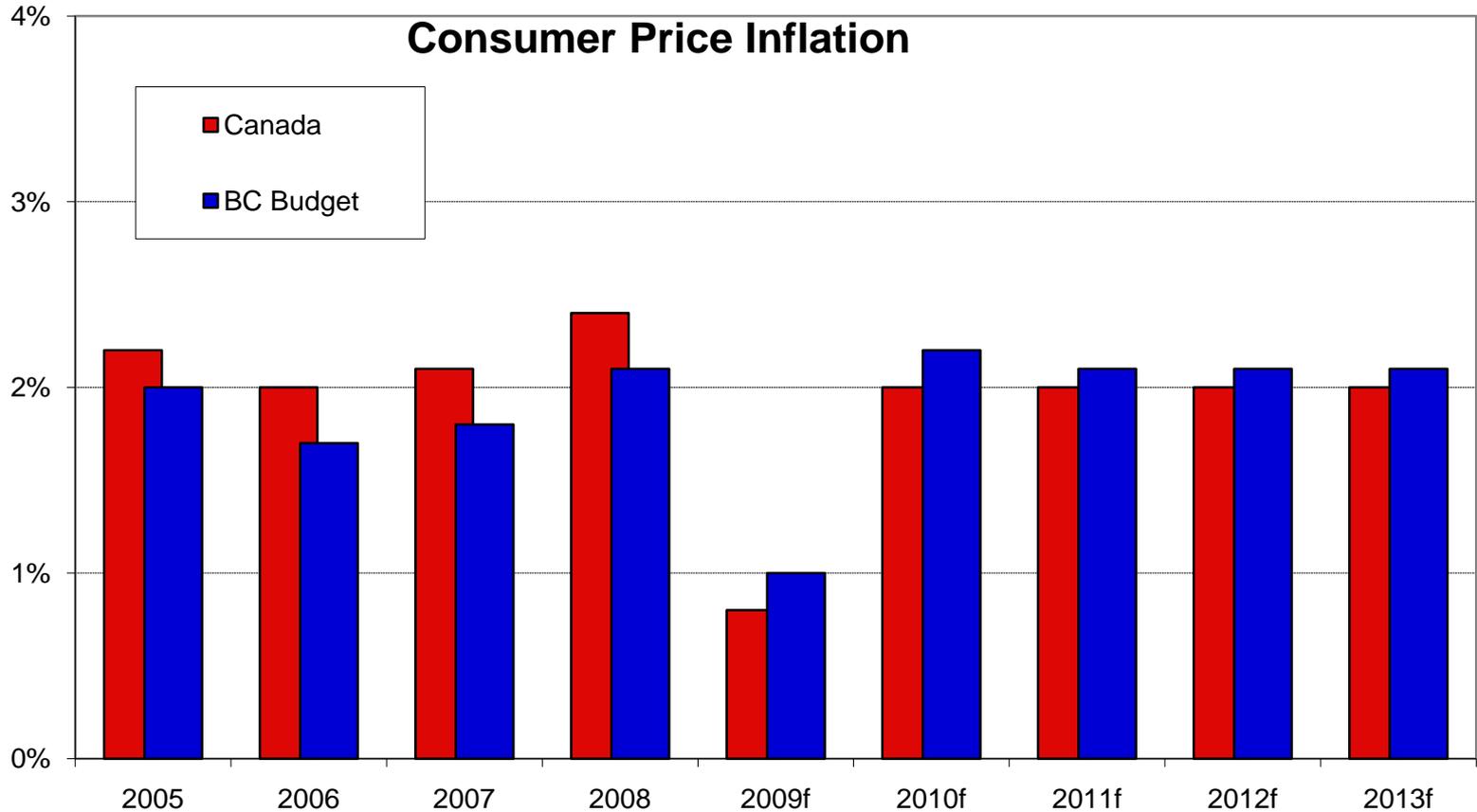
Economic growth heading south...



Unemployment heading north...



A dip in inflation



Impacts: public service workers

- Increased pressure and need for public services
- Limited increases to public spending and public investments
- Declining revenues, cutbacks, job losses
- Push for contracting-out, privatization, casual work
- Wage freezes, controls, attacks on labour rights
- Pension losses & need to fund deficits
- Cuts to benefits

Adds up to:

- Much tougher bargaining for wages and benefits

Implications for BC Bargaining

- A year is a long time in economics
- We've been here before
- Stronger when we work together
- Focus on benefits of public services

Summary

- Recession expected to be longer and deeper than usual: bottom not yet in sight
- Unemployment and fiscal impact to be prolonged
- Ambitious public sector program only hope for recovery; strong boost to economy
- Federal and BC government response weak, with regressive measures
- Pressure on public services to increase, bargaining tougher in current climate
- ...but expanding public services is the only way we can get out of this crisis – and improve our quality of life in a sustainable and equitable way.