



# Bargaining in Today's Economy

**CUPE BC Provincial  
Bargaining Conference 2009**

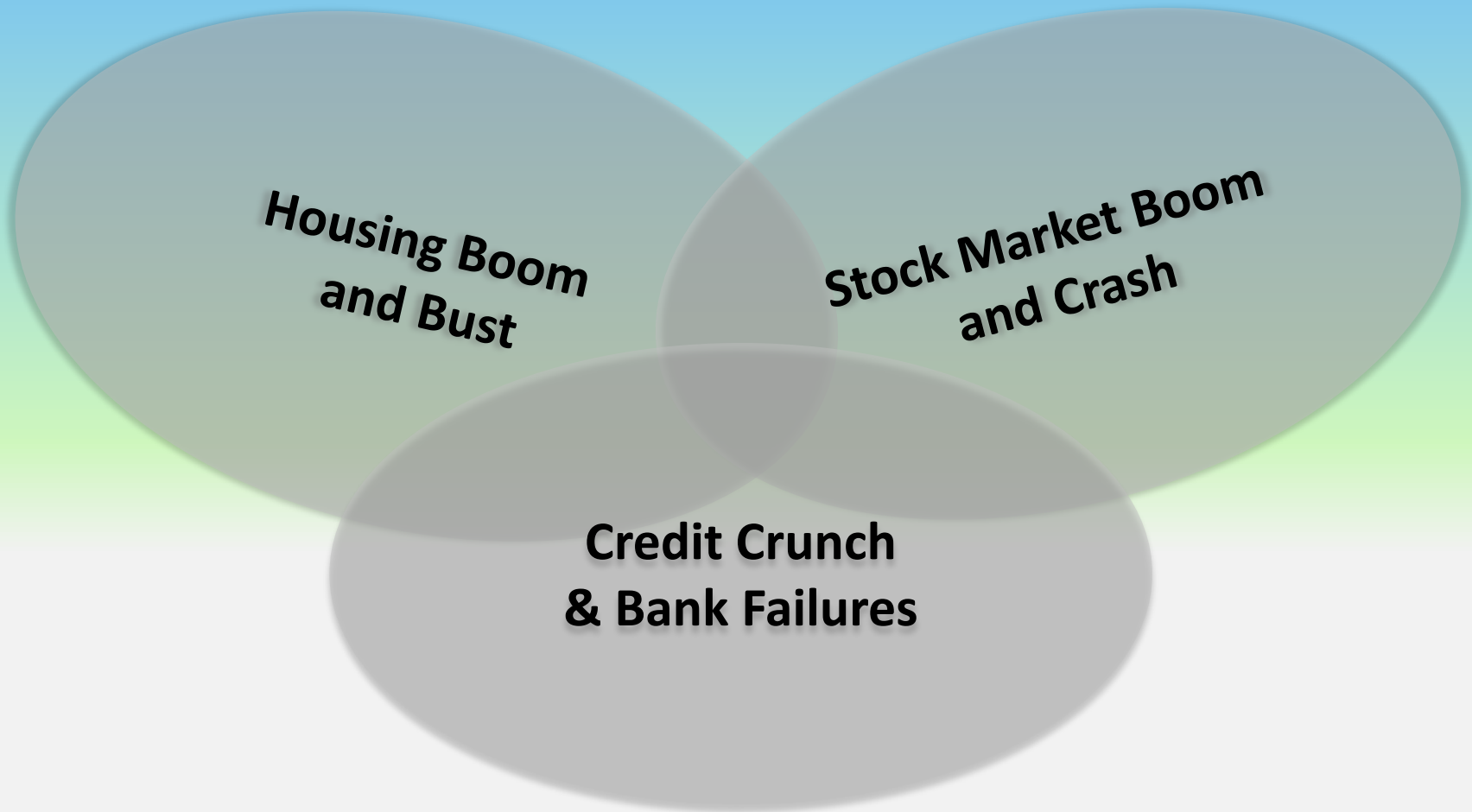
**Richmond, British Columbia  
18 February 2009**

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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

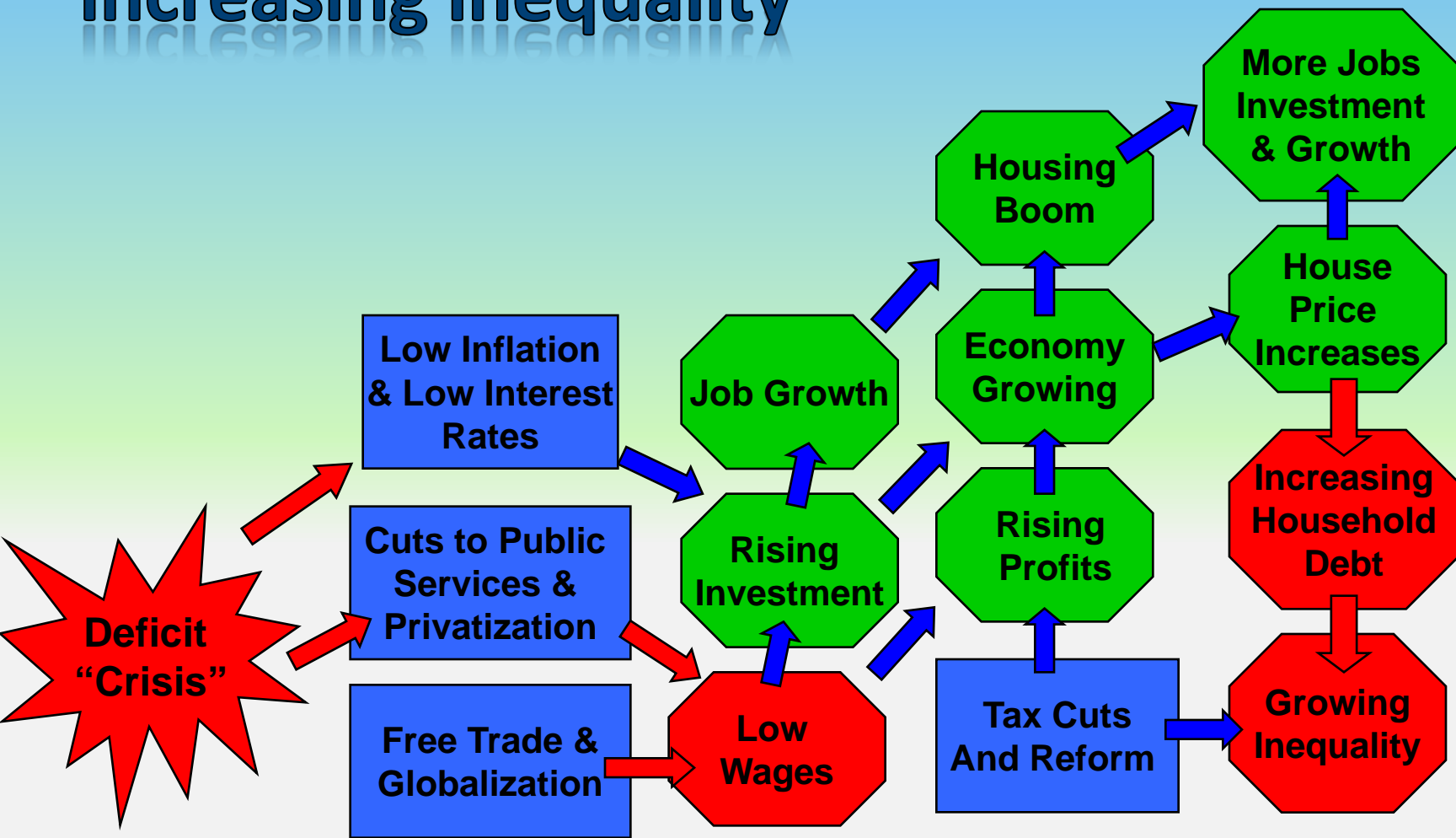
# that were put in place decades ago...

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

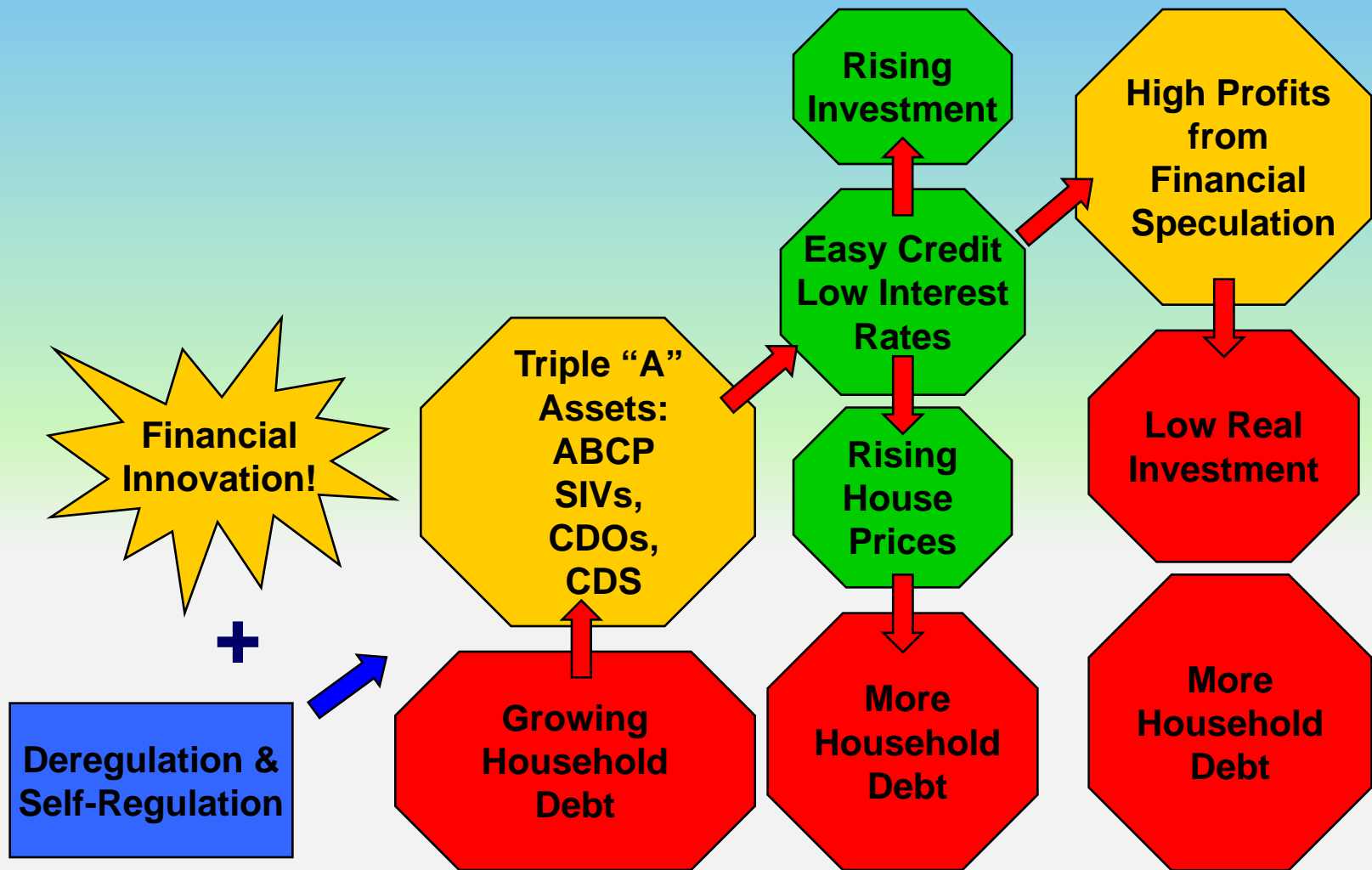
# Policies led to growth at first but with increasing inequality



1990s.....2000.....



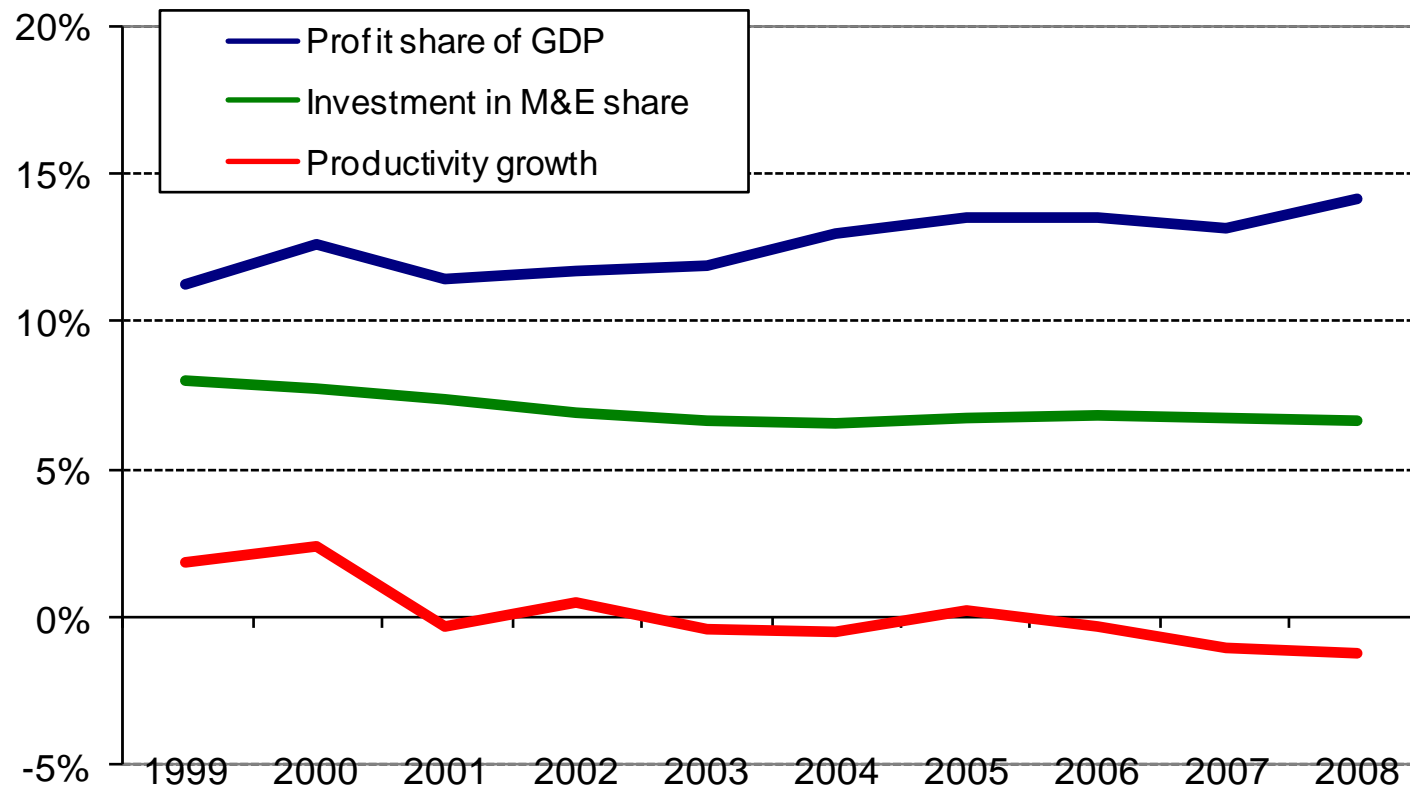
# Then a paper boom economy



2000.....

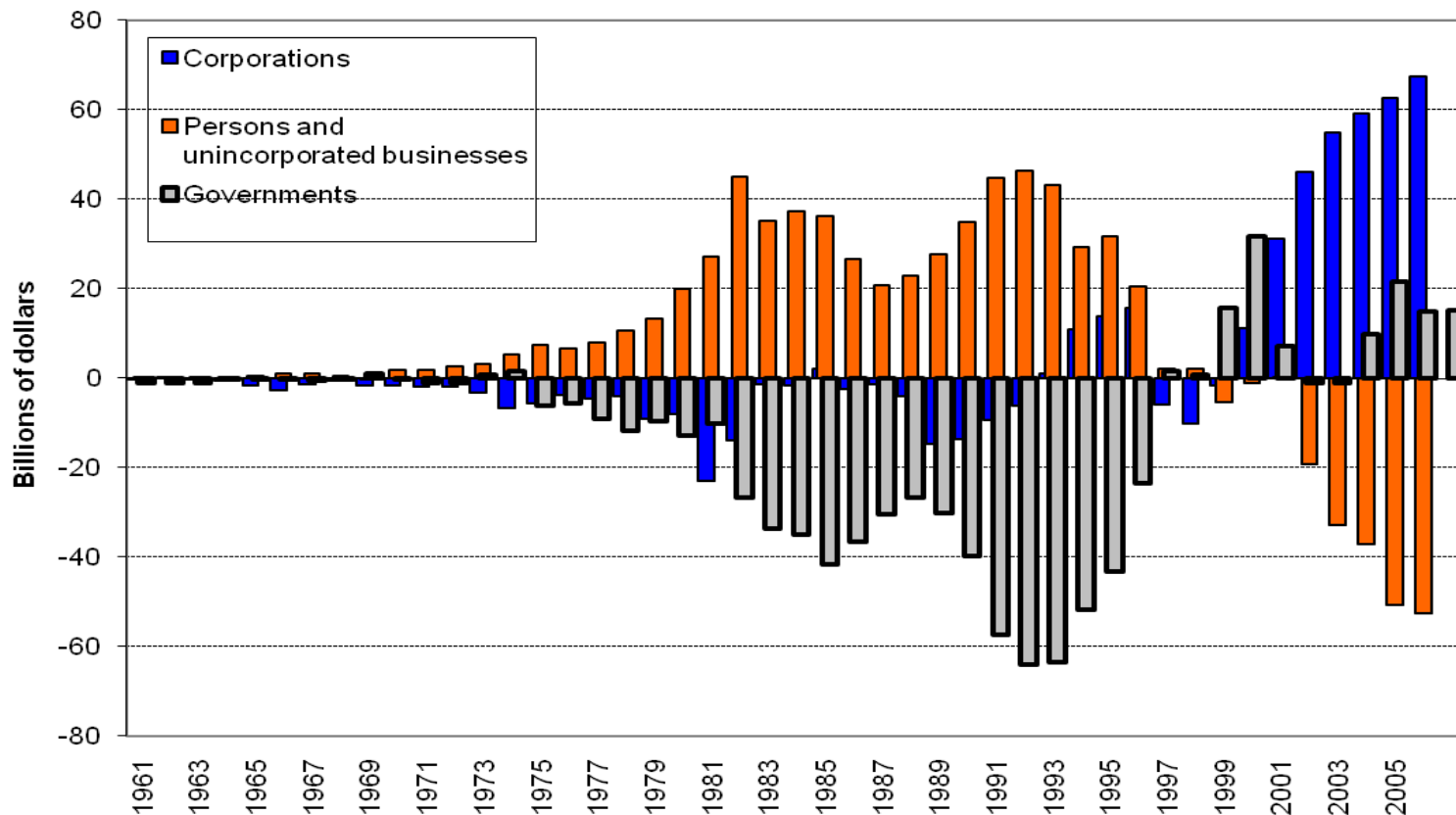
# Low real investment led to stagnant productivity growth

## Rising profit shares, declining productivity

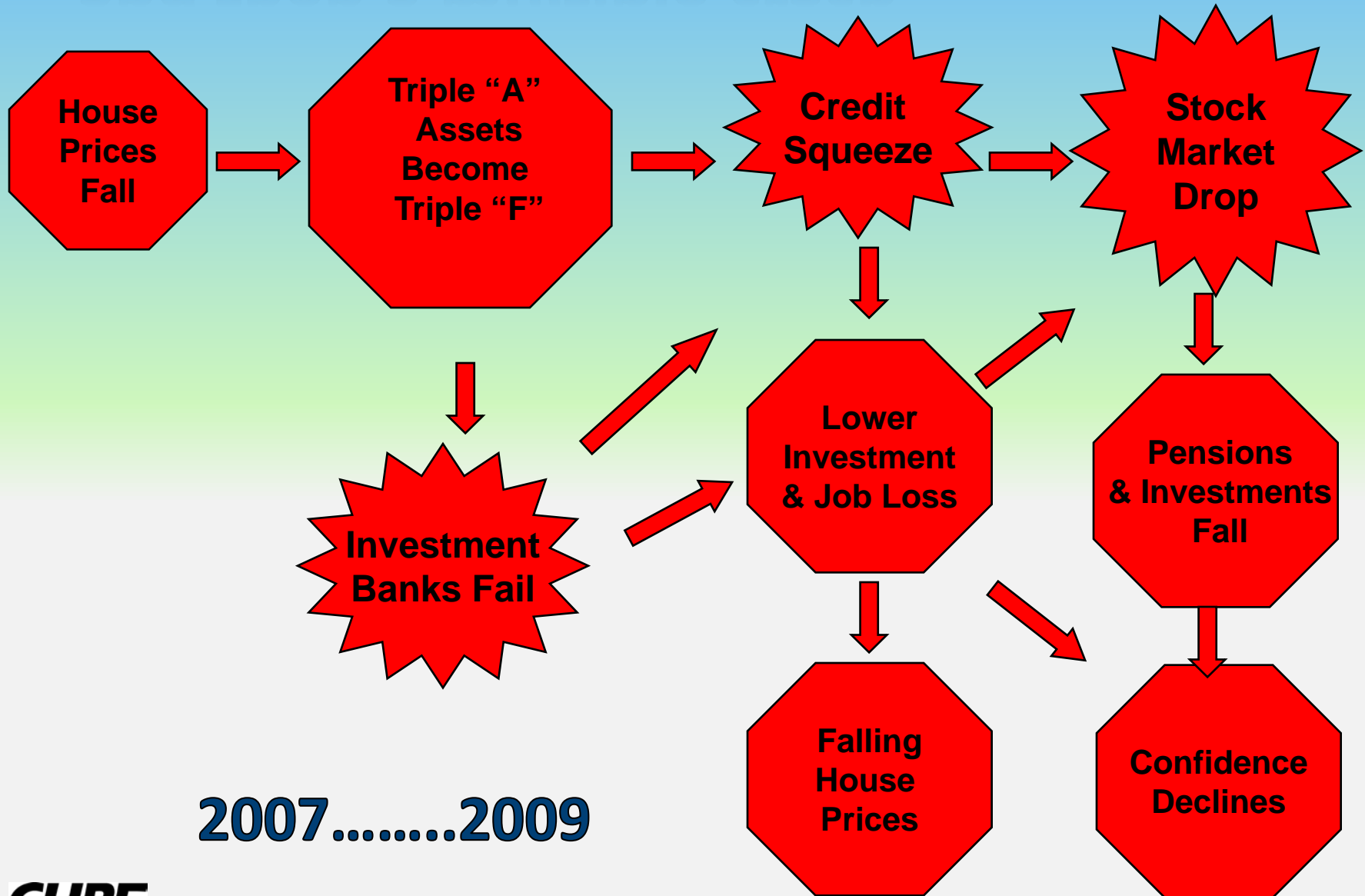


# Record household deficits and corporate surpluses...

## 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

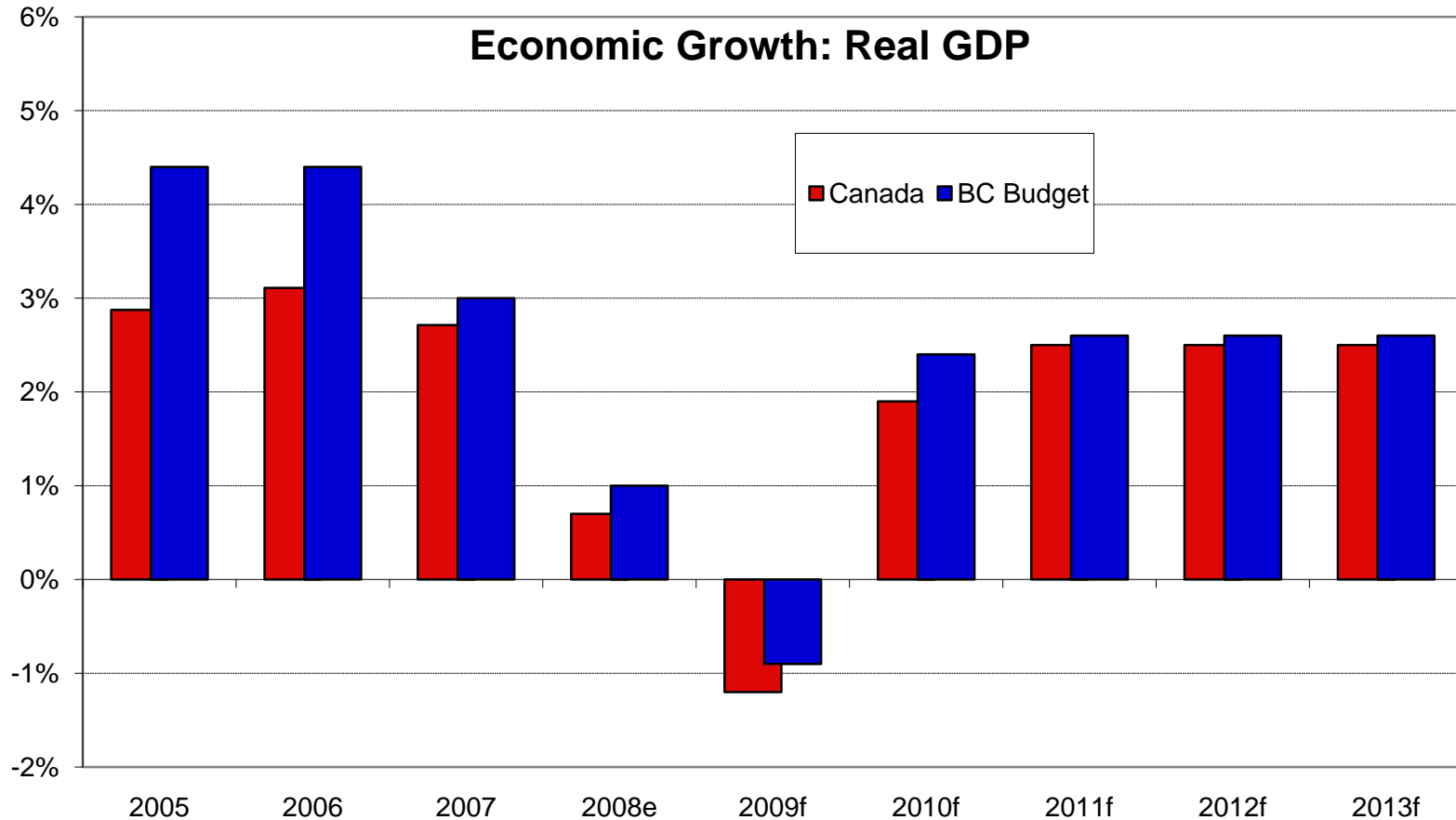
# BC do-little & cutback Budget

- 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

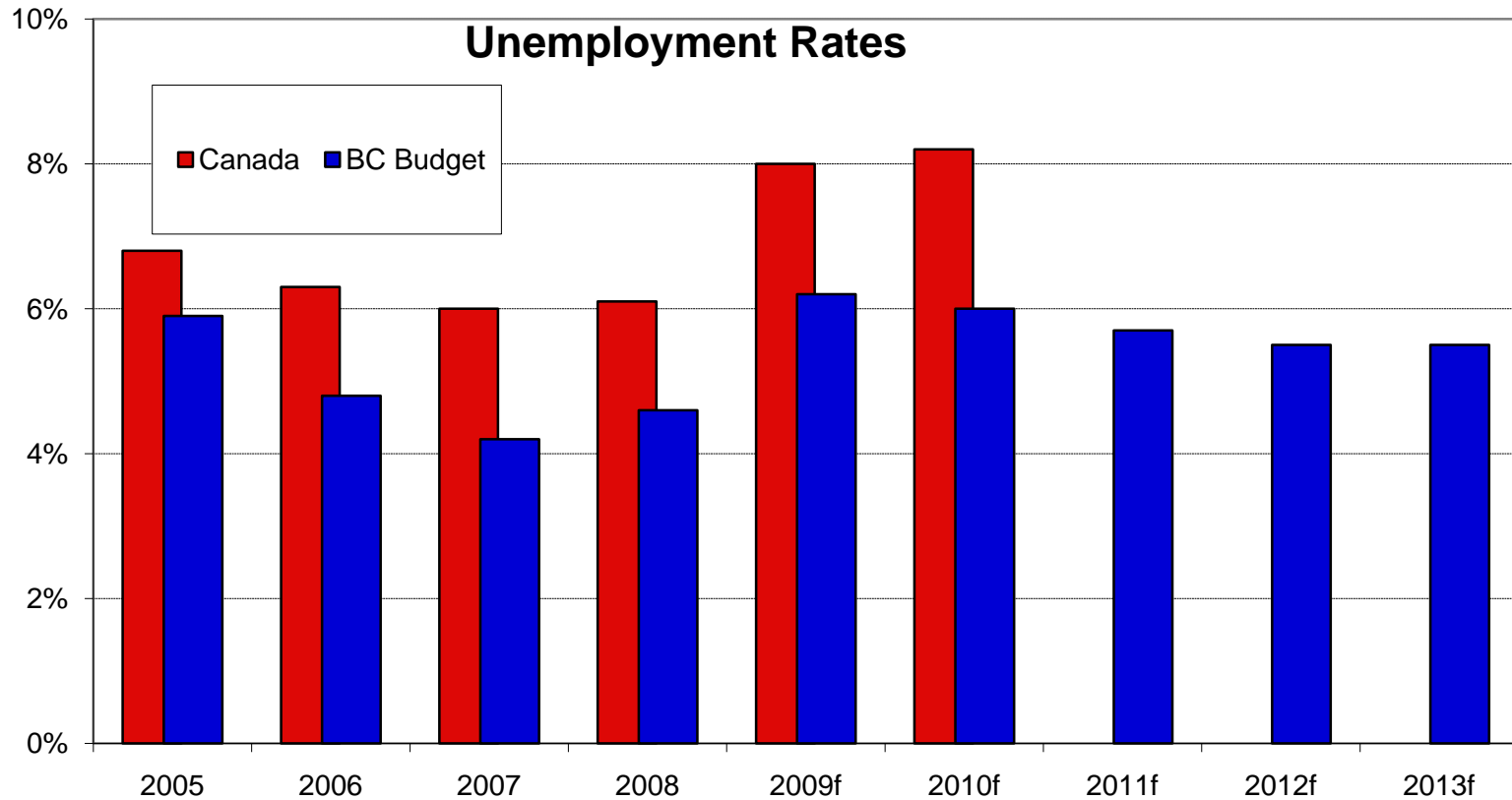
# Social spending has strongest stimulus

<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

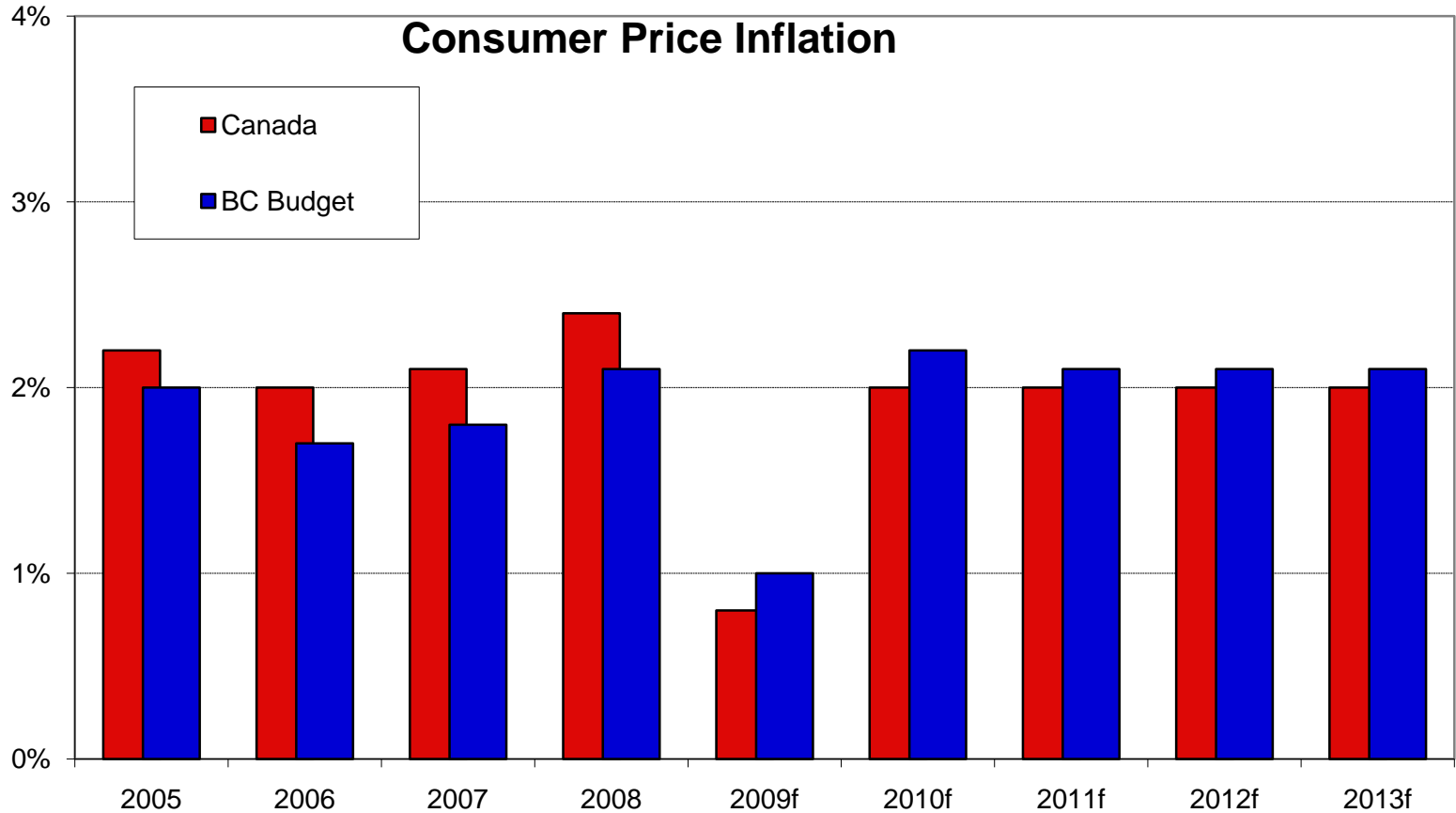
# Economic growth heading south...



# 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.