



WHO WINS? THE ECONOMIC CRISIS AND AN ECONOMY OF HIGHER WAGES

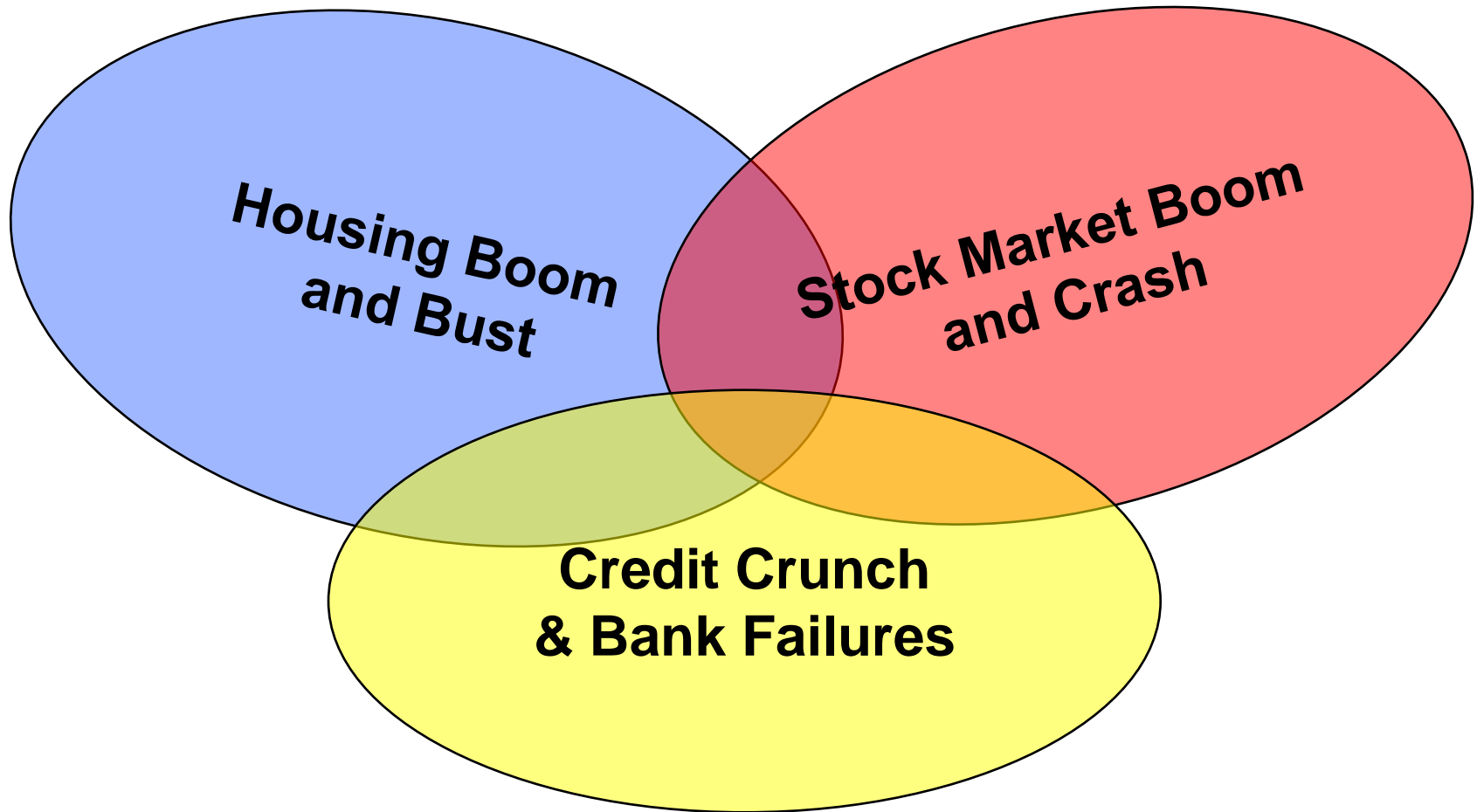
**CUPE SASKATCHEWAN ANNUAL CONVENTION
REGINA, 11 MARCH 2009**

Toby Sanger, CUPE National

Presentation

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

Were 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 50% 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

Stock market crash...



Progressive investment advice...

If you had invested \$1,000 a year ago in:

- Citibank: now worth \$52.50
- Nortel Networks: now worth \$14.90
- Lear Corporation: now worth \$8.36

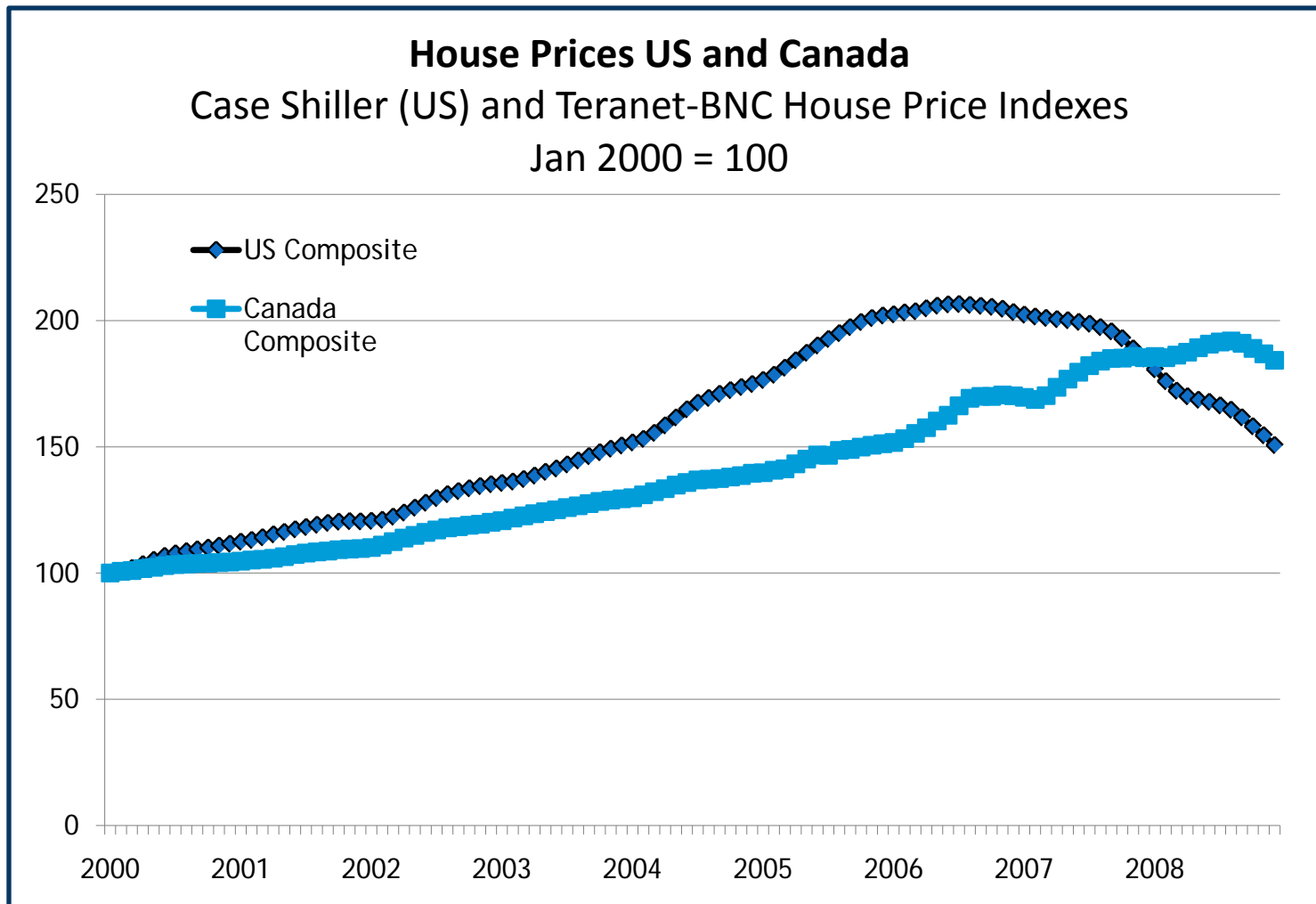
But if you had invested \$1,000 on:

- 95 six-packs of Great Western Pilsner Beer
- Drank it all and turned in the empties, you'd have \$57.00 from the recycling refund

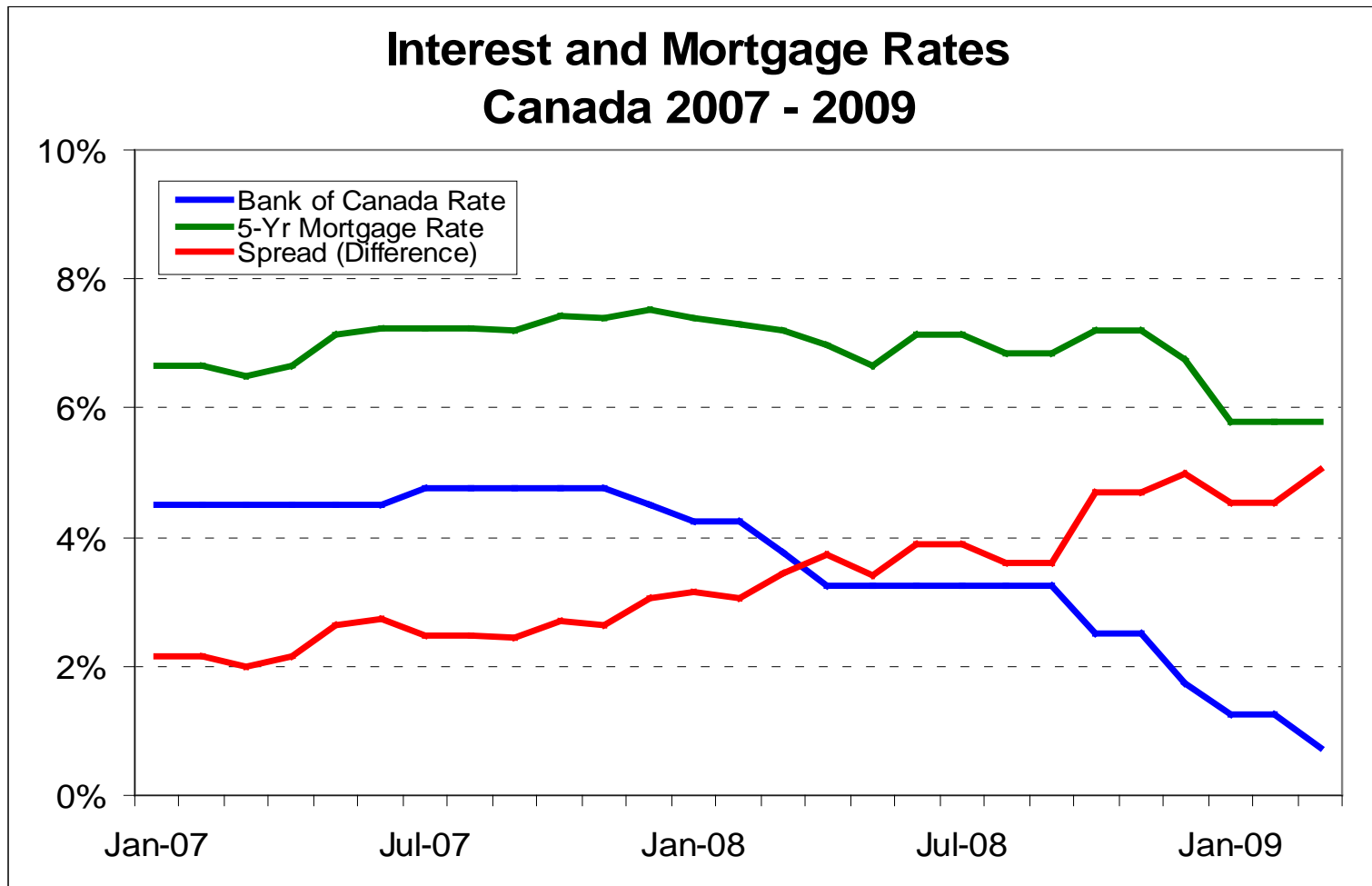
Labour economist investment advice:

- Drink heavily and always recycle

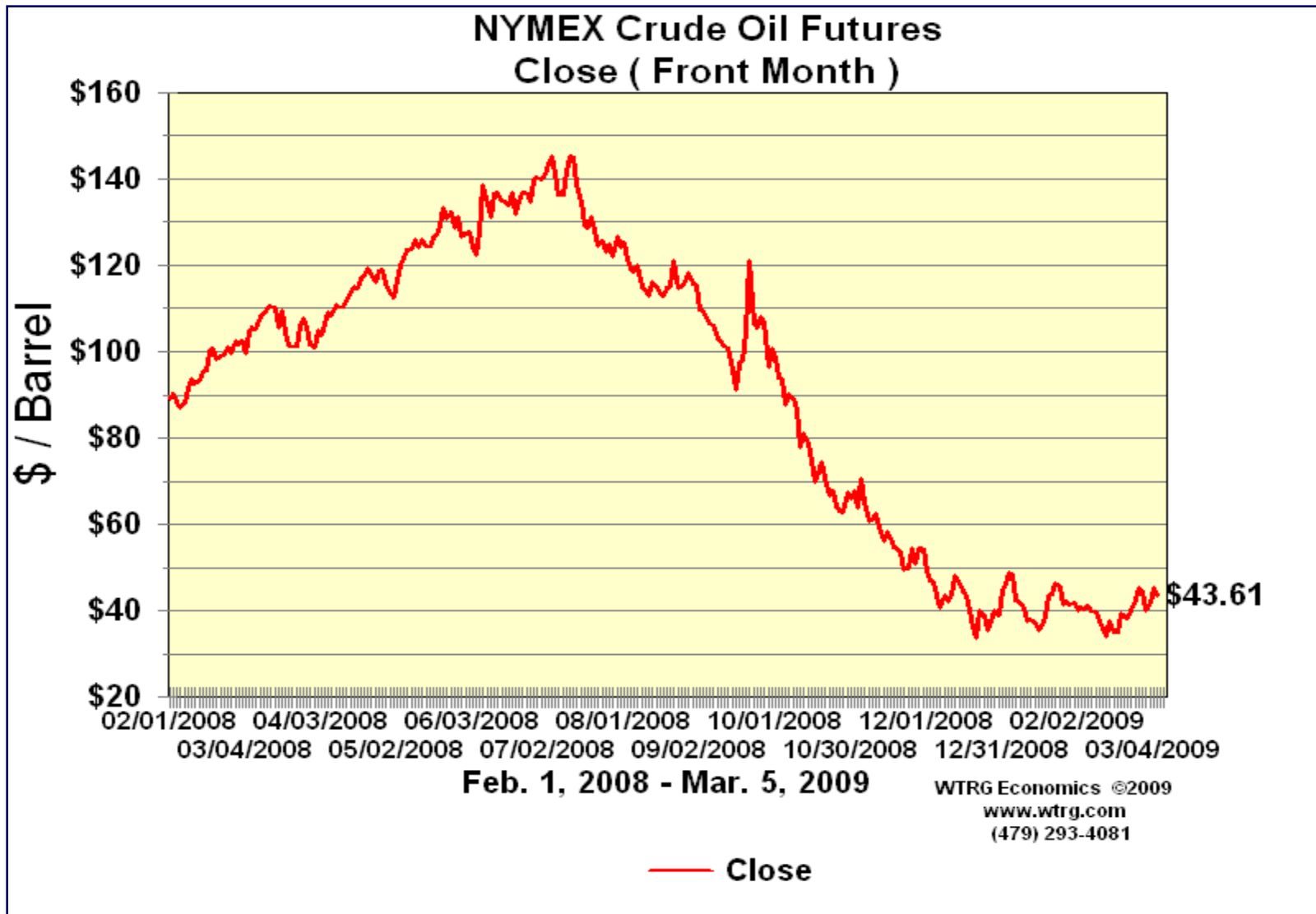
Housing bust to come?



Rates down, but credit squeezed...



Resource prices down...



Crisis caused by economic policies...

“I found a flaw.”

Alan Greenspan, former head of U.S. Federal Reserve
(central bank), 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 Angel Gurría, 22 January 2009

“This sucker could go down...”

Former President George W. Bush, 28 September 2008

“There’s no question the Washington Consensus is dead.”

Senior World Bank official, 10 October 2008

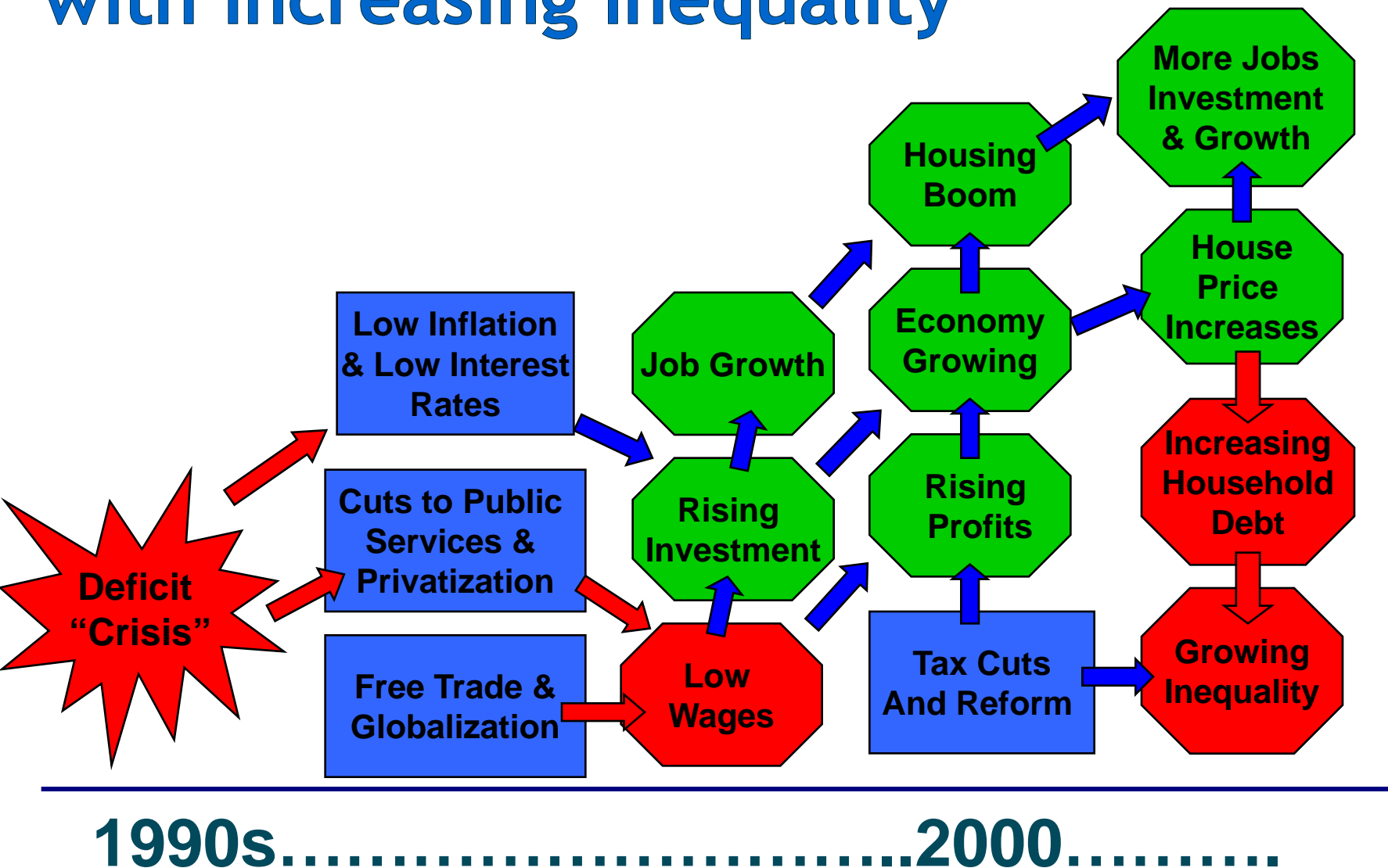
that were put in place decades ago...

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

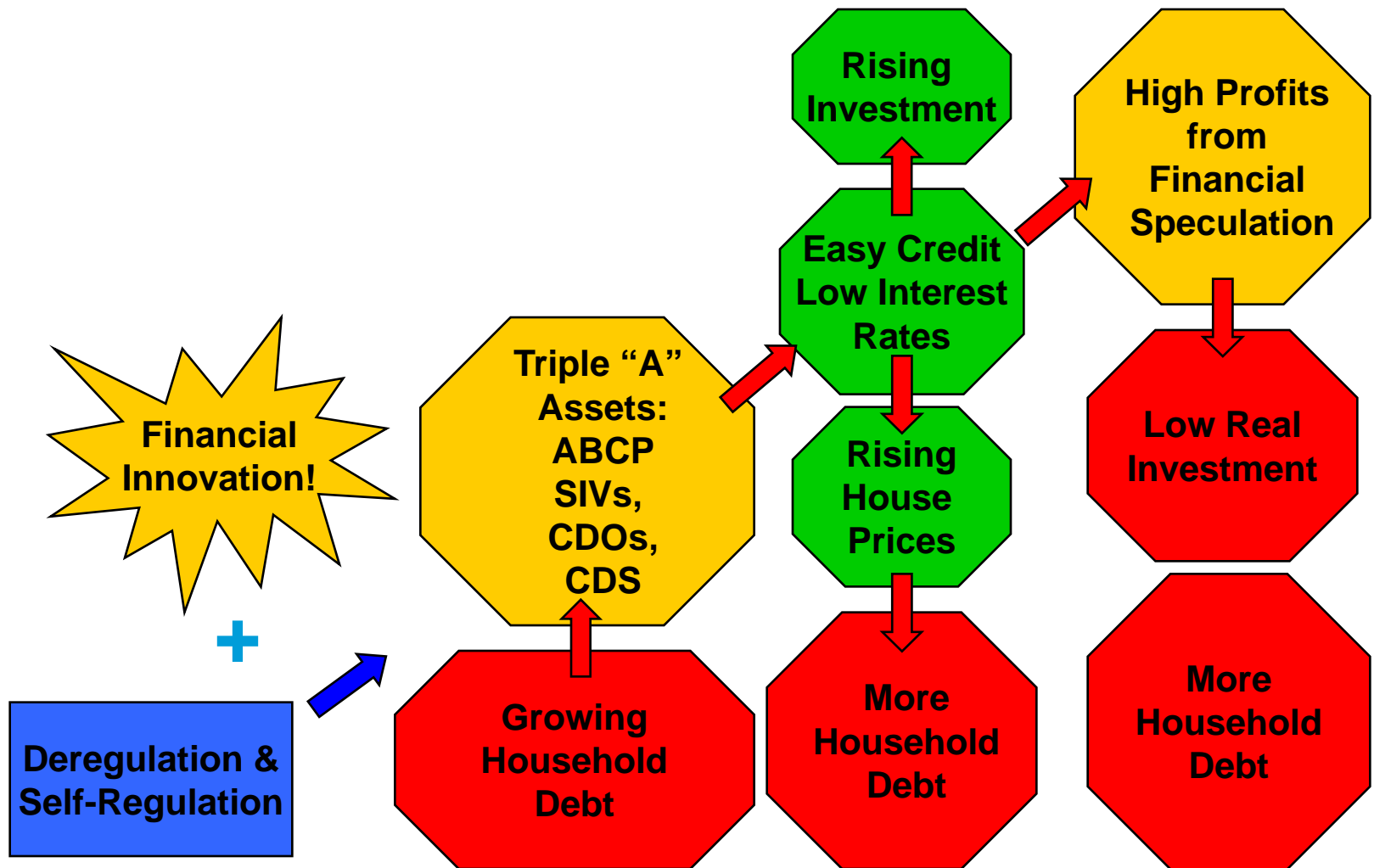
The Washington Consensus

- 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

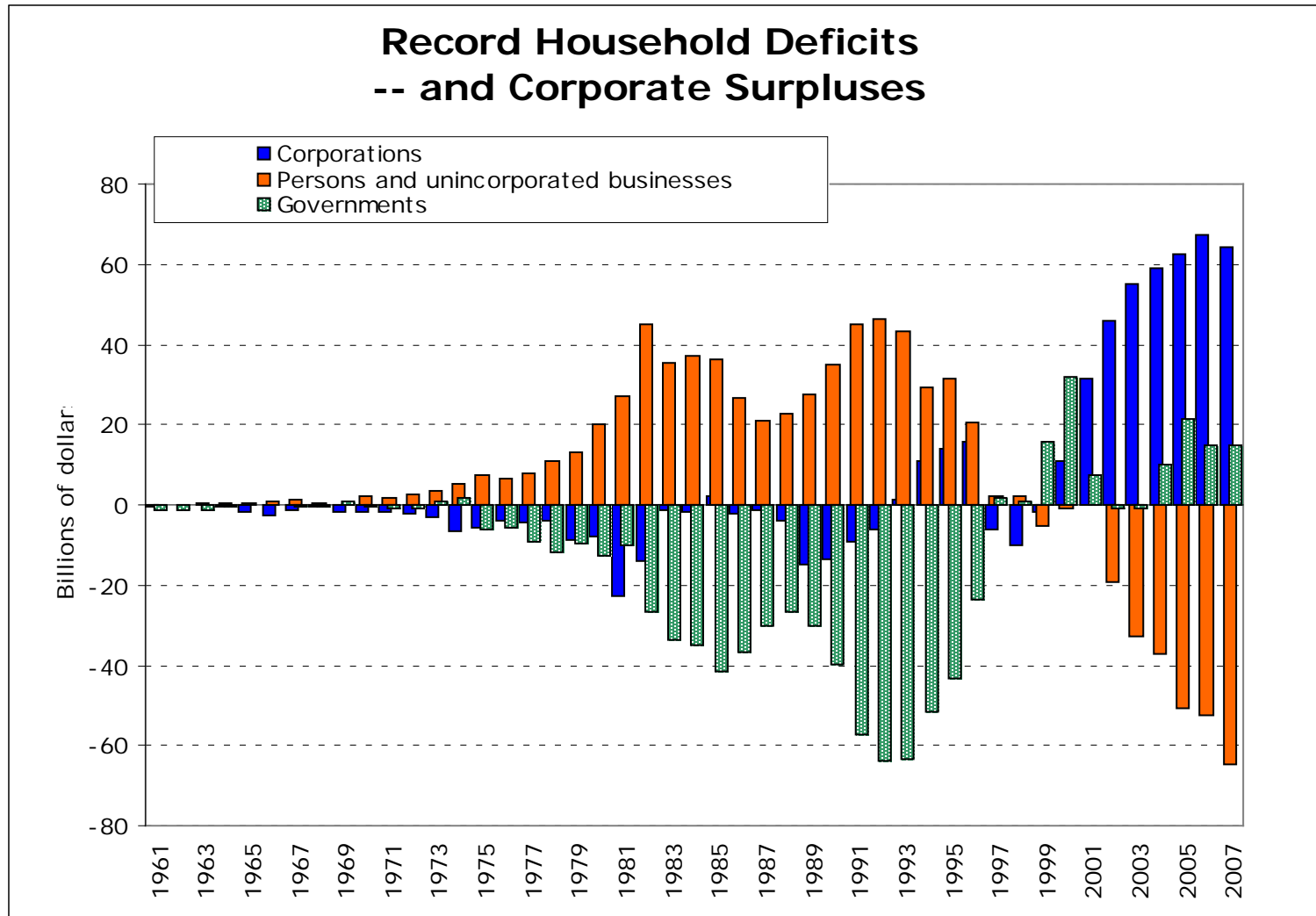


Then a paper boom economy



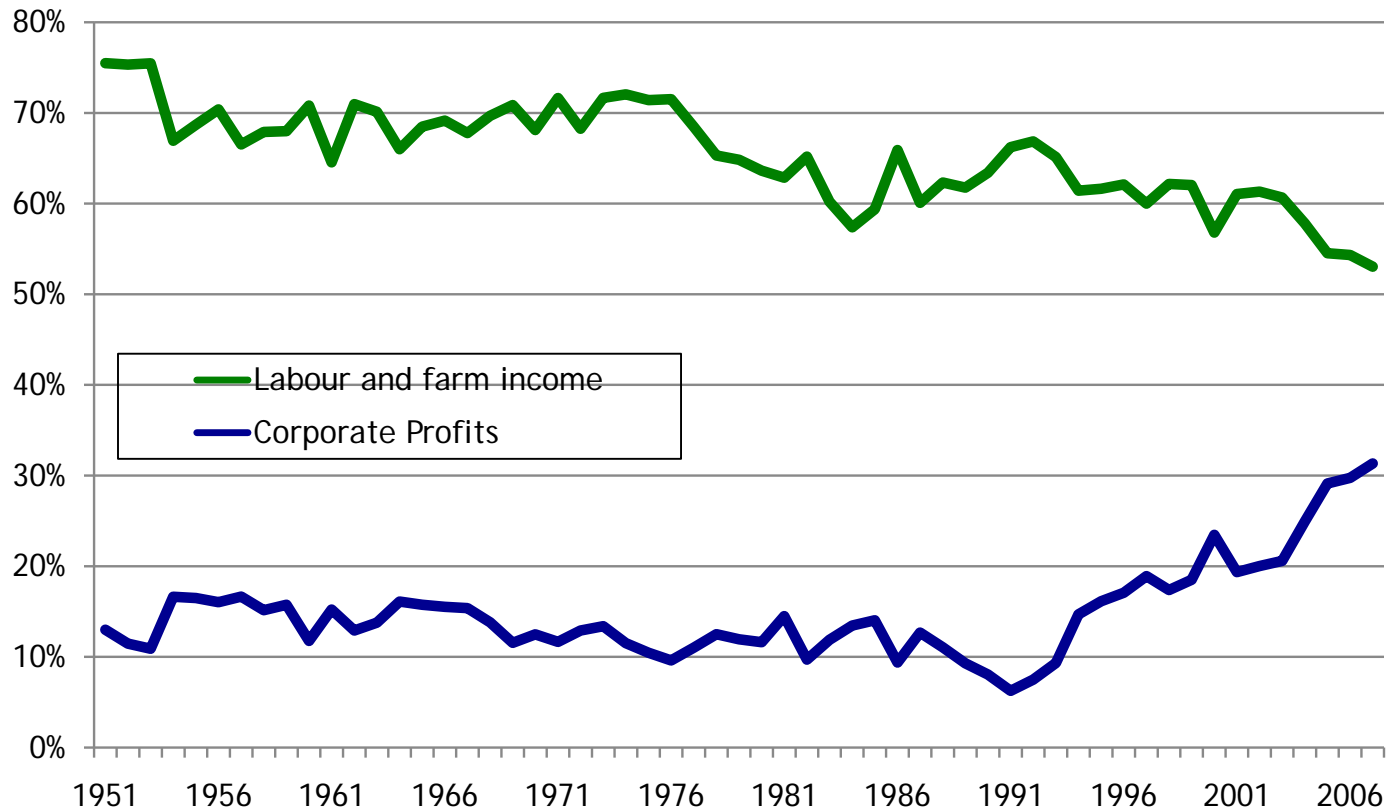
CUPE 2000.....

Record household deficits and corporate surpluses

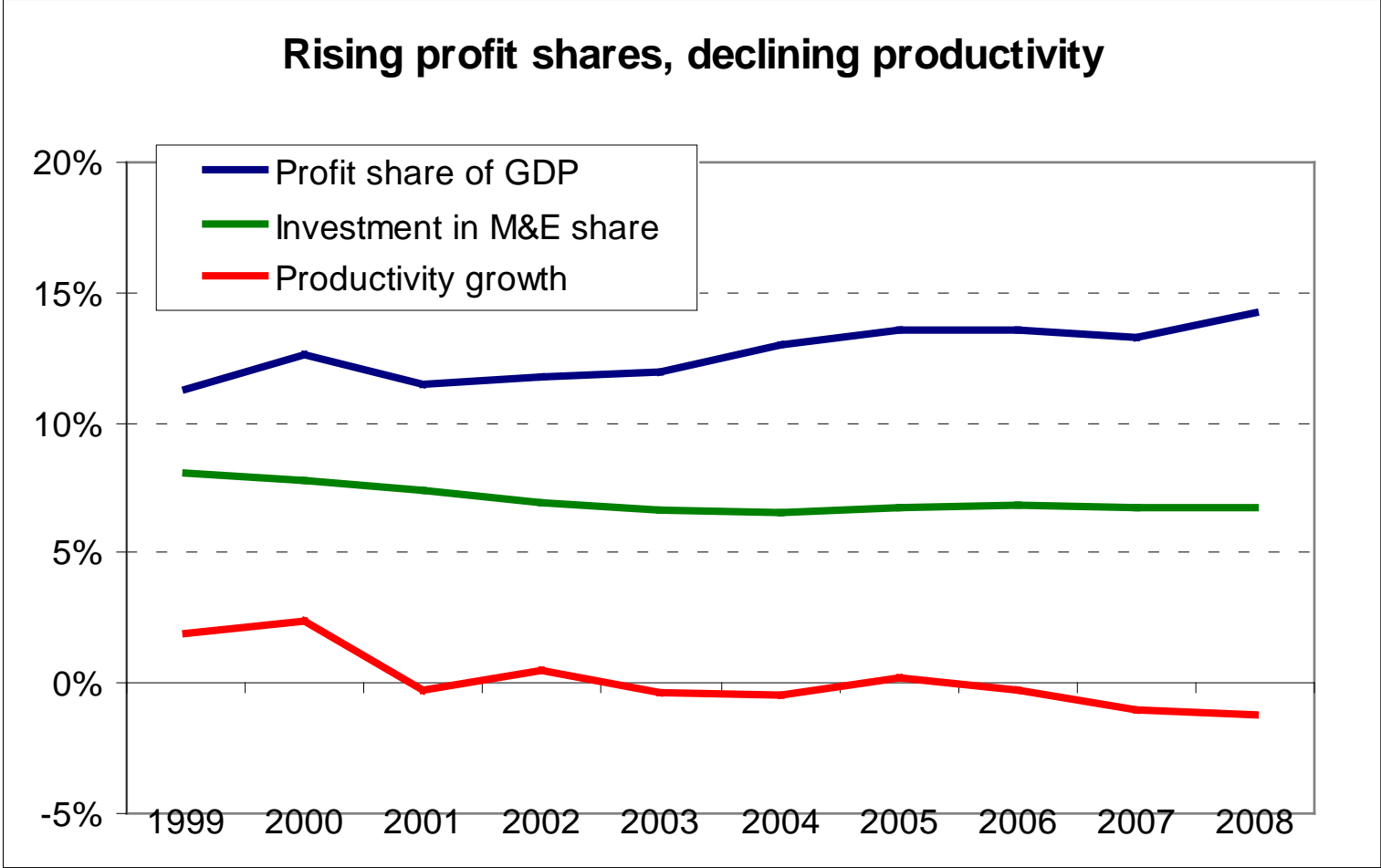


Economy growing, but declining share for workers

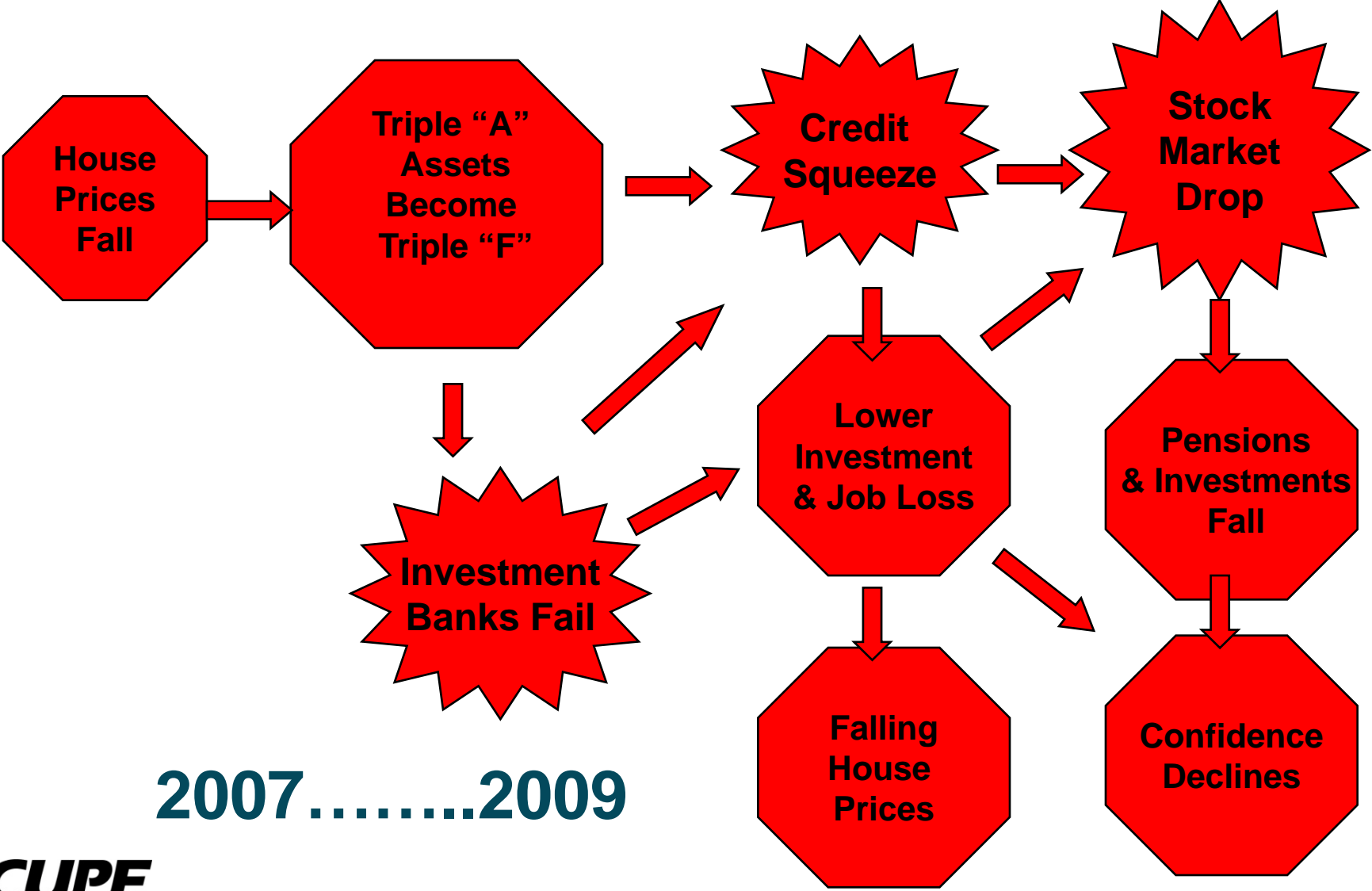
Share of Saskatchewan Provincial Income



Low real investment led to stagnant productivity growth



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:

1. Revive the economy with direct stimulus
2. Relief and support for the vulnerable and to protect workers jobs: restore social safety net
3. Rebuild the economy and confidence in the financial system

Mainstream economists 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 it was weak and regressive, too

- Net stimulus only 1% of GDP
- Much spending
- Privatization and spending cuts = \$10 billion
- No increase to EI access or benefit levels, no protection for pensions, or 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

Provincial budgets: “Monkey see...

British Columbia....

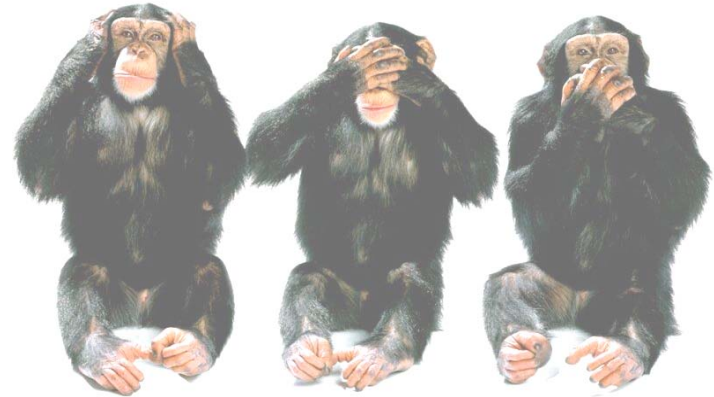
- Focus on infrastructure spending
- Constraints on local government revenues
- Wage freeze and clawbacks
- Cuts to other spending

Alberta....

- First deficits in 15 years

Saskatchewan

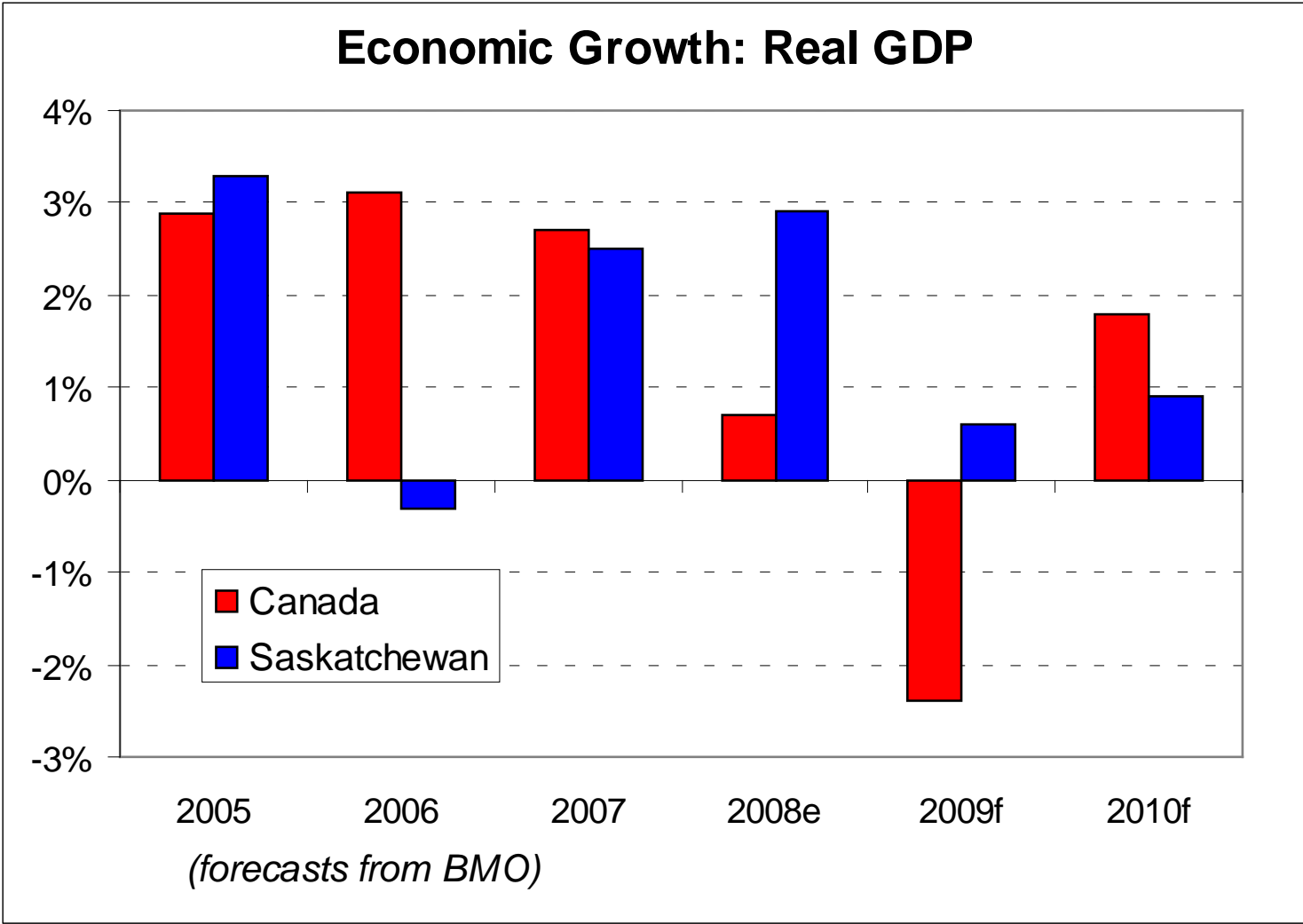
- Dipping into GFSF: “rainy day:” fund
- Focus on physical infrastructure spending
- Resource revenues declining



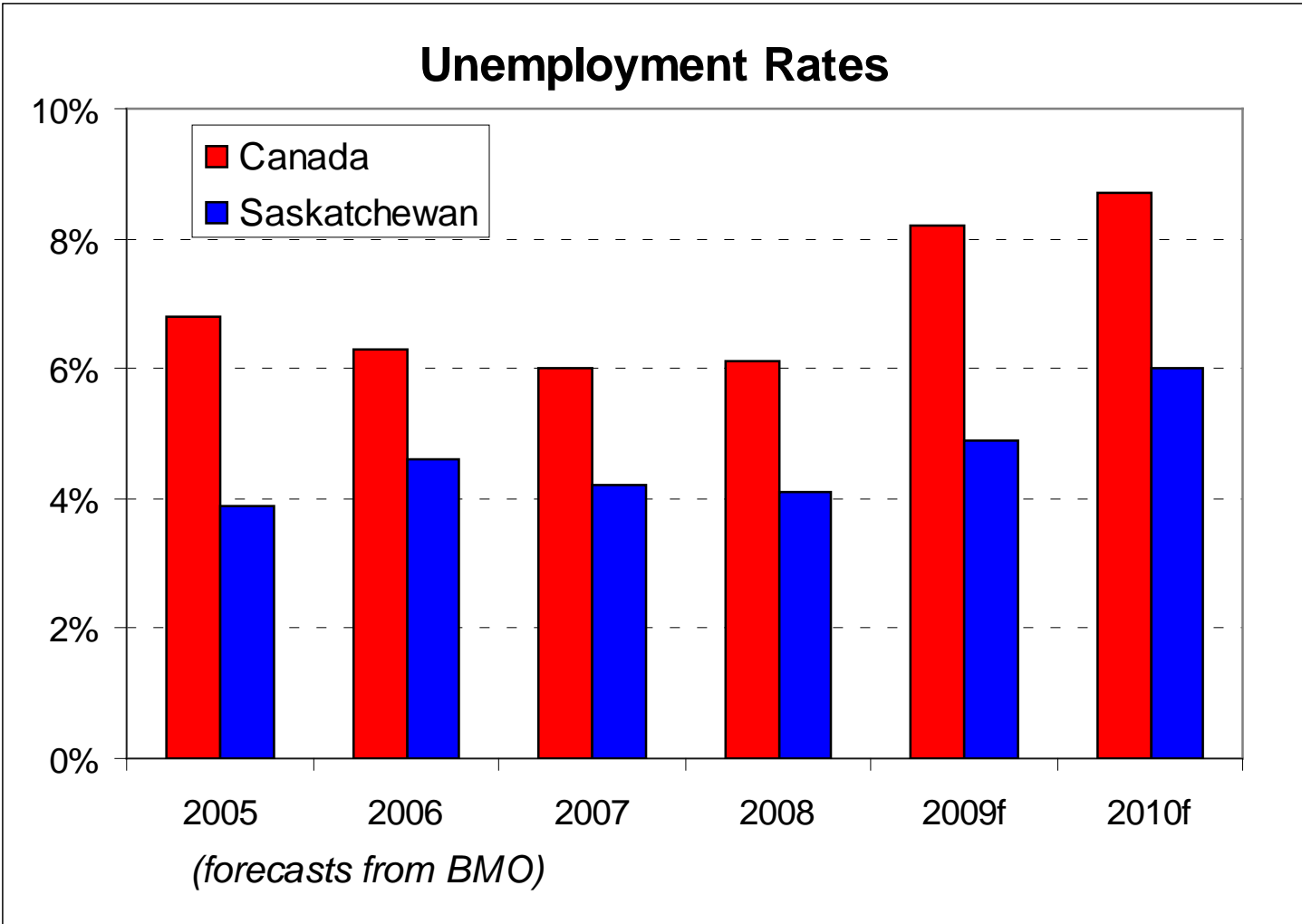
Social spending has strongest stimulus

<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

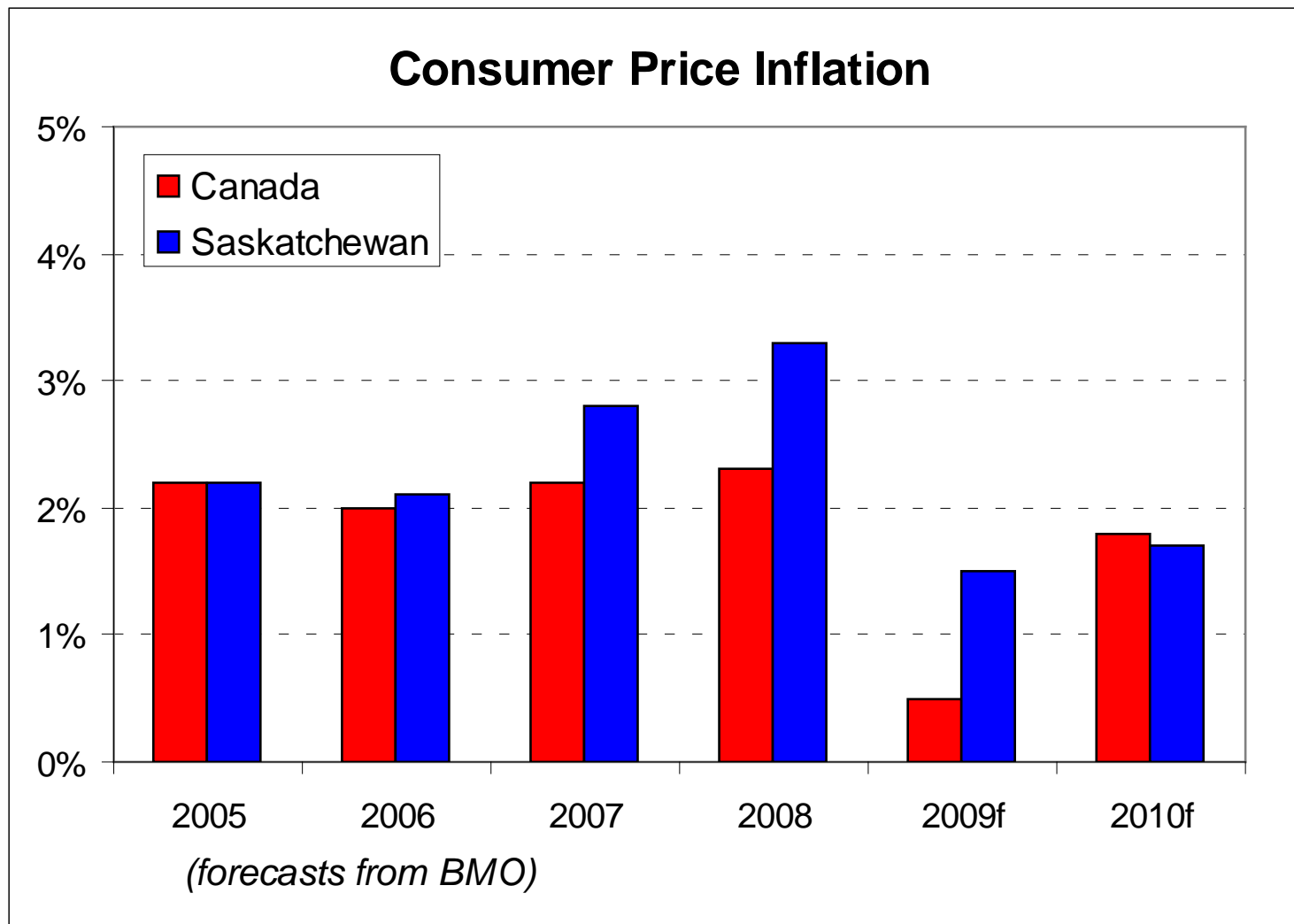
Economic growth heading south...



Unemployment heading north...



Inflation dropping...



Impacts: public service workers

Rising unemployment, poverty

- Increased need for public services

Declining revenues: public, private, BPS, non-profits

- Cutbacks, job losses, wage freezes, controls, benefit cuts
- Push for contracting-out, privatization, casual work, attacks on labour rights

Limited increases to public spending and public investments

- Immediate focus on “stimulus”, bail-outs

Pension losses & need to fund deficits

- Will take a bite out of future wage increase

Adds up to:

Much tougher bargaining for wages and benefits

Some good news

1. Still have a job
2. Relatively high standard of living
3. Good public services
4. Canada and Saskatchewan in relatively good fiscal and economic shape
5. Canadian banks are profitable

Some good news (continued)

6. Widespread recognition of need for strong action
7. Neo-conservative economic policies are discredited
8. Economic downturns can lead to social progress



Priorities: better public services, fighting privatization

- CUPE leader in fight against P3s and privatization
- Financial crisis exposing faulty economics of P3s:
 - *higher costs, more risky, very difficult to finance*
- Growing list of expensive P3 failures in Canada and around the world: multi-billion bailouts of P3 projects and financiers
- Auditors and accountants increasingly exposing higher costs of P3s

...but privateers will continue to push hard

Priorities: global green targets

- Canada obstacle to climate change agreement
- Will be forced to act as Obama moves ahead
- Losing out on green job opportunities

- Household debt at record levels, can't afford private consumption-led growth

- Only way to achieve sustained higher quality of life is with more and better public services

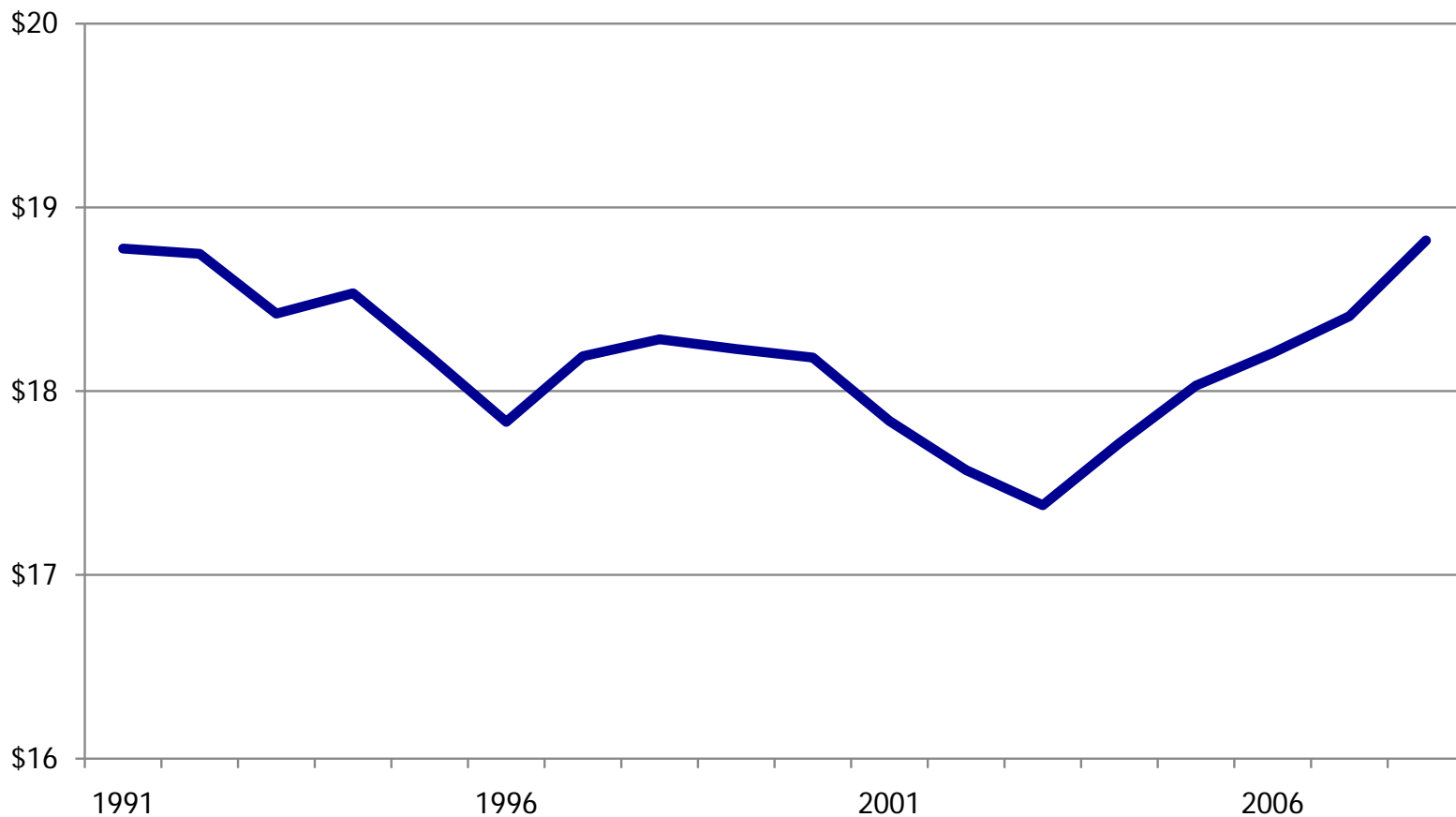
- *....will also preserve our environment*

Priorities: Bargaining Power and Equality

- Three decades of trickle-down economics resulted in growing inequality, unbalanced growth and economic crisis
- Need for “trickle-up” economics:
 - Greater economic stimulus from support to lower incomes
 - Increase to lower wages strengthens bargaining power, helps raise other wages
 - *...focus on \$15 minimum will benefit all*

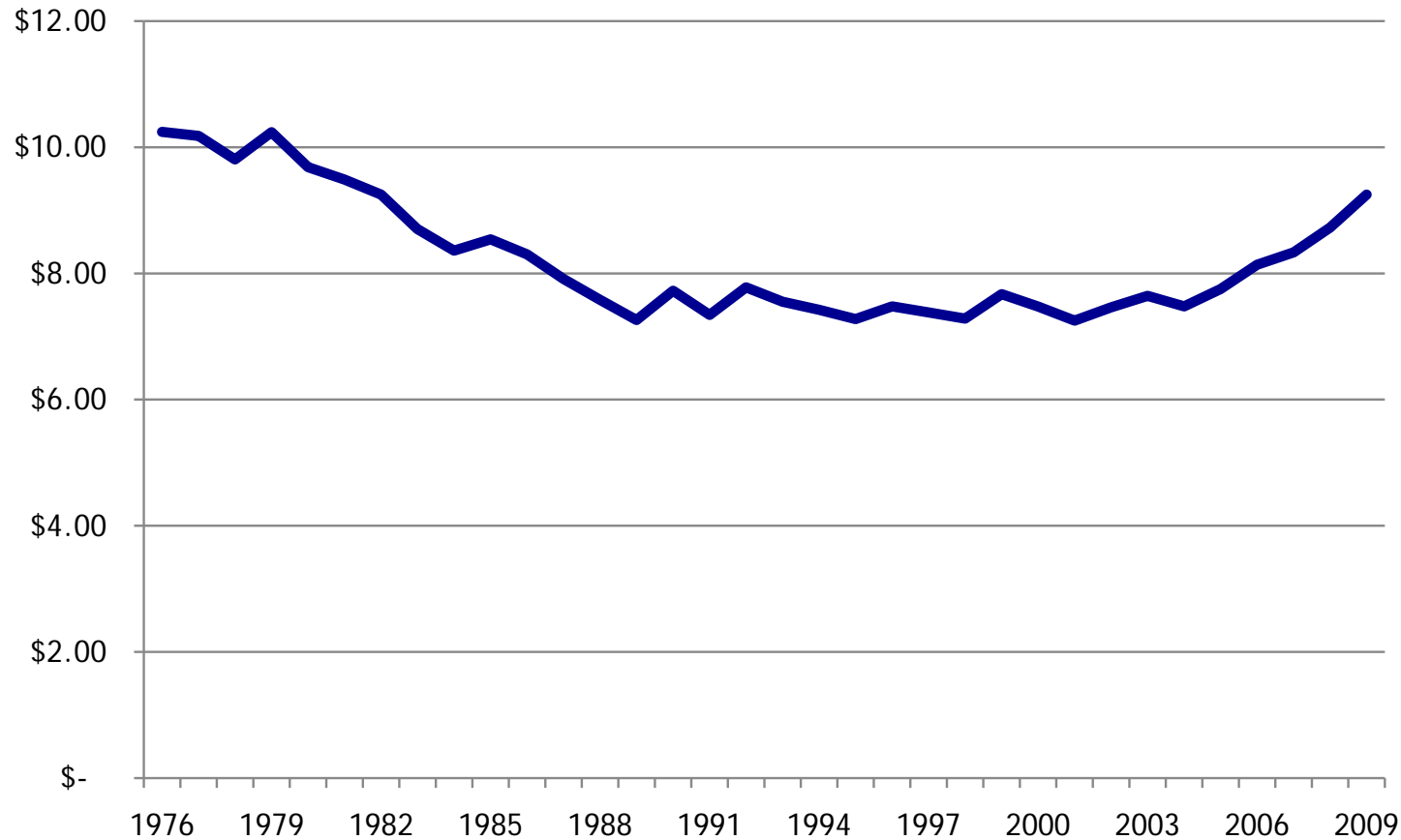
Average real wage recovers to 1991 level

Real Value of Average Hourly Earnings in Saskatchewan
in 2008 \$



Real minimum wage in Saskatchewan still lower than it was 33 years ago...

Real Value of Minimum Wage in Saskatchewan
1976 to 2009 (in 2009 dollars)



Minimum wage far below poverty line, or “living wage”

Different measures of poverty

- Statistics Canada *low income cut-off* (LICO): in 2007, \$18,659 for 1 person; \$34,700 for 4
- Market-basket measure (MBM): in 2006, \$27,000 for family in Saskatchewan

“Living wage” estimates for “bare-bones” budget:

- \$13.25/hr for individual (Calgary)
- \$16.74/hr family of 4; two earners (Vancouver) after tax *equal to \$30,000 plus per year*

Summary

- Recession to be longer and deeper than usual
- Higher unemployment and lower revenues to last for years
- Canadian government response weak, with regressive measures
- Pressure on public services to increase, bargaining tougher in current climate
- Ambitious public sector program only hope for recovery; strong boost to economy
- Potential for progressive advances

Thank You!

For more information:

- CUPE *Economic Climate for Bargaining*: www.cupe.ca
- Canadian Centre for Policy Alternatives (CCPA): www.policyalternatives.ca
- Progressive economics blog: www.progressive-economics.ca/relentless/
- Jim Stanford: www.economicsforeveryone.ca
- Statistics Canada: www.statcan.gc.ca
- Saskatchewan Bureau of Stats: www.stats.gov.sk.ca