



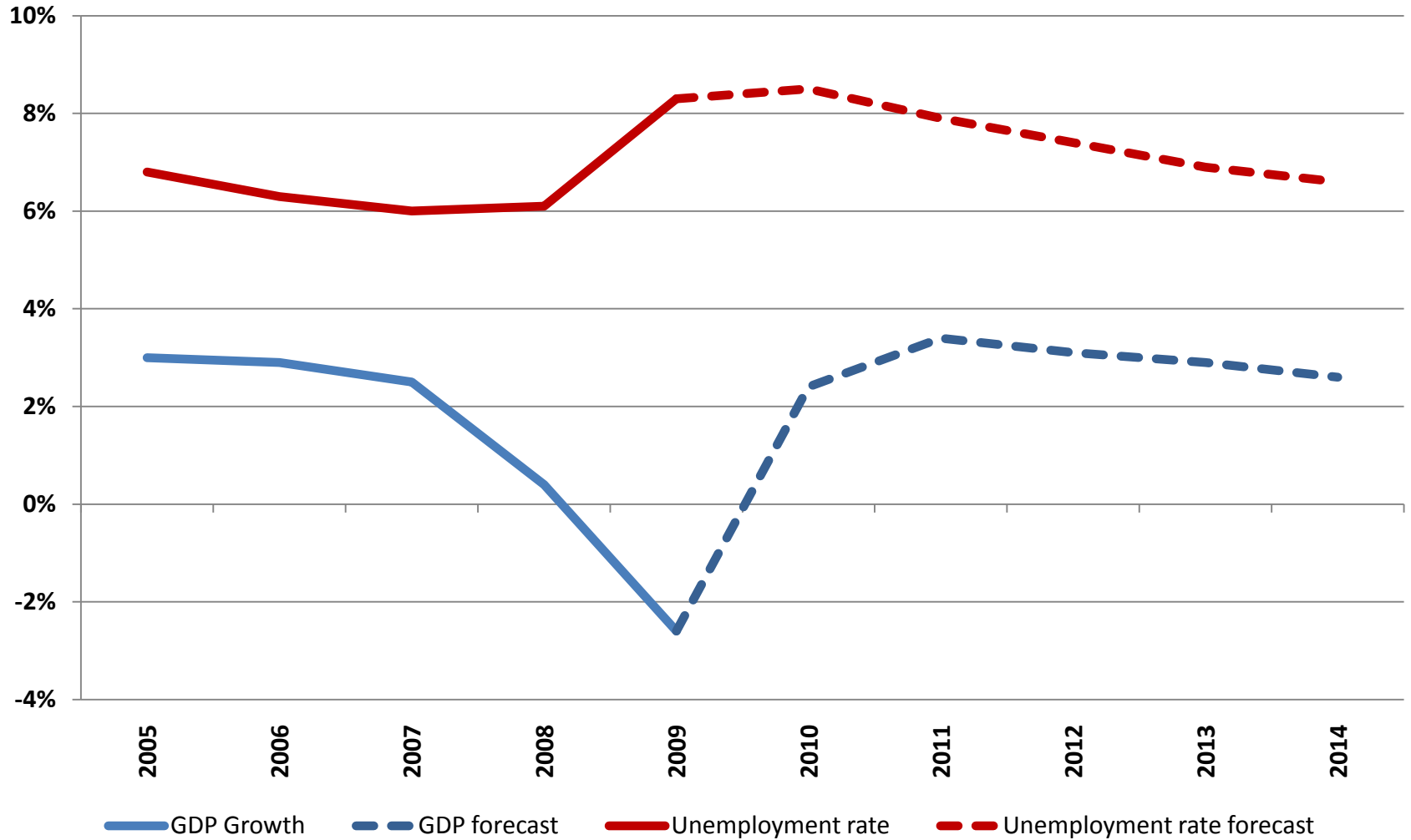
CUPE

Taxation, the Public Sector and the CFIB

Presentation for
CUPE Western Canadian
Municipal Workers' Conference
Regina, Saskatchewan
11 June 2010

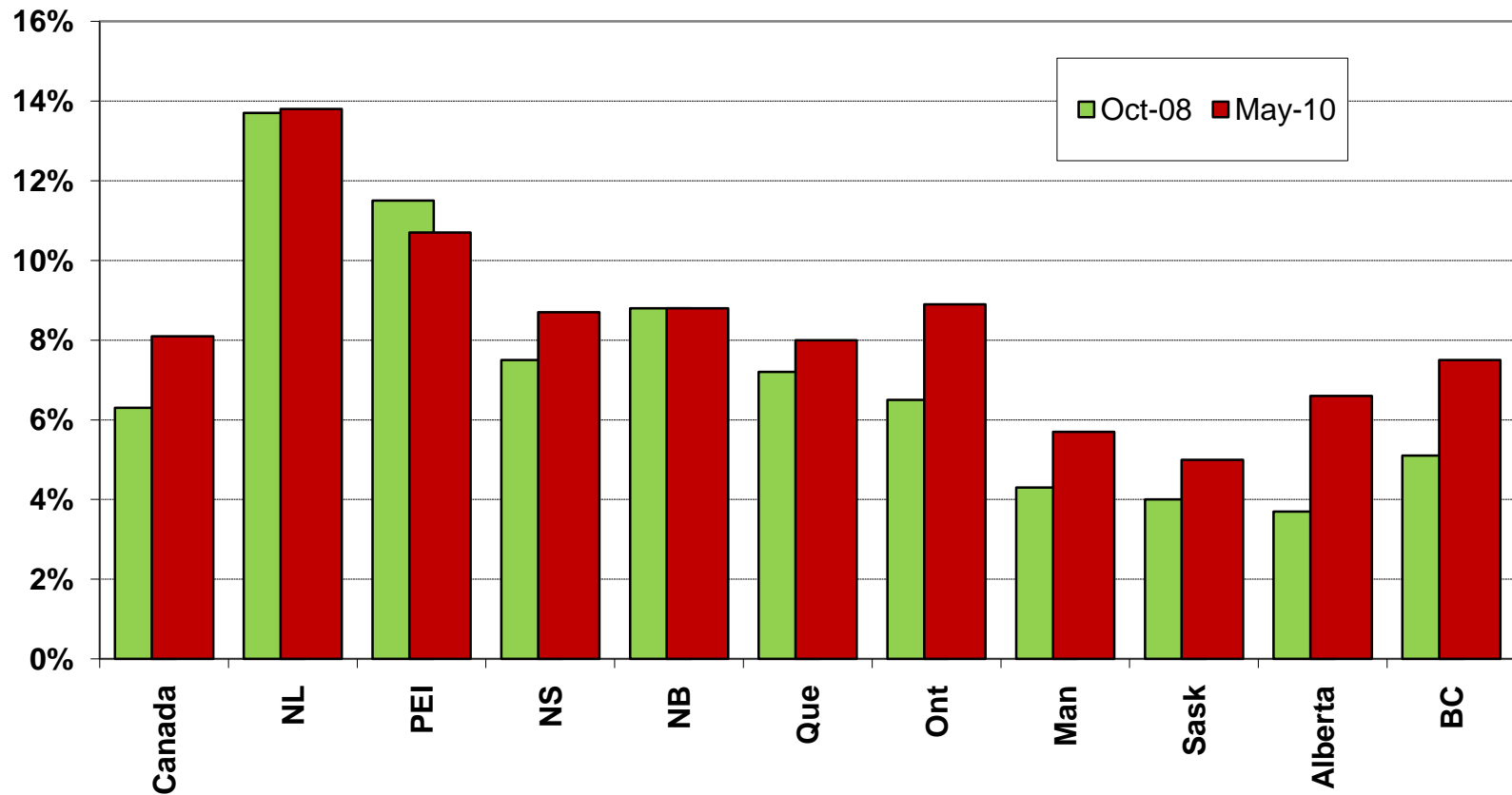
Toby Sanger, Senior Economist CUPE National

Stimulus has worked so far: strong recovery



Ontario and West hardest hit by job loss

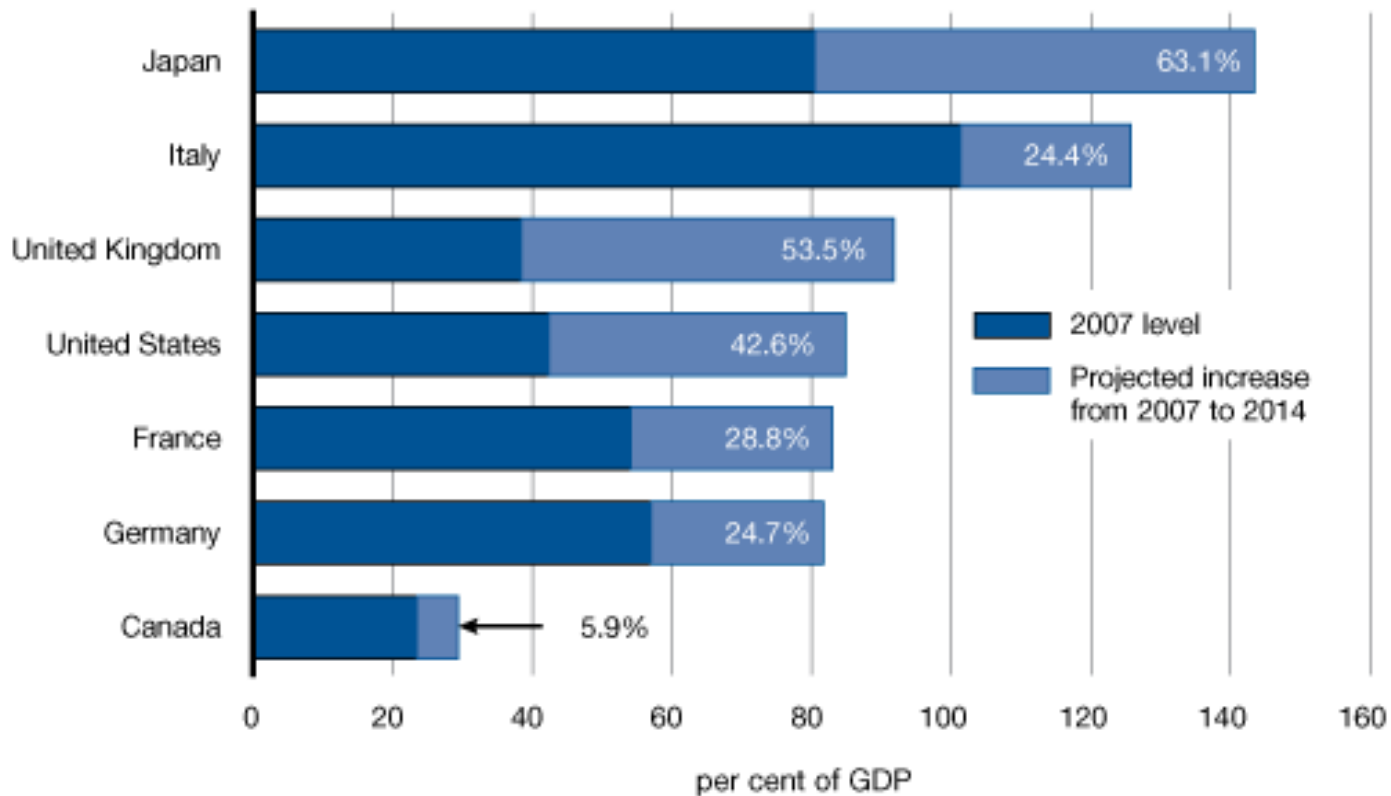
Unemployment Rates in Canada
Oct 2008 - May 2010



Canada's debt situation good, will get better

Chart 4.1.1

Total Government Net Debt, G7 Countries

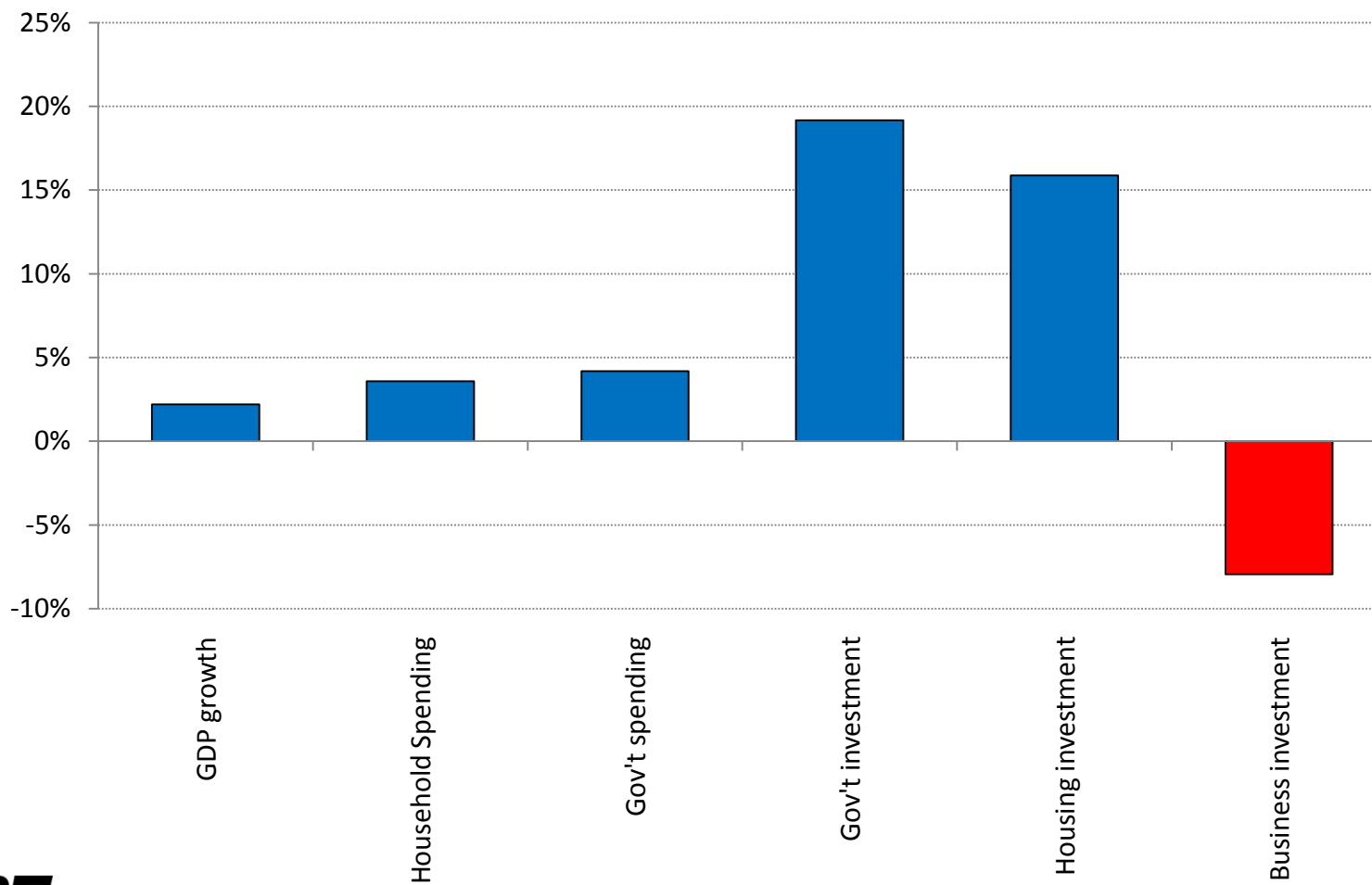


Source: IMF, *World Economic Outlook* (October 2009).

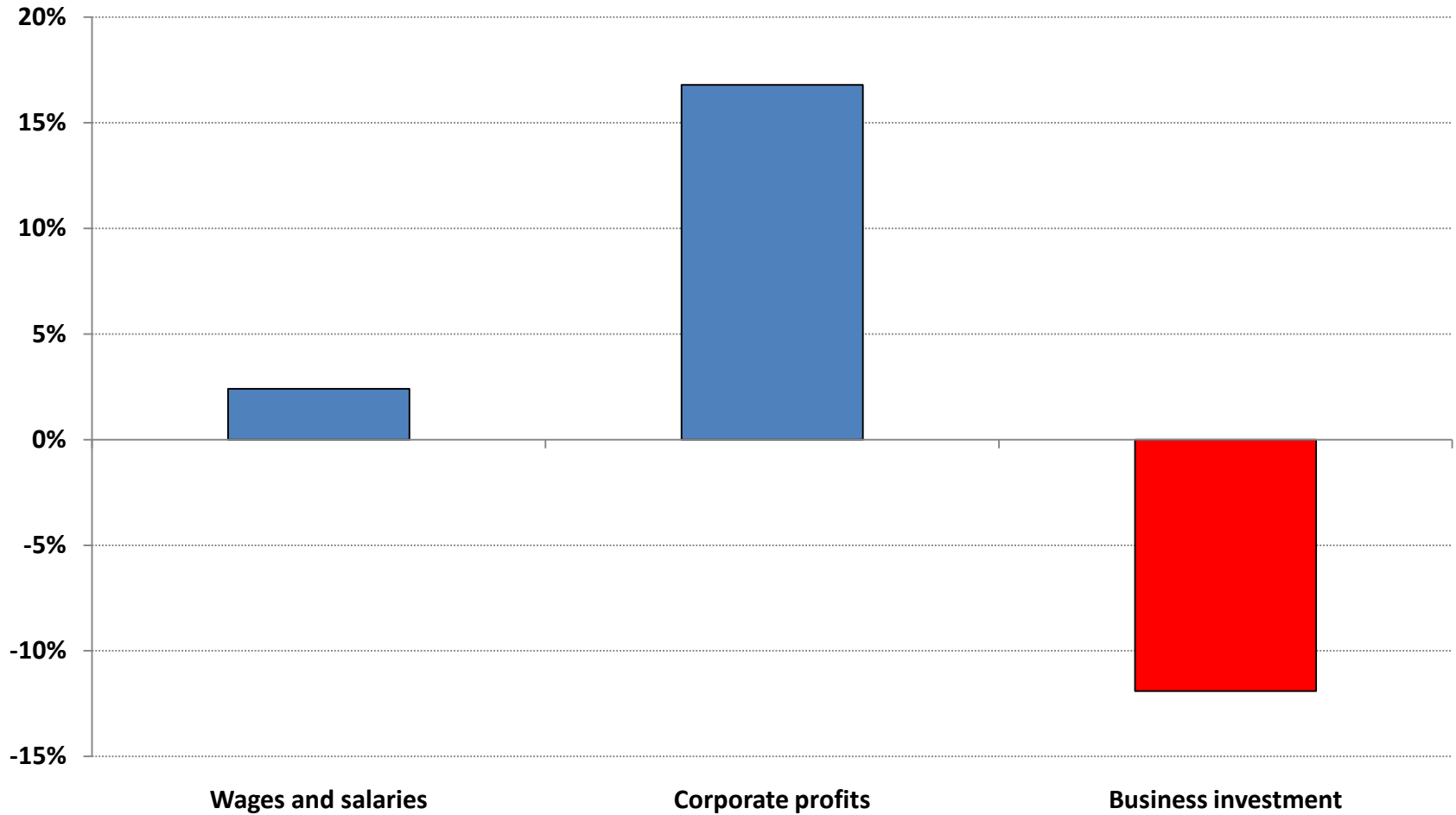


Economic growth being driven by government and households

Components of Economic Growth
% increase 2009Q1 to 2010Q3 adjusted for inflation

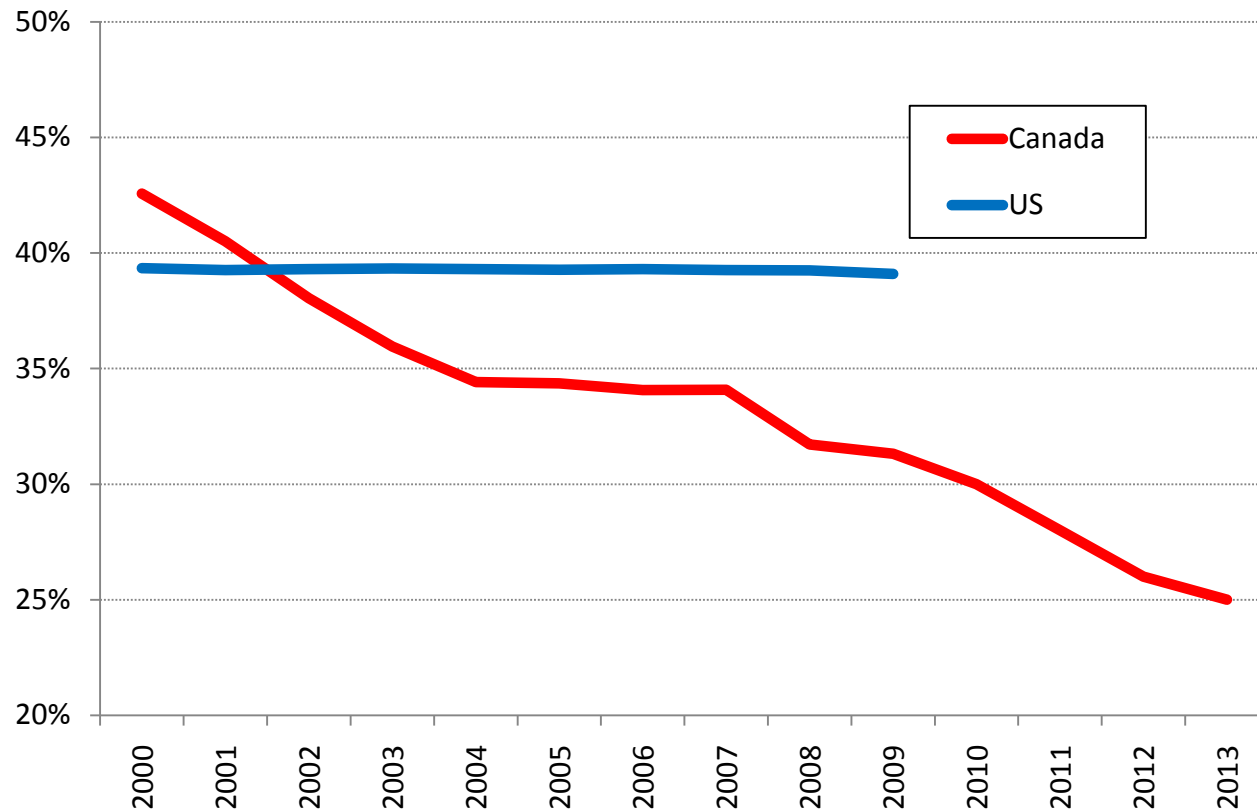


Corporate profits up but investment down



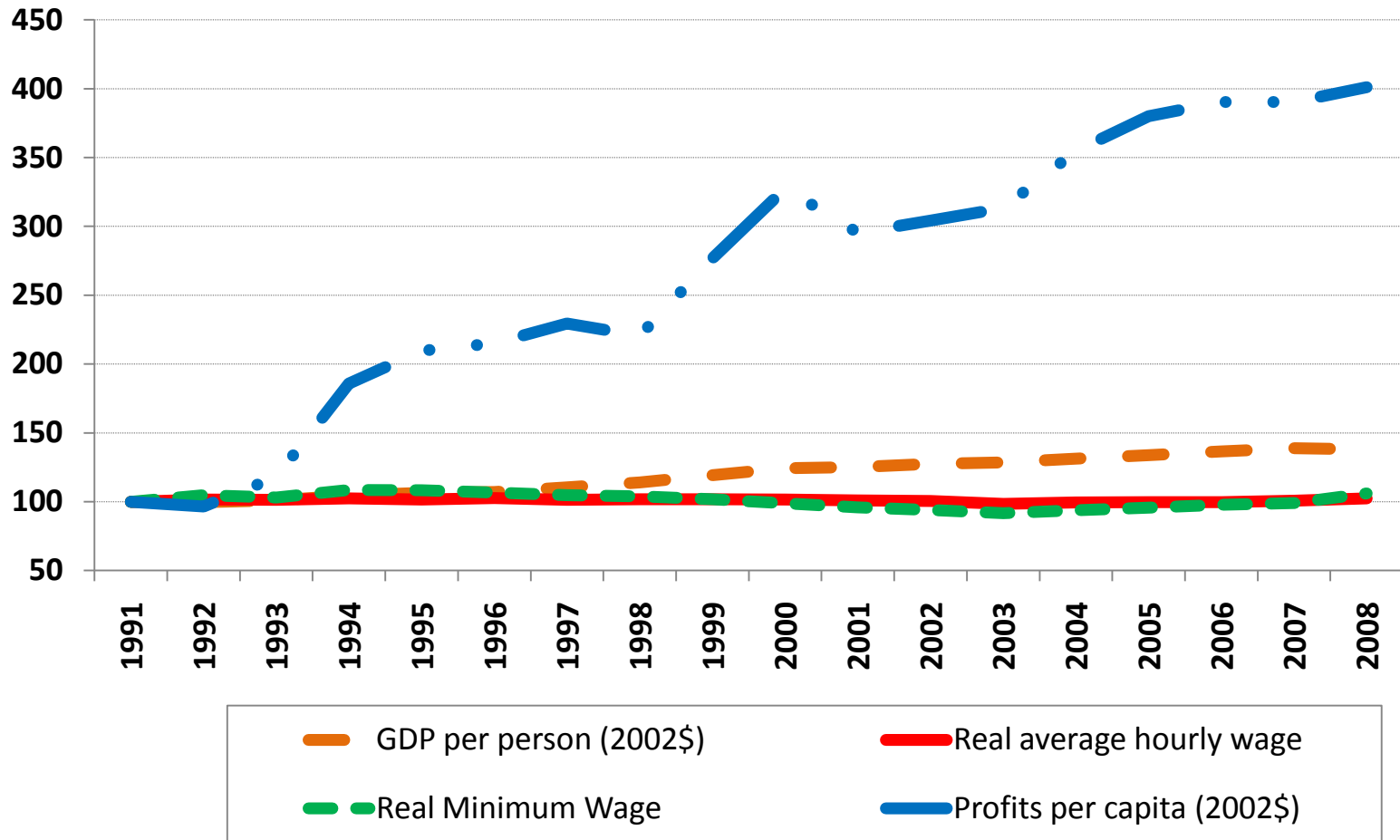
Canada's corporate tax rates slashed

Corporate income tax rates
Canada and US federal and prov/state

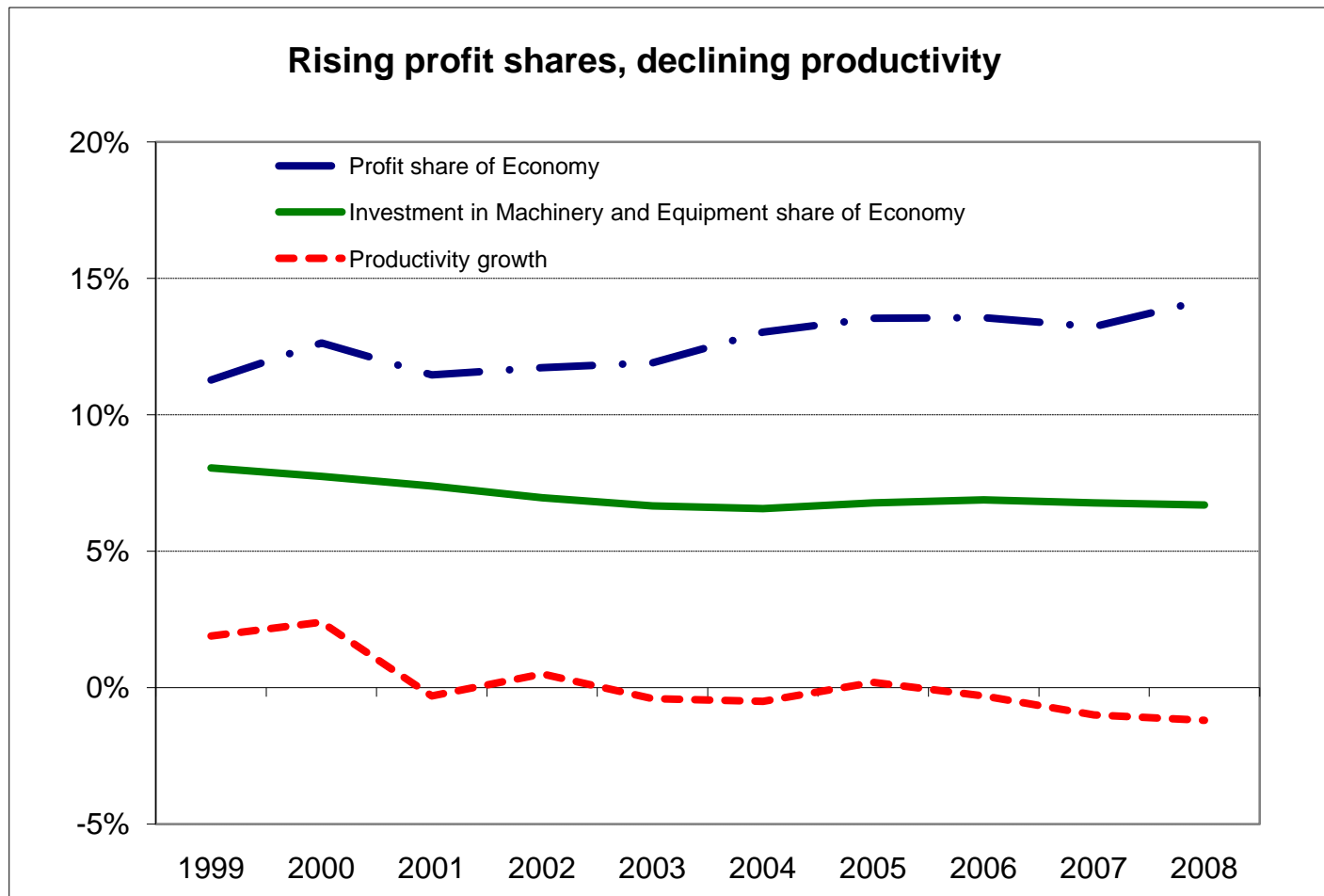


Who benefited from the boom?

Economic growth and wages since 1991=100



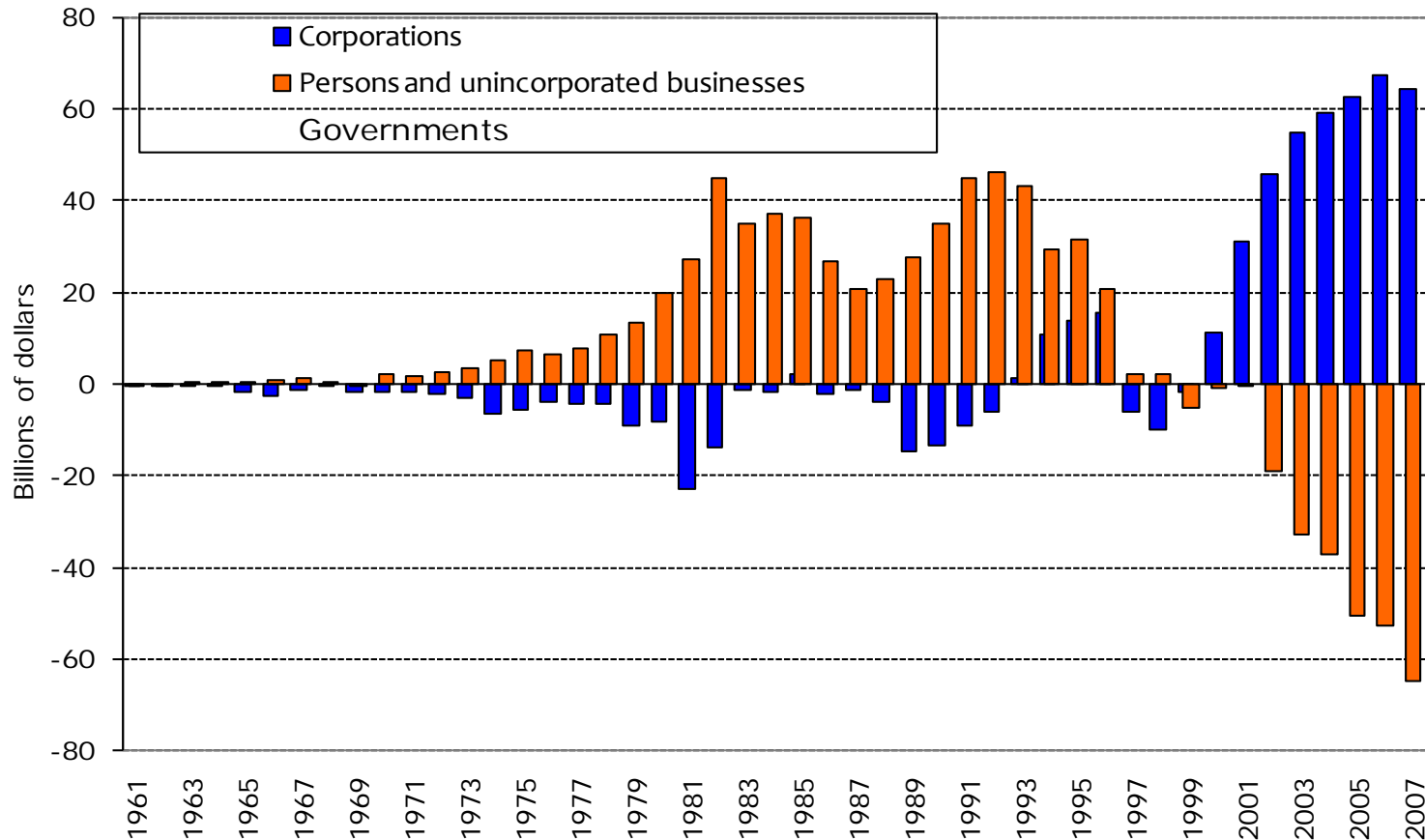
Corporate profits take record share but not investing in economy



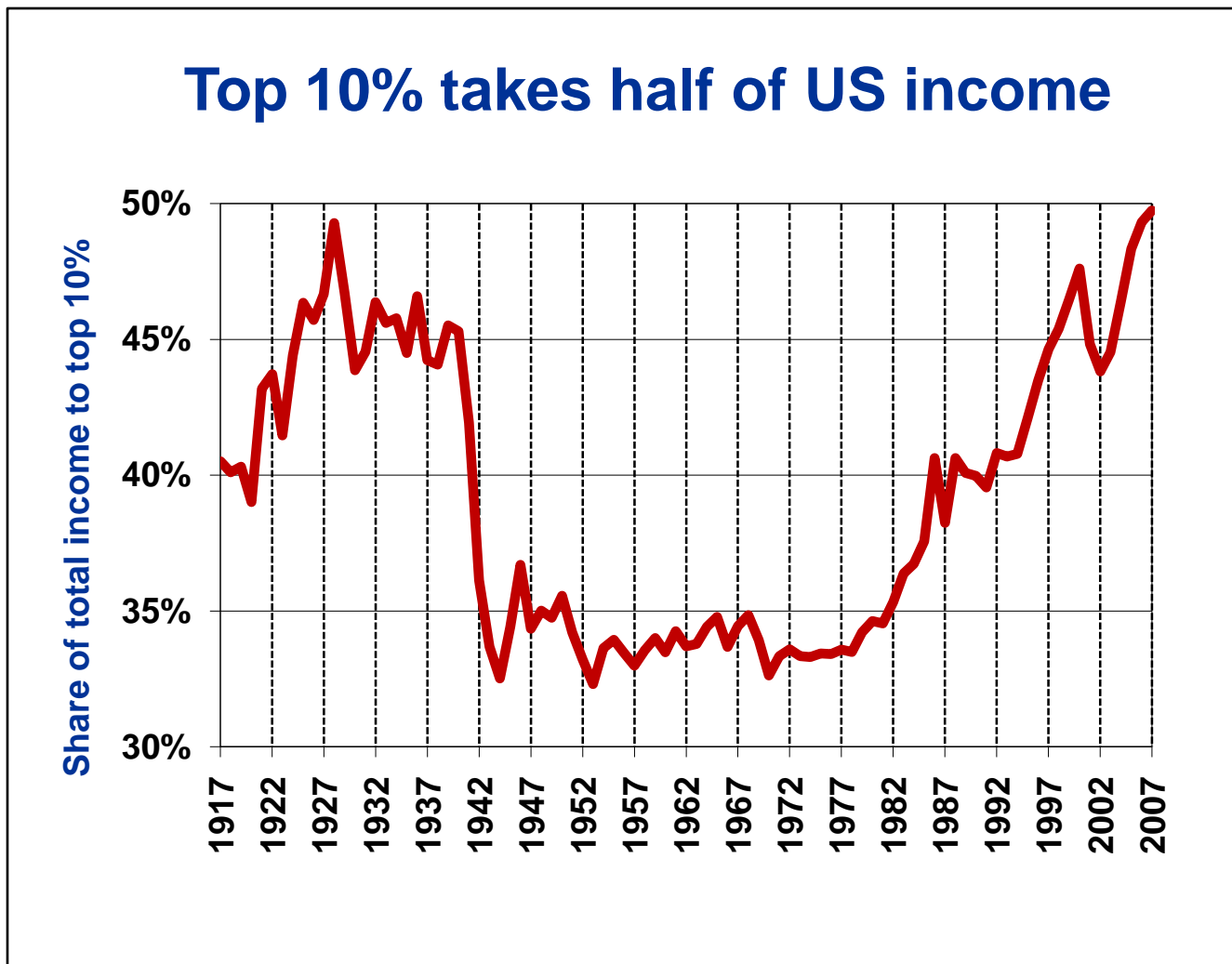
Record household deficits—and corporate surpluses



Record Household Deficits -- and Corporate Surpluses



Growing inequality, spoils to the richest





Economic crisis caused by finance, not workers

“I made a mistake... I found a flaw in the model... that defines how the world works.”

Alan Greenspan, former head of U.S. Federal Reserve 23 October 2008

“We are facing a systemic failure. This global crisis ...was created 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

Financial crisis was caused by “people over-leveraging” and “over- deregulation”

Stephen Harper, Bloomberg News 28 September 2008



Cuts to wages won't help

- *“The recipe has to be trickle-up economics...cuts in the corporate tax rate can't help much...”*
 - Avery Shenfeld, CIBC economist, 23 January 2009
- *“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 2009



Federal and provincial budgets

With:

- Households spending but at record debt levels...
- Corporations with record surpluses, but not investing...

They:

- Freeze public sector salaries
- Increase sales taxes (HST)
- Cut corporate and business taxes even further
- No new stimulus
- Plan to sell off public assets and privatize

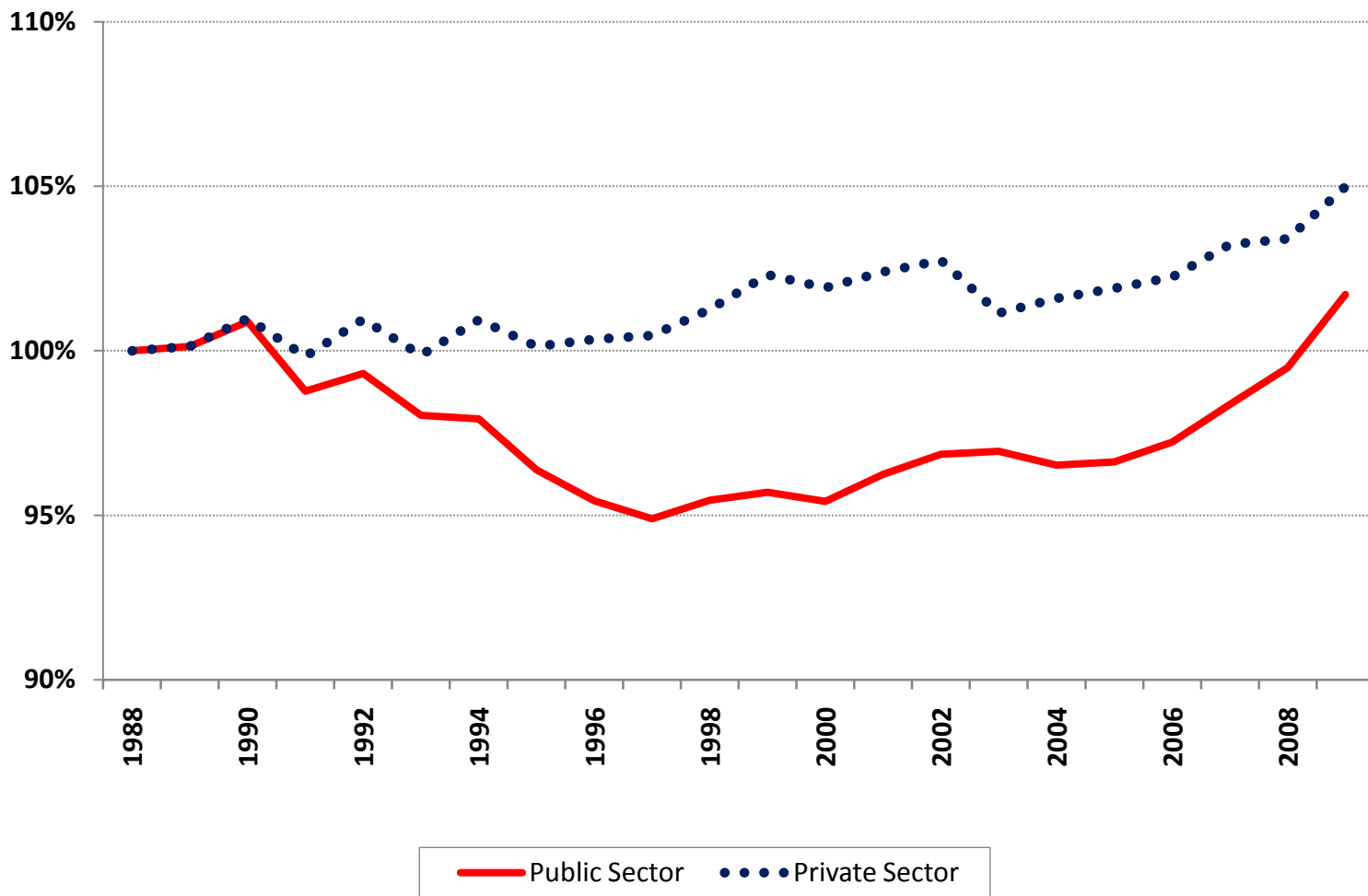


Wage squeeze for federal and provincial workers across Canada

- Federal:** Legislated wage increases, freeze departmental spending.
- BC:** Two year freeze bargaining mandate; net zero increase in overall wages.
- Manitoba:** Two year wage freeze public employees.
- Ontario:** Two year wage freeze.
- Quebec:** Offering 7% over five-years.
- NB** Policy for two-year wage freeze.

Public sector wages only just recovered

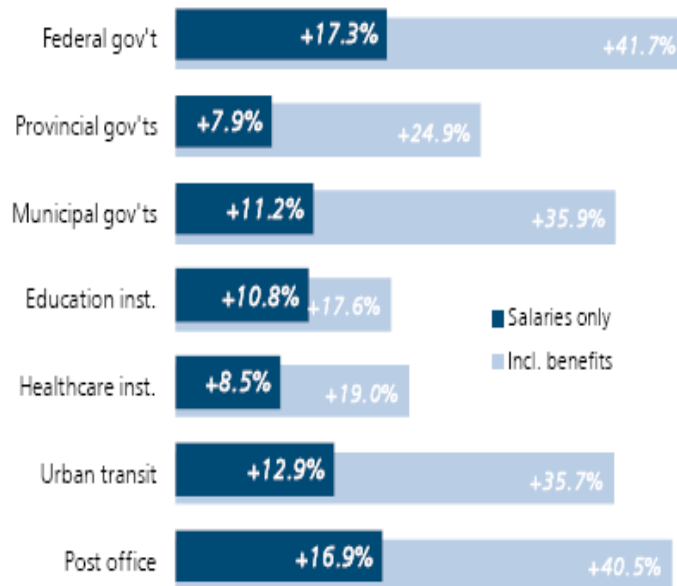
Public and Private Sector Real Wages
Major Agreements, Adjusted for Inflation 1988 = 100%



CFIB attacking public sector—again

Figure 1:

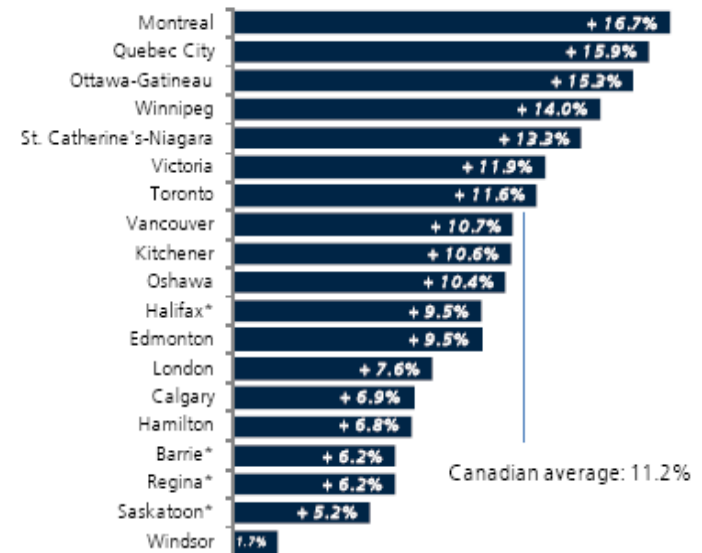
Wage and salary advantages of public sector over private sector occupations



Source: CFIB analysis of Census 2006 custom tabulation

Figure 7:

Municipal government wage advantages, by city
(% above comparable private sector wages)

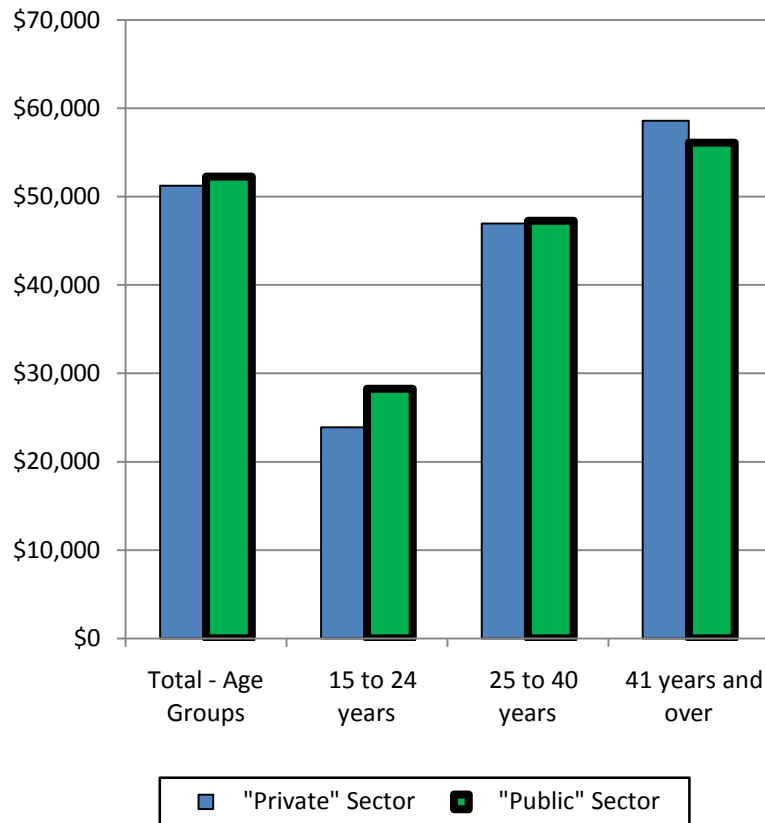


*Only 5-10 comparable occupations

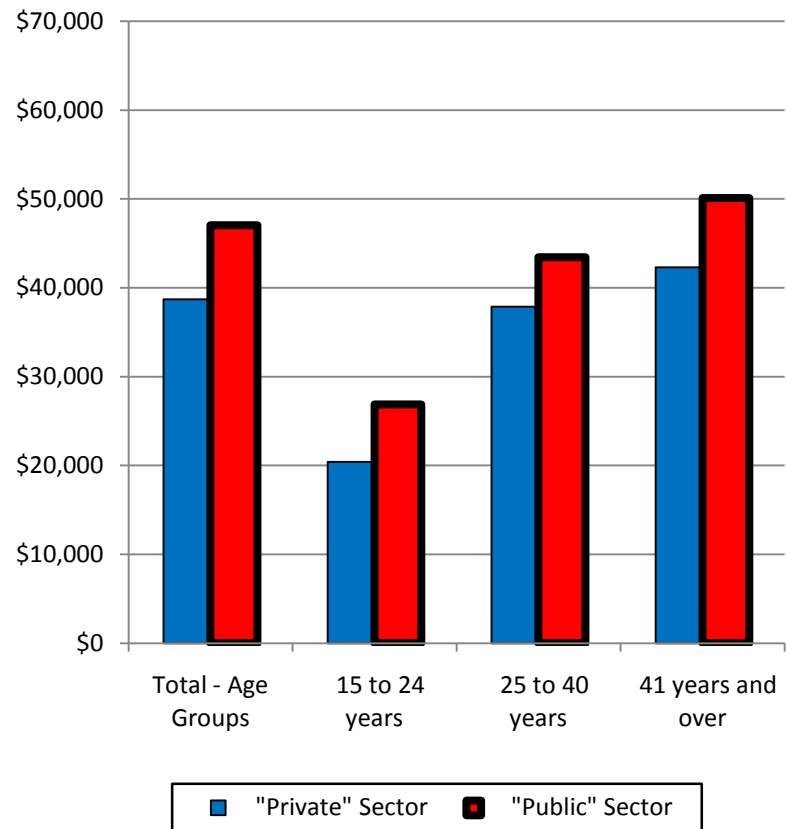
Source: CFIB analysis of Census 2006 custom tabulation

Reality is average wages are comparable wage “advantages” from pay equity, experience

**Average Wage and Salary
2006 Census Data, all Occupations
Men and Women FT/FY Workers**



**Average Wage and Salary
2006 Census Data, all Occupations
Women FT/FY Workers**





Corporate taxes: further cuts and revenue losses paid, partly for, by public sector wage freezes

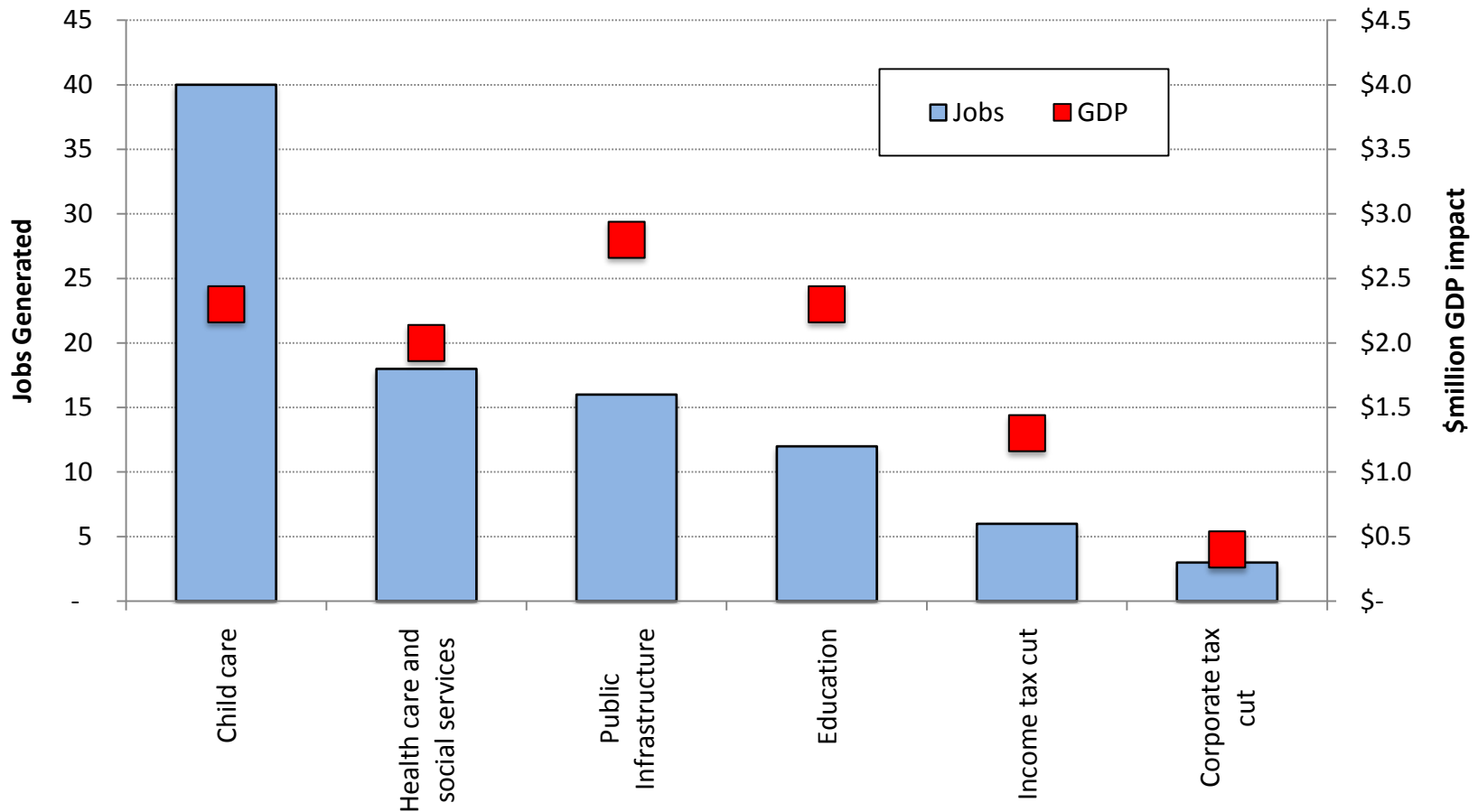
	Federal	Federal	Ontario	Ontario
	Rate	Loss (billions)	Rate	Loss (billions)
2009	19%		14%	
2010	18%	-\$0.6 b	12%	-\$1 b
2011	16.5%	-\$2.8 b	11.5%	-\$1.5 b
2012	15%	-\$5.2 b	11%	-\$1.9 b
2013	15%	-\$5.8 b	10%	-\$2.6 b

Meanwhile....

- Department spending freeze to save Ottawa \$1.8 billion a year

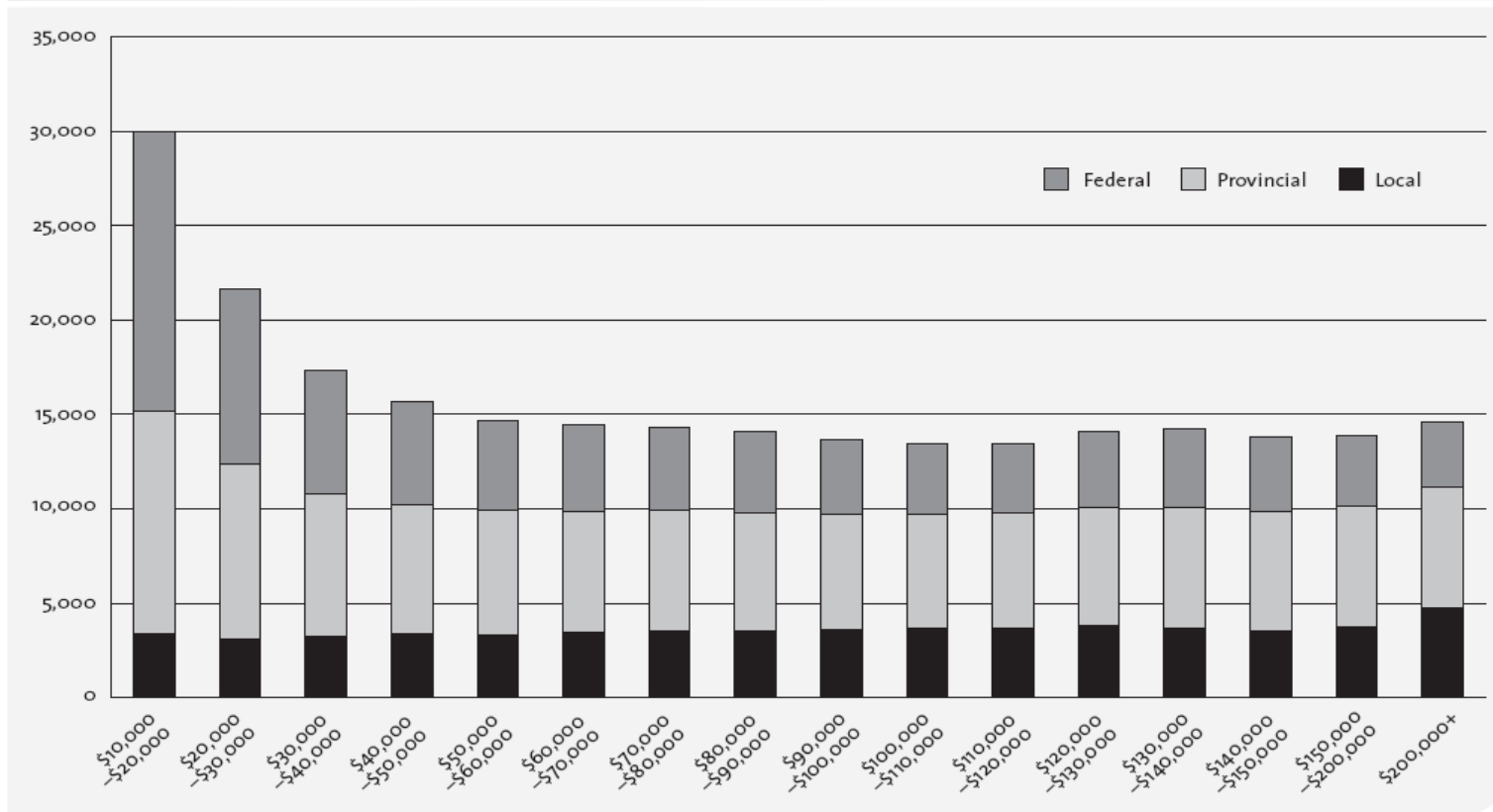
Public spending strongest economic impact?

Public Investment Yields Strongest Economic Impact (per \$1 Million invested or spent)



All Canadians, especially lower income, lose out from cuts to public spending

CHART 5 Per capita benefit from public spending by household income
Canada, 2006, by level of government



Canada's Quiet Bargain, Canadian Centre for Policy Alternatives, 2009

Thank you!

For more information:

CUPE *Economic Climate for Bargaining, TableTalk*

<http://cupe.ca/economics>

Progressive Economics Forum blog:

<http://www.progressive-economics.ca/relentless/>