Let's talk about the economy

your community

How can your community be even better?

How many public sector workers live and work in your community?

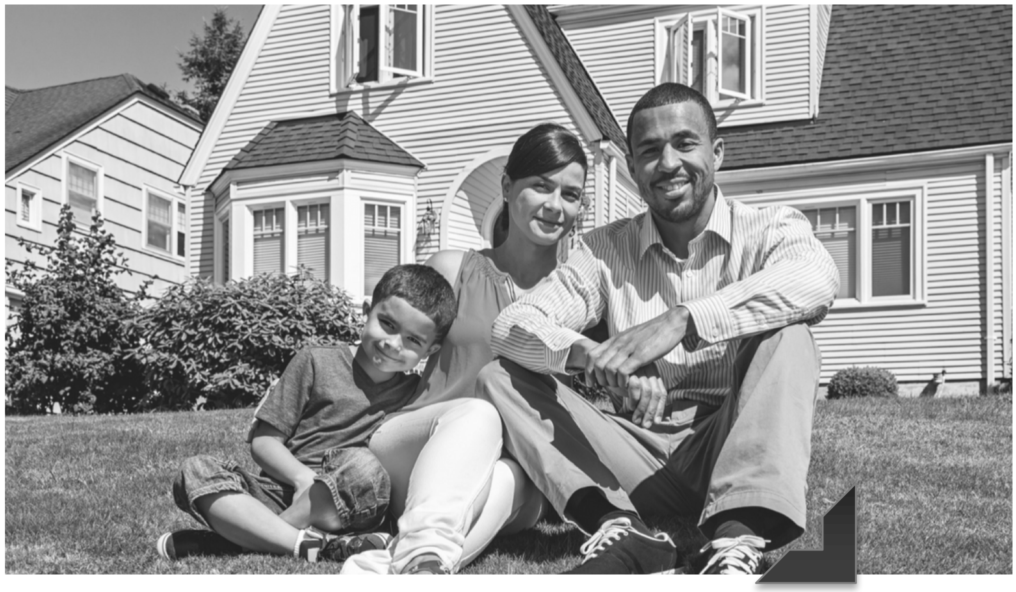
How many public sector workers are about to retire in your community?

How are you encouraging young workers and families to live in your community?

As the middle class shrinks and the income gap widens, how will this affect municipal tax revenues?

What is the living wage required for someone in your community to pay the necessities of life?

What needs to happen to ensure a more equal society?



How will wage losses affect your municipality?

Nova Scotian workers – including nurses, school board workers, long-term care workers, education assistants and others – have been waiting years for a decent pay increase. Better wages are necessary to get the economy growing.

The McNeil Government is imposing a two-year wage freeze on public sector workers, followed by maximum wage increases in year three and four that are below inflation.

These attacks on public sector workers are unfair and likely unconstitutional. This means ***real wage losses*** projected as 5.5% in four years, as the rising cost of living outpaces wage gains.

They'll also do serious damage to the economy. Suppressing public sector wages will eventually drive down private sector wages.

Households have maintained consumer spending by increasing their debt to record levels and leveraging equity in their homes as house prices have escalated. This has been affordable with low interest rates, but won't be sustainable as interest rates rise and real estate prices plateau or decline.

Labour compensation and household spending are responsible for well over half of our country's national income and spending and for more than 60 per cent of our economic growth since 2009. If labour compensation and consumer spending don't increase at a decent and sustainable pace, then our economy won't grow at a decent pace either. ◆

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Swedish secrets to a strong economy

It may be at odds with conventional economic views, but Sweden is showing that strong unions and greater equality are the recipe for strong economic growth. Sweden's economy has grown an average of 3.5 per cent annually since the Social Democratic Party formed government in 2014 – well above Canada and other European countries. This has been associated with strong job growth, rising real wages, rising productivity, low inflation, high tax rates, increased social spending, and balanced budgets.

Sweden's finance minister Magdalena Andersson, an economist, sums up their success in three points: "It's the jobs, it's our welfare and it's our redistribution," she says. Sweden also has the highest rate of labour force participation in the European Union thanks to publicly-funded parental leave and affordable daycare, which make it easier for all parents to work. ◆

Living Wages

"Imagine an Antigonish where fire departments have all the volunteers that they need, people move home from out west because they can get a good paying job here, families are reunited."

"This would be ideal; however, this cannot happen without income security and appropriate social policies. A living wage is one component of achieving this vision. For example, a living wage would allow people to seek out jobs in the area, stimulating the economy and strengthening social capital. People would be able to take time to volunteer as they would not need to work an extra job just to put food on the table. The economy would be stimulated and grow and businesses would prosper."

An excerpt from the CCPA-NS report Working for a Living, Not Living for Work – The Halifax and Antigonish Living Wages for 2016.

Public sector wages not on pace with inflation

Governments in Nova Scotia, Newfoundland and Labrador, Manitoba, and Saskatchewan are now either imposing or pushing wage freezes and/or cuts on public sector workers in their provinces.

Over the past seven years, base wage increases in collective agreements for public sector workers across Canada averaged just 1.4% year, while consumer price inflation increased by an average of 1.7% annually. Nationally, this adds up to a real wage decline of more than 2% since 2009.

In Nova Scotia, the loss of wages and retirement income is distressing.

Here is the economic impact of one year of a four-year collective agreement imposed on public sector workers by the Liberal government.

$322 million lower GDP in the fourth year
Equal to almost 0.7% (almost a full percentage point lower GDP)

1,500 non-government jobs lost in the fourth year
Mostly private sector jobs lost from indirect and induced impacts of lower spending by public sector workers. This could increase the number of unemployed workers by about 3%.

These are based on the general multipliers for Nova Scotia for spending in government health services, government education services and other provincial government services. Government health and education services have some of the highest multipliers of all sectors. ◆

Assumes public sector wage bill of $5.5 billion.

Calculated using the 2010 Statistics Canada input-output multipliers for Nova Scotia.

Statistics Canada's 2017 input-output multipliers not available at this time.

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A tale of two budgets: Alberta and Saskatchewan

There is no better example of budgets being about political choices than a comparison of the Alberta and Saskatchewan budgets.

Alberta's budget invested in infrastructure and public services while Saskatchewan went with cuts and tax hikes for everyone except corporations (who got a tax break).

Alberta's reliance on revenue from oil and gas has had a 'boom and bust' effect on government revenue for decades. When oil and gas prices were high, the province racked up huge surpluses, and when prices dropped, deficits appeared. During the 44-year reign of the Alberta Conservatives, the approach to low resource prices was to slash public services and raise user fees and taxes. The Ralph Klein government cut public sector wages by five per cent, laid off public sector workers and privatized public work, and cut funding to health care and education. Health care premiums were hiked, alcohol taxes raised, and Albertans faced a wide range of new user fees.

Following the 2015 collapse of oil prices, conservatives of all stripes are again calling for cuts to public sector wages, reduced spending, and slashing the programs people depend on.

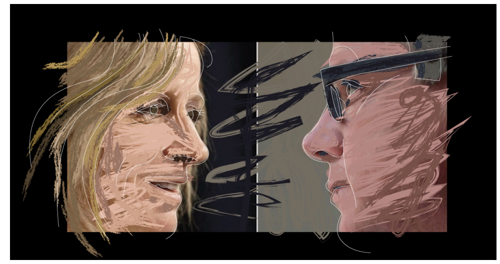
But in three budgets since forming office, the Alberta NDP has taken the opposite approach, holding the line on spending, and protecting public sector workers from cuts. The NDP increased infrastructure funding – spending on the construction of schools, hospitals, roads and other assets. Spending was largely cut in the last decade of rapid growth in Alberta, and Alberta Premier Rachel Notley argues the province has a lot of catching up to do.

Notley and the NDP argue that following the route of the Wildrose and Conservative opposition would lead to thousands more unemployed Albertans, lower levels of public services, harm to the most vulnerable citizens, longer hospital wait times, and more crowded schools.

The 2017 budget from Saskatchewan backs up Notley's claims.

Saskatchewan Premier Brad Wall has gone in the opposite direction from Alberta, choosing to cut deeply with a harsh austerity budget. The Wall government increased the provincial sales tax from five to six per cent and widened the number of things the tax is charged on to include food and children's clothing. Municipal grants have been slashed (meaning more cuts to come), and a rural bus service in place for decades has been shut down. Education and health care have seen reductions in their budgets, meaning longer wait times and more crowded hospitals. Fees for long-term care have increased, farmers now pay more for fuel, and alcohol taxes are going way up.

"We're maintaining a steady hand because we believe that keeping money in the economy is the way to ensure that we come out of the recession faster. And, we think our plan is the more measured approach," Premier Notley told Postmedia news.



And the Alberta plan is working.

While Saskatchewan suffers massive cuts and tax hikes, Alberta is seeing an economic turnaround that is getting attention. Alberta is projected to lead the country in economic growth in 2017 and 2018, while Saskatchewan lags.

Jobs numbers have increased in Alberta for each of the last six months, with tens of thousands of part-time jobs being replaced by good paying, full-time employment.
The TD Bank has credited the Notley government for the turnaround, saying the stimulus spending by the province has led to a quicker turnaround.

Both Alberta and Saskatchewan are reliant upon energy resources. In both cases, Conservative governments failed to save during good times and argued for austerity measures in bad times.

In Alberta, services and the people who deliver them are protected. In Saskatchewan, public services are crumbling and public employees are filing for Employment Insurance.

Budgets are about political choices, Alberta is growing their economy by choosing to support public services and invest in infrastructure.

Saskatchewan went with cuts to services and tax hikes for everyone except corporations; they didn't have to inflict so much pain on the people of Saskatchewan by cutting public services, and giving corporations a big tax break – they chose to. ◆

False fiscal crises undermine the public sector

The deficit made me do it. It's becoming a distressingly predictable excuse. A new (or old) government suddenly finds a larger-than-anticipated deficit, claims it's facing a fiscal crisis and uses this as cover to freeze or slash wages, demand concessions and two-tier contracts, lay off workers, cut public services and privatize.

We've seen this show many times across the country, with devastating consequences. Wage freezes, layoffs and public spending cuts don't just hurt workers and people who rely on public services – they also slow down economic and income growth, which squeezes government revenues. Economic models show cuts to public spending are worse for the economy and jobs than tax increases.

In almost all cases where governments claim they're in a fiscal crisis, they don't have a spending problem, they have a revenue shortfall. Over time, these governments could balance their budgets by allowing the economy to grow, and reversing tax cuts so revenues return to the same share of the economy they'd been before the cuts. Raising revenues can be done with a few fair tax measures, including closing tax loopholes and increasing taxes on corporations and top income earners.

For example:

In Saskatchewan, Premier Brad Wall is threatening deep cuts and wage rollbacks to deal with the province's estimated $1 billion deficit. However, if he just restored Saskatchewan's revenues to the same share of the economy they'd averaged over the past decade, the province would have an extra $1.5 billion: more than enough to eliminate the deficit.

Manitoba's Premier, Brian Pallister, claims the province's spending is unsustainable in light of a $1 billion deficit this year. He's already enacted deep cuts, laying off hundreds of public sector workers, and threatening to roll back wages. But if he just increased revenues to the same 24.1 per cent share of the economy they'd averaged over the past ten years, the province would have an extra $1 billion in revenues: enough to balance the budget. ◆

Ensuring equality in growing sectors of the economy

The caring professions and other female-dominated areas of the economy are projected to create the most jobs in Canada over the next decade. With the future of jobs increasingly female, we need to focus on raising wages and creating good jobs in these sectors to improve the quality of jobs for everyone.

Thirty per cent of the new jobs projected to be created in the next seven years are expected to be in health care and social assistance, where the workforce is now 83 per cent female.

The second-largest share of jobs (8.3 per cent of the total) will be created in the retail sector, where the workforce is 54 per cent female. The male-dominated construction industry will create 7.7 per cent of new jobs. Close behind construction are new jobs in education, accommodation and food services, where the workforce is also predominantly female. The share of jobs in primary, resource and manufacturing industries, all male-dominated, is expected to keep shrinking.

Just under 48 per cent of Canada's workforce is now female. But more than 54 per cent of new jobs created by 2024 will be in female-dominated sectors, if current gender ratios by industry don't change. Jobs in female-dominated sectors tend to be lower paid and more precarious than in male-dominated occupations.

There's been an ongoing push to get more women into traditionally male, higher-paid occupations. These include jobs in science, engineering, technology and trades, as well as management positions. But this positive objective has had limited success. Gender equality in these occupations has largely stalled in the past 20 years. Some of the most gendered industries have become even more so.

So yes, let's get more women to work in traditionally male-dominated occupations. But let's also get more men working in traditionally-female occupations, especially those in the growing "care economy." That's where a growing number of future jobs will be. By improving gender equality, wages and working conditions in these occupations, we'll be building a more equal workforce, and more equitable society. ◆

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