



# Backgrounder

## Good Jobs for a Strong Economy

August 2018



The combination of income inequality and the hands-off approach that recent governments have taken on the economy threatens to leave us trapped in a vicious cycle. As we shall see, income inequality was an underlying cause of the 2008 recession and continues to hold back our economic recovery. At the same time, the belief that governments don't have a positive role to play in the economy is contributing to the loss of good jobs, which is a factor in the hollowing out of the middle class.

Adding to the problems are the changes required to reduce the impact of climate change and the impact new technology will have on many jobs.

Income inequality is neither natural nor inevitable. The increase in income inequality over the last 30 years is a result of policy choices by governments. The proposals we put forward are intended to reverse that trend.

### **Other countries are taking a different approach**

In many of the world's most successful economies, governments recognize they have a role to play in building a strong economy. Governments have the ability to bring together labour, business, and academia to look at what's needed to meet our long-term needs. And governments have the ability to build the partnerships needed to deal with the challenges we face.

That's the approach Canadian governments have taken in the past. And it's the approach our governments have to take again if we don't want to see more and more people left behind.

### **Economic strategies played key role in building Canada**

It is ironic in light of our recent history, but governments using strategies to build the economy is nothing new in Canada. It started with the National Policy of our first government.

The best-known example of governments using an economic strategy followed the devastation of the Great Depression and World War II. At that time, the Canadian government knew it needed to act to get the economy moving. Like many other governments around the world, the Canadian government realized that it had to build a fairer society, with a strong economy, to avoid a repeat of the horrors that the world had just seen.

While never perfect, the post-war boom saw the growth of well-paying and secure jobs, and with them a middle class. In addition, vital infrastructure was built and important social programs were created and implemented.

Yet not every government in Canada's history has used economic strategies. But it's worth noting that the most notorious example of governments taking a hands-off approach to the economy was in the decade and a half following World War I and is associated with a dramatic rise in income inequality followed by the Great Depression.

### **Why did governments stop using economic strategies?**

In the late 1970s, a new economic mantra began to take hold. Many wealthy individuals, along with the politicians and think tanks they funded, argued that there was too much government intervention in the economy, and that workers and their unions had too much power. Wages and benefits were supposedly making businesses unprofitable. It was also claimed that social programs made people unwilling to work. This was a period where governments started to take a hands-off approach to the economy.

Tax cuts, deregulation, and privatization became the dominant social policy tools. Governments signed trade agreements that protected wealthy investors, but not labour rights or the environment.

### **Yet governments intervene to help the wealthy**

Adding to the suspicion that the hands-off approach of governments was more about helping the rich get richer than building a strong economy were the occasions when governments were willing to make exceptions.

Governments that told low- and middle-income Canadians that they needed to stand on their own two feet were there with handouts when the well-heeled needed help. Despite government claims otherwise, there was a massive bank bailout following the 2008–2010 financial crisis. This bailout, the most costly in Canadian history, was the \$114 billion in support provided to major banks during the crisis. .

Nor were the wealthy required to make the kind of sacrifices low- and middle-income Canadians were required to make. At the same time that the Canadian public was providing the banks with \$114 billion in support, the CEOs of the largest banks were among the highest paid in the country, with compensation ranging from \$9.9 million to \$13.7 million.

Governments also didn't hesitate to intervene to make it harder for workers to protect their incomes. Between 1982 and 2017, federal and provincial governments passed 224 pieces of legislation that placed restrictions on workers' rights.

### **Most Canadians in danger of being left behind**

According to the 2016 Statistics Canada Survey of Financial Security, the richest 20% of Canadians hold 67.3% of the wealth. The poorest 60% of Canadians hold only 11.43% of the wealth.

If the government doesn't change course that gap will increase. More and more people are forced into precarious work because permanent full-time jobs are being replaced by temporary, part-time or contract positions. Years of cuts have weakened the social programs that are supposed to provide a safety net. Families are increasingly struggling to survive.

### **Income inequality bad for economy**

Allowing income inequality to increase is more than just unjust. It's a threat to the entire economy. Research from organizations like the International Monetary Fund (IMF) and OECD has shown that higher levels of income inequality harm economic growth.

### **Danger of delaying action on climate change**

The need to reduce the impact of climate change means a *green economy* with far lower greenhouse gas emissions is inevitable. As the disruption caused by climate change grows, even those politicians who are still trying to pretend climate change isn't a problem will be forced to act to reduce the emissions that are causing climate change.

The question is whether that transition occurs in a way that minimizes the impact on the economy and workers. But that will not be possible without an economic strategy.

### **Responding to technological development**

New technology is dramatically changing work and even what jobs exist. A job like truck driver, which currently employs thousands of people across Canada, could completely disappear.

If decisions around how new technology is introduced are left to market forces, low- and middle-income Canadians will suffer. People will see their jobs vanish with no obvious alternative. And if those jobs aren't replaced, the job losses will have a ripple effect as people have less money to spend and the tax revenues needed to support public services drop.

### **5 guiding principles for an economic strategy**

As our own history teaches us, there is an alternative to doing nothing and hoping for the best. Using Canada-wide economic strategies gives us some control over how our economy works and who it works for. We can look for ways to reduce the impact that the transition to a green economy or technological change will have.

An economic strategy should provide a framework for decisions about the economy rather than be a detailed blueprint. While the policies that make up an economic strategy will vary, there are some basic principles that need to be in place for an economic strategy to be effective.

The principles below provide a framework for an economic strategy that will strengthen our economy and reduce income inequality. These principles will also help us make the transition to a green economy.

1. Recognize the role of government
2. Form partnerships that include government, business, labour, academic institutions and the public
3. Reduce income inequality
4. Address long-term needs
5. Look at what we consume, not just what we produce, to ensure measures to build a green economy are effective

### **Recognize the role of government**

In successful economies, governments play a central role. Only strong and well-funded governments can bring together labour, business, academic institutions and other groups to create the kind of partnerships needed for a successful economy. Only governments can provide the quality public services and infrastructure successful economies need. And only governments can provide the rules and the enforcement needed to ensure corporations act in a socially responsible manner.

### **Partnership of government, business, labour, academic institutions and the public**

For an economic strategy to meet the needs of the country as a whole, everyone needs to be at the table. That includes all levels of government, business, labour and academic institutions. Groups representing people who have traditionally been marginalized, or people who are addressing issues like the environment also need to be part of the process.

### **Reduce income inequality**

Income inequality is bad for the economy and bad for society. An integral part of any economic strategy must be reducing income inequality by creating good jobs and putting people and the environment at the heart of the economy.

### **Address long-term needs**

As governments repealed laws and regulations governing corporations and investors, there was an increasing focus on short-term profit taking. Corporate executives and investment fund managers, whose incomes were closely tied to share prices, made decisions based on what would temporarily inflate shares rather than on the long-term health of the business.

Short-term thinking has also made it harder to build the economy in ways that minimize the impact on the environment.

With the challenges we face, short-term profit taking is an extravagance we can't afford. An economic strategy provides an opportunity to ensure decisions about the economy serve Canada's long-term needs.

### **A green economy means looking at what's consumed in Canada, not just what's produced here**

To reduce emissions causing climate change, we have to look at the emissions from all goods and services consumed in Canada, regardless of where they are produced. If we only look at emissions from goods and services produced in Canada, there is a danger that measures to deal with climate change may end up just shifting emissions to other countries.

What has happened with manufacturing provides a good example of the problem. When manufacturing goes elsewhere, the greenhouse gas emissions produced within a specific country may drop. But unless that country is no longer consuming that product, the same quantity of goods will still be produced. For that reason, the offshoring of manufacturing won't produce a drop in global greenhouse gas emissions. In fact, emissions from transporting goods can actually result in an increase in emissions of greenhouse gases. So can moving production from a place with relatively clean power sources like hydroelectricity to a place where coal is used.

These aren't reasons to avoid taking action to deal with climate change. Instead, these complications mean that we need to ensure that the action we take reduces greenhouse gas emissions and is not simply shifting production and emissions elsewhere. That includes making sure provisions in trade agreements allow us to impose penalties when countries use lower environmental standards to compete unfairly.

### **Hands-off approach has failed**

The hands-off approach to the economy has failed all but a select few Canadians. Our manufacturing sector has been devastated. High-quality jobs have disappeared. Investment in research and development is embarrassingly low. Canada has a poor

record on innovation. An increasing portion of our economy is in the hands of foreign-owned multinationals. Only token measures are taken to reduce the impact of climate change.

We are in danger of drifting back to where Canada was in the 1800s—a country whose economy was dependent on exporting raw materials to be processed elsewhere. There is also a growing danger that we will be unable to respond to problems like climate change and job losses due to new technology in a way that minimizes the disruption for Canadians.

### **People looking for an alternative**

In Canada there is a growing awareness that the economic policies of successive governments over the last 4 decades have left too many people behind. People are looking for alternatives. That means that a growing number of people are willing to look at what an economic strategy could do for Canada.

An economic strategy that includes everyone is our best chance to build a strong, sustainable economy that creates wealth and distributes it fairly, and puts the interests of people and the environment first. The challenge now is to make that a reality.

Sources available on request.  
Email [national@nupge.ca](mailto:national@nupge.ca).



## NATIONAL UNION OF PUBLIC AND GENERAL EMPLOYEES

- B. C. Government and Service Employees' Union (BCGEU)
- Health Sciences Association of British Columbia (HSABC)
- Health Sciences Association of Alberta (HSAA)
- Saskatchewan Government and General Employees' Union (SGEU)
- Manitoba Government and General Employees' Union (MGEU)
- Ontario Public Service Employees Union (OPSEU)
- Canadian Union of Brewery and General Workers (CUBGW)
- New Brunswick Union of Public and Private Employees (NBU)
- Nova Scotia Government and General Employees Union (NSGEU)
- PEI Union of Public Sector Employees (PEI UPSE)
- Newfoundland & Labrador Association of Public and Private Employees (NAPE)

The National Union of Public and General Employees is an affiliate of the Canadian Labour Congress and a member of Public Services International.

15 AURIGA DRIVE  
NEPEAN, ONTARIO  
CANADA / K2E 1B7

[613] 228-9800  
FAX [613] 228-9801

[www.nupge.ca](http://www.nupge.ca)

[national@nupge.ca](mailto:national@nupge.ca)

