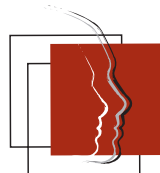


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Global Union Research Network



International Labour Office
Bureau International du Travail
Oficina Internacional del Trabajo



Canada and the Crisis

Andrew Jackson



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Editor: Kevin Skerrett

Layout: Harald Kröck

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June 2009¹

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First published 2009

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ILO Cataloguing in Publication Data

Jackson, Andrew

Canada and the crisis / Andrew Jackson ; International Labour Office ; Global Union Research Network (GURN). - Geneva: ILO, 2009
11 p. (GURN Information Brief. No.2)

ISBN: 9789221224235;
ISBN: 9789221224242 (web pdf)

International Labour Office

economic recession / promotion of employment / unemployment benefit / pension scheme / Canada

03.04.3

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Printed in Switzerland

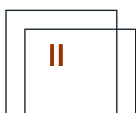
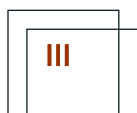


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INTRODUCTION

The rapid descent of the global economy into what even the International Monetary Fund has begun to call a Depression has seen slumping economic growth and rapidly rising unemployment in Canada, as around the world.

Between October 2007 and March 2008, the national unemployment rate jumped from 6.3% to 8.0%, and the OECD has forecast a rise to 10.8% by the end of 2010. As elsewhere, the job numbers hide people who have given up looking for work, and also count as employed those - mainly women - who want to work fulltime but can find only part-time jobs. If they are counted, the unemployment rate has already hit 12%. The crisis has also resulted in a rise in an already high level of part-time work, especially among young workers, women, and workers of colour (who now make up close to one-fifth of the workforce). There have been huge job losses due to plant closures in the manufacturing sector, as well as large job losses among construction workers. As well, we are starting to see large public services job cuts as governments try to limit the deficits resulting from the steep downturn.

CANADA BEFORE THE CRISIS

Well before the immediate crisis, Canada had been gripped by an acute manufacturing jobs crisis, the result of a seriously overvalued Canadian dollar compared to the U.S. dollar. Canada is very heavily dependent upon international trade, and over 80% of that trade is with the United States. The important auto and forestry industries were struggling well before the U.S. fell into recession. However, until recently, the economy as a whole - especially in Western Canada - was still supported by high prices for natural resources, especially minerals and energy products, which make up a large share of Canadian exports, as well as by a booming housing sector.

Canada entered the recession mainly as a result of close economic integration with the United States, meaning that the U.S. downturn has led to large falls in exports, especially of autos, energy products, minerals, and forest products which account for a very large share of the Canadian economy. Unlike the U.S. and many other countries, Canada has not experienced a severe financial crisis, mainly because the Canadian banks were better regulated and relatively less inclined to take big risks because of their protected position in the national market (something the right wing have tried but failed to dismantle). Like the United States, but to a lesser degree, Canada is now suffering from the collapse of a housing bubble. Exactly as in the United States, the stage was set for this crisis by two decades of stagnant real wages for the great majority of workers, and by rapidly increasing inequalities of income and wealth. Growth was led by exports of relatively unprocessed resources-producing good jobs for relatively small numbers of workers, and by rapidly rising household debt which fuelled an ultimately unsustainable growth of household consumption. As in the United States, public services have been generally shrinking as a result of cuts, and job

growth has been tilted to lower wage and generally insecure jobs in private service industries.

One result in Canada of rapid Asian industrialization, combined with competitive pressures from the U.S., was downward pressures on wages and rising inequality. Between 1992 and 2004, the incomes of the top 1% of earners rose by 60% in real or inflationadjusted terms, while the median wage went up by only 9%. Household spending kept the economy growing, but this spending was driven by higher and higher levels of debt, averaging 130% of family income by the end of the boom, rather than higher wages driven by higher productivity, driven in turn by new investments in the real economy.

Adding to the pressures of global competition, neo-liberal governments in Canada consciously tried to make their labour markets more “flexible” by weakening the bargaining power of labour. Trade union rights came under attack. Once relatively insulated parts of the job market, such as public services and regulated industries like the airlines and trucking, were opened up to lower wage competition through privatization and deregulation. Minimum wages were not increased in line with inflation. Income support programs, such as unemployment insurance were scaled back, increasing the pressure on unemployed workers to take pay cuts when offered a new job. While the Canadian unemployment rate fell to low levels, the proportion of the workforce in the most insecure forms of employment remained steady at about one in five workers. (In 2007, 10% of men and 12% of women were in temporary jobs, and 12% of men and 8% of women were in the most insecure form of self-employment, so-called own account jobs which are often disguised jobs which offer no security and low pay.) The proportion of workers in low wage jobs (one-quarter of adult women and one in ten adult men) has remained virtually constant at a level second only to the U.S. in the advanced industrial world. High levels of precarious employment and low pay - especially for women and racialized workers - explain why poverty did not fall significantly in the supposed good times.

In late 2008, Canada entered a recession -more likely a Depression - not only with a higher proportion of precarious employed workers than in the 1980s, but also with much weaker private sector unions. The private sector unionization rate is now just under 20%, but is still well above 80% in public services. Minimum wages were raised in some provinces at the end of the expansion period, but remain well below the level of the 1980s when adjusted for inflation. Social assistance benefits were slashed deeply in the 1990s in two provinces, Ontario and Alberta, and have not been raised in line with inflation elsewhere. Social assistance benefits fall well below the poverty line for almost all family types in all provinces, and can usually only be accessed by exhausting almost all financial assets. And, unlike previous recessions, any increase in provincial social assistance caseloads will have to be paid for by provincial taxpayers, since federal shared cost-sharing was eliminated in 1994.

The Employment Insurance system, the first line of defence for workers losing their jobs, was “reformed” in the mid-1990s. Maximum benefits in 2009 are \$447

per week, down from more than \$600 per week in today's dollars before the cuts. The average benefit is much less, just over \$300 per week. Access to the system and the length of benefits vary on the basis of a complex grid based on the local area unemployment rate. Less than half of all unemployed workers - and just one-third of unemployed women - qualify for benefits. To get in, a worker has to have essentially worked six months at full-time hours in the recent past (the 910-hour hurdle which has to be jumped by new entrants to the workforce, such as youth, recent immigrants, and women returning to work after an extended leave), and as many as 710 hours in the period immediately before a claim. The entrance requirement disqualifies many precariously employed workers, including half of all part-timers. Once qualified, benefits last for as few as 19 weeks and as many as 50 weeks, with the maximum being generally applicable only to those who lost full-time, permanent jobs in a higher unemployment region.

Canada has, then, entered a period of high unemployment, with many more insecurely employed workers than in previous recessions, with a weakened labour movement, and with a significantly reduced social safety net. The prospect is for the economic crisis to lead to a rapid increase in poverty and widespread economic insecurity. The prospect is also for workers to be forced into intense competition for the jobs which continue to exist, putting much more intense downward pressures on wages and working conditions.

THE POLITICS OF THE CRISIS

As recently as November 2008, when an Economic Statement was released, the minority Conservative federal government denied that a crisis existed, and called for more corporate and personal tax cuts combined with balanced budgets - which would have set the stage for deep program cuts in the downturn. However, the scale and severity of the downturn led the normally deeply divided Opposition parties to demand action in terms of increased public investment and increased unemployment benefits. The centrist Liberal Party and the social democratic New Democratic Party agreed to form a coalition, supported by the Quebec party (the *Bloc Québécois*) on a platform which reflected many of the labour movement's priorities. Despite a strong mobilization of popular support for the coalition, led by the labour movement, a series of Parliamentary manoeuvres allowed the government to survive and bring down a January 2009 Budget.

While retaining elements of the government's right-wing agenda, such as wage limits for federal workers, what amounts to the elimination of pay equity for women, and personal and corporate income tax cuts, the Budget did very modestly improve unemployment benefits, increased spending on work-sharing, and worker training quite significantly, and also announced a two-year stimulus package of public investments, mainly in municipal infrastructure. The package falls well short of the 2% of GDP called for by the IMF, but did represent significant movement under strong political pressure, not just from labour, but also from many popular movements, and even elements of the business world.

LABOUR'S DEMANDS

The labour movement continues to demand much stronger action to deal with the crisis, and is currently organizing community demonstrations and lobbying politicians on three key issues: jobs, employment benefits, and pensions.

1. Save and Create Good Jobs

The CLC has called for the federal government to launch, in partnership with the provinces and cities, a major multi-year public investment program which would create jobs now, promote our environmental goals, and build new “green” industries for the future. A comprehensive plan would: cover roads, sewers, and basic municipal infrastructure; health and educational facilities; mass transit; passenger rail; affordable housing; energy conservation through building retrofits, and renewable energy.

Such a program could create many construction and technical jobs, and help support jobs in manufacturing. Government contract conditions could promote inclusion of women and workers of colour in good jobs.

The federal Budget did announce a temporary (two-year) enhanced urban infrastructure program, but this will be very hard for cashstrapped cities to access since they must (with the provinces) pay half of the cost. Instead, we should have ongoing, direct federal support to municipal infrastructure and environmental investments through revenue sharing with cities. And we must get rid of the current federal requirement to favour private sector ownership participation in major new public projects through so-called P3s which have led to long delays, higher costs, and privatization of core public services.

Federal government support for all infrastructure and environmental investments should be linked to “Made In Canada” procurement policies so goods and services inputs are purchased in Canada - just as President Obama’s stimulus package includes explicit “Buy America” requirements.

The federal government should also make investments in child care, home care, and long-term care for the elderly which would create new jobs, especially for women, while promoting our social goals.

The CLC also demands that the federal government should: invest directly in support of sector renewal strategies to save jobs and promote successful restructuring in hard hit industries, such as auto, forest, and fish products; should support investments to support cultural industries, environmental technology, renewable energy, and other promising industries of the future; promote fundamental changes to unbalanced trade deals to reverse our manufacturing trade deficit, and promote higher value-added processing of our resources. The Conservative answer to the crisis, however, continues to be across-the-board corporate tax cuts, which have simply failed to work.

2. Improve Employment Insurance (EI)

EI is a critically important program for Canadian workers, especially in tough times like we face today when unemployment is set to rise back above double digit levels. Laid off workers obviously need adequate benefits to support themselves and their families while they search for a new job. Unemployment benefits are spent on necessities, not saved or spent on imports. They are an effective form of economic stimulus and help maintain hard hit community economies.

Compared to when we hit previous recessions, our EI program leaves far too many Canadians, especially women and lower wage, insecure workers, out in the cold. In November 2008, just four in 10 unemployed workers qualified for benefits. The maximum weekly benefit of \$447 today is more than 25% less than in 1996, and the average benefit now is just \$335.

The Conservatives argue that 80% of all currently employed workers would qualify for EI if they were to lose their job. But this ignores the fact that job loss particularly affects those with unstable patterns of work, such as workers on reduced hours before a layoff, as well as mainly women and recent immigrant part-time, temporary, and contract workers. It also ignores the fact that many unemployed workers qualify for EI for a short period, but quickly exhaust their benefits.

The CLC has called for: a lower entrance requirement of 360 hours of work across the country so that more workers will qualify if they are laid off; longer benefits of up to 50 weeks so fewer unemployed workers exhaust a claim; higher weekly benefits based on the best 12 weeks of earnings before a layoff, and a replacement rate of 60% of insured earnings.

In the run-up to the Budget, many people - including editorial writers, business leaders, and provincial premiers—endorsed our call for major improvements to the EI system. But the government failed to listen.

The Budget did nothing at all about access to benefits. Many Workers - especially young workers, recent immigrants, and women returning to work - have to jump the 910-hour hurdle for new entrants to get in, about six months of full-time work. Seven hundred hours are still needed in many regions. And the Budget did not improve the level of weekly benefits.

The Budget did add an extra five weeks of eligibility to all claims, taking the minimum eligibility period from 14 to 19 weeks, and raising the maximum in a few very high unemployment regions (those with over 10% unemployment) to 50 weeks. But this is a temporary measure, which will take the average benefit period to about seven months, and will not apply to those who lose their jobs after September 2010. The extension will benefit some unemployed workers - the victims of the recession - but by just \$500 million per year in total. This is less than one-sixth of what will be spent by the federal government this year on home renovation grants.

The Minister has said that she does not want to pay unemployment benefits to workers to just sit around. This is an insult to the tens of thousands of who have lost their jobs through no fault of their own and are now desperately seeking new jobs or training opportunities. It ignores the fact that those who find training places will still need an income on which to live.

The EI program has accumulated a huge surplus of \$54 billion since the mid-1990s, the result of deep cuts in benefits paid to unemployed workers. That surplus could and should be used today to backstop and improve benefits. Rainy-day funds are, after all, supposed to be there for rainy days.

3. Protect Worker Pensions

Private pension plans and RRSPs invested heavily in the stock market and other financial markets have been hit very hard by this crisis, losing an average of about 25% in value over the past few months. This puts future economic security in retirement for Canadians very much in doubt, and underlines our long-standing argument for a much stronger pillar of public pensions. Yet, the government has done very little to date to respond to the pensions crisis. Public pensions remain secure, but replace only a modest share of previous earnings. We should phase-in a doubling of the Canada/Quebec Pension Plan (C/QPP), and immediately increase Old Age Security (OAS) benefits which go to all retirees. An increased OAS would help offset the hit to retirement savings of retirees and those who plan to retire soon, and reduce reliance on employer plans and RRSPs.

The CLC has called for a national pension insurance fund for Defined Benefit plans to ensure workers' pensions aren't collateral damage when employers go under, speculative bubbles burst, or when the finance industry sells defective investment products, such as asset-backed commercial paper. The U.S. has a national pension guarantee fund covering up to about \$50,000 of pension income, whereas in Canada, such a fund exists only in Ontario and covers only \$1,000 per month. A national fund would cover federal jurisdiction pension plans, and provinces would be encouraged to opt in.

Pension funds are supposed to provide a secure retirement income. Governments should regulate financial products to make sure that the risks are reasonable and clear to all investors, make sure that rating agencies are truly independent, prosecute in cases of fraud, and regulate pension fund investments in hedge funds, highly leveraged private equity firms, and risky financial derivatives, such as credit default swaps.

Pension funds should be regulated for solvency to secure promised pension benefits. The CLC is not opposed to temporary solvency funding relief for employers in serious financial trouble, on a case-by-case basis. Applications for solvency funding relief must be approved by the workplace bargaining agent (the union), or a majority of pension beneficiaries (in a non-union workplace). We do not support permanent, across-the-board relief.

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