

## POLICY 911

### THE EMPLOYMENT CRISIS - A union response

#### ***Wealth, Scarcity and Anxiety***

Canadians live in the richest country in the world. Each year we find ourselves at the top of the United Nations listing that indicates which countries have the highest standard of living.

The supermarkets overflow with food. The clothing stores bulge with garments of every possible type. Cars and appliances crowd the showrooms. The shelves offer a consumer paradise of Nintendo games and Pop Tarts. New technologies have given us the ability to produce more than enough -- indeed, *far* more than enough -- to meet everyone's needs.

Yet Canadians have somehow become convinced that we are living in the midst of scarcity. That there just isn't enough to go round. Food banks that didn't even exist fifteen years ago are begging for help in feeding the poor.

#### **"Taxpayers"**

How many times have we heard it? The "taxpayers' revolt." Tax Freedom Day. There's even something out there called the Canadian Taxpayers Federation, an outfit that resembles a pyramid sales scam, employing commission sales reps to recruit people.

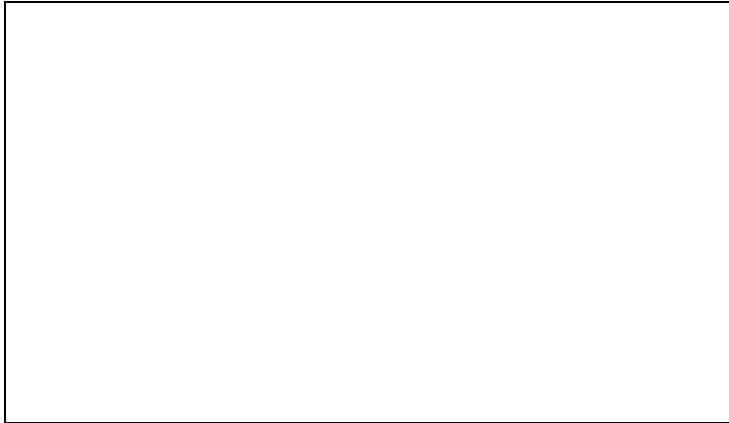
The idea behind the notion that we only participate in society as taxpayers is dangerous for two reasons. On the most obvious level, it represents another attack on public support for public services. But it also pushes the notion that people are just self-interested individuals looking out for Number One, not citizens acting for the good of each other in a collective manner.

This gnawing feeling of scarcity is in part due to the drone of powerful voices telling us that we're living beyond our means. Every day we hear about debts and deficits.

Cutbacks are devastating public services, particularly the medicare system that for so many of us symbolizes the difference between Canada and the USA. These cuts are based on the repeated claim that we can't afford what we have, that we face a scarcity of resources to pay off our debts.

Scarcity? We are being misled by a cloistered class whose message is that we're being dragged down by the twin demons of debt and deficit. But is the notion of scarcity part of their lived experience? In 1994 Jean Monty of Northern Telecom was paid \$2,236,444. Over at Stone Consolidated, James Doughan had to make do with a raise of 62% per cent, bringing his total "compensation" to \$1,743,531 in 1995.

For many of us, however, money *is* scarce. Since 1981 there has been an actual *decline* in real wages of 0.8 per cent annually. Unemployment in the 1990s is the highest it's been since the dark days of the 1930s. So it's not surprising that there has been no scarcity of anxiety among workers, an anxiety that has been cynically exploited by special interest groups representing business.



They tell us that taxes are too high and call for across-the-board tax cuts. This is a message that many hardworking Canadians -- including trade unionists -- find attractive. They are no longer getting the same level of public services in return for their tax dollars. Indeed, taxes on middle income earners are high because successive Liberal and Tory tax "reforms" have shifted the burden

of taxation away from profitable corporations that fund those parties and onto the shoulders of ordinary wage-earners.

Many CEP members -- and many unorganized workers -- have been seduced by simplistic solutions: "Cut taxes!" "We have no choice!" "We have to slash government spending for the sake of our children." These slogans are mouthed by the same interests that want to make it harder to organize workers and think that firing health and safety inspectors is a good way to deal with government debt.

**"Jobs, jobs, jobs..."**

There's a joke going around. It's about two women sitting over coffee. The radio is droning away in the background and the news comes on.

"Since my government was elected," boasts a politician, "Over 100,000 new jobs have been created."

"Right," nods one of the women. "My husband and I have four of them."

CEP believes that the trade union movement faces a critical challenge. We are losing members as corporations shift operations to low wage jurisdictions in the south. Workers are being replaced by computers. Our jobs are being contracted to outside firms that pick and choose from the expanding pool of part time and temporary workers. Good jobs are in short supply, while many of the jobs that *are* being created are at the low end of the service sector. At the same time, productivity is going up. Corporate profits have surged.

As trade unionists, we need to develop strategies to make sure that the dividends from the new productivity are shared more equally.

How do we tap into this productivity dividend? How have shifting employment patterns affected workers in the sectors CEP represents? What are the real choices we must make if we want to banish the sense of scarcity and job fears that plague a rich country like our own?

And finally, the most important question: *What kind of society do we want to live in?*

## CEP Members Reflect Changing Job Picture

### The Casino Economy

Most financial activity has nothing to do with producing goods and services or generating jobs. Well-heeled deal-makers and speculators are the main players in the casino economy. By the early nineties the unregulated international casino consisted of \$1.5 trillion being traded on world currency markets *every day*. And only \$20-25 billion of this was related to the real economy.

Here at home, the first nine months of 1995 saw a record \$64.5 billion change hands in deals involving one corporation taking over another.

Stone Consolidated bought Rainy River Forest Products from Boise-Cascade. Wendy's gobbled up Tim Horton's. Ottawa laid off thousands of Petro Canada workers in preparing to make the firm more attractive to private sector buyers. When privatization came, no jobs were created. The main winners are brokerage houses like Scotia-McLeod, #2 donor to the Chretien Liberals in 1994 and a firm that will squeal like a stuck pig at any suggestion of regulation of financial markets. Scotia-McLeod handled the Petro-Canada selloff for the Liberals.

With the formation of the CEP in 1992, a diverse group of workers became members of a unique union. CEP represents workers in the traditional bedrock of Canada's economy, forest and petroleum products being vital to the health of the resource sector. We have a solid base in secondary manufacturing, with CEP members producing everything from greeting cards to stoves. And in the service sector -- including the crucial information-age industries -- we have people in telecommunications and media.

None of these industries -- and few of our members -- have escaped the massive restructuring by employers committed to boosting productivity by getting rid of people. In fact the sectors in which CEP is active are a case study in the realities of an economy in transition.

In 1975 84,000 workers in the pulp and paper industry produced 20,000,000 tonnes. By 1995, 63,000 people were putting out 30,000,000 tonnes -- a 25% decline in workers and an 50% rise in pulp and paper. Thunder Bay's biggest mill had 2000 workers in 1975 who produced 650,000 tonnes of pulp and paper. There are now 1000 people employed there, producing 1,000,000 tonnes. In the space of twenty years nine out of ten jobs disappeared from the Abitibi-Price woodlands operation in Newfoundland.

The numbers for telecommunications are even more dramatic. Sasktel had 1200 operators handling 200 calls per shift in 1972. By 1995 only 200 people remained, but they were handling 1200-1400 calls per shift. While growth in the Communications sector is outpacing all others, overall employment in the sector suffered a net decline of 15,000 between 1991 and 1995 (from 169,000 to 154,000). Furthermore, projected employment levels are set at 144,000 by the year 2000.

Although overall employment in the chemical industry has remained stable, this is because the product range has expanded tremendously. In individual workplaces, however, there has been significant job loss. For example, the Bayer's synthetic rubber plant (formerly Polysar) in Sarnia employed 1900 people 20 years ago. Today only 800 work there. Today there are 16 oil refineries in Canada, down from 44 in 1957. Employment in oil refining has declined steeply, going from 23,000 workers to 13,000 between 1983 and 1995.

How have we coped with the crisis brought on by a shrinking number of good jobs? Many CEP members have been urged to take early retirement ("the package") so

that younger workers with less seniority can keep their jobs. This defense has protected some *existing* jobs, but it has done little to create *new* jobs.

We are now facing a situation that's strikingly different from the "golden age" when the people who have now retired from the refineries, central offices and mills first started their working lives. Back then, at the height of the postwar boom, there was none of the sense of job scarcity that exists today. Young people had never heard of something called a "jobless recovery" and the papers never printed headlines like "UNEMPLOYMENT UP DESPITE RISE IN JOBS."

Even when a plant shut down or the employer brought in a new machine, there was something else. Economic growth meant that other companies were hiring. There was also a rapidly-expanding public sector. Those of us who went to high school in the sixties and seventies -- and particularly the women who were entering the job market for the first time -- had the chance to work as teachers, nurses or social workers. We were weaving the safety net, putting an end to a situation in which Canadians had no medicare system, no national support for the poor, no public pension system. In the process Canadians created a lot of jobs in the welfare state industries.

These "industries" are being dismantled in the name of government restraint as fast as private sector jobs are being sacrificed on the altar of competitiveness. Jobs are being eliminated, but today there is no obvious take-up sector. And this, together with high unemployment and relentless cuts to unemployment insurance, accounts for the pervasive feeling of scarcity and anxiety that so many people are feeling.

There is truly something wrong with this picture. Private sector employers are cashing in on the productivity dividends. Meanwhile, corporate profits surge as the benefits of the productivity dividend are privatized. The de-linking of corporate prosperity from public well-being is most obvious when the stock market tumbles in response to job gains and when share prices rise in response to announcements of job cuts. We are living in a casino economy driven not by real people doing real work but by the reactions of speculators and bond holders.



A typical event: When US employment figures released around Easter, 1996 showed a sharp increase in the number of workers who had found jobs, stock prices in both Canada and the US immediately plummeted and job-killing high interest rates returned. What was good news for workers was bad news for the speculators who

influence these things. They were afraid of inflationary pressures. Another business page headline said it all: *Jobs Healthy, Markets Sneeze*.

### ***Solutions: Bogus or Real?***

Clearly, working people face enormous challenges. It is hardly surprising that we are deluged with competing ideas about what is to be done. And politics, if nothing else, is a war of ideas.

#### **Interest rates and employment**

The conventional wisdom, supported by corporations and the political parties they fund, is that inflation is the main enemy. To fight inflation we need to keep interest rates high. If this causes more unemployment, that is regrettable but necessary.

Like any political programme, this one clearly benefits those who support it. High interest rates drive the casino economy, enriching banks and other financial institutions, as well as wealthy bond holders. High unemployment is good for employers because it keeps workers in a state of insecurity, dampening down wage demands, weakening unions and forcing us to focus on job security.

These ideas have been put into practice over the past decade and a half, with predictably disastrous results for most people. There has been a widening gap between rich and poor. Nearly a million and a half children were living in poverty by 1993, the highest child poverty rate in fourteen years in Canada.

High interest rates have also hiked the costs of government borrowing, giving a tiny financial elite of speculators immense political leverage in promoting their programme of cuts to public services and privatization. When government budget season rolls around each spring, politicians and the press eagerly await the verdict of the bond rating services. If the latest cuts are judged sufficiently severe, the government's credit rating is maintained.

Business also promotes cuts to public programmes because they also open up lucrative investment opportunities, particularly in the health field. (Indeed at the very time André Bérard, president of the National Bank, was calling for cuts in medicare, his bank was negotiating the purchase of Canassurance, a private health insurance company.)

When health care is privatized, it becomes much more expensive, as it is in the United States. But public or private, people's needs for health care do not simply vanish. American unions are forced to bargain for health plans as a fringe benefit, trading off wages and other benefits.

Of course, there are alternatives to the debt dogma, ideas that put problems like child poverty and jobs ahead of the rate of return for rich bondholders. The 1996

Alternative Federal Budget has shown that the federal government's hands are not tied by the debt. It could choose to:

- reduce interest rates, thus reducing payments to financial interests and freeing up cash that could then be invested in improving and expanding health care and education programs.
- borrow from Canadians and the Bank of Canada, not from foreigners, thus keeping money here so it can be invested and taxed here. Foreign bondholders pay no Canadian taxes.
- deal with UI and welfare costs by concentrating on constructive job creation.
- re-regulate capital markets, thus enabling government to reduce foreign investment by pension funds and keeping more money here

These ideas are aimed at creating meaningful work. It is hardly surprising that a union's political programme reflects our interests as workers, in the same way that one being pursued by Finance Minister Paul Martin -- a man with a personal fortune estimated at \$30 million -- reflects the interests of the financial elite. Many of the ships owned by Martin's Canada Steamship Lines are registered in foreign countries where taxes are lower and regulations less bothersome than in Canada.

### **Taxation and employment**

There is no single issue more political than taxation -- who gets taxed, how much they pay, when and how they pay it.

How is it that the same corporations and politicians who work themselves into a frenzy over the size of public deficits and debt also attack the tax system? Surely one way to reduce the deficit is to make sure the tax system is healthy and fair.

These interests are not concerned with fair taxation. If the tax system were fair, they would pay more and the debt could be reduced. Their real goal is to reduce the size of the public sector, cutting services that the well-to-do can afford to buy on the private market and at the same time creating profitable new opportunities for business. Reducing the size of government also means cutting back on health and environmental regulations that protect us all but interfere with short term profits.

### **Tax system unfair**

Canada's tax system is grossly unfair. In 1992 there were nearly 100,000 Canadians in the "\$100,000 Club": They had incomes over \$100,000 yet they paid no income taxes at all.

"We're concentrating on cuts to social programs, rather than collecting revenue to solve the deficit problem," says veteran Liberal MP Warren Allmand. "And some people are getting away with blue murder through the tax system."

Indeed, according to Statistics Canada, 94 per cent of the debt buildup between the mid-seventies and the end of the eighties was due to a lethal injection of tax concessions to the wealthy and Ottawa's high interest rate policy.

The tax system should ensure stable support for public services we all share. It should be progressive, with citizens contributing according to their ability to pay. According to the 1996 Alternative Federal Budget, Ottawa could start by:

- introducing a wealth tax on inheritances over one million dollars (even the Americans have an inheritance tax)
- imposing a minimum corporate tax
- reducing taxes on the poor and increasing taxes on people with the highest incomes
- putting higher taxes on environmentally destructive activities and lowering taxes on investments that create jobs and protect the environment

The tax system is not only a way of ensuring that wealth is distributed more equitably; it can also be a powerful tool in promoting certain activities and discouraging others. Right now the tax system actually encourages job-killing activities. The banks, with 1995 profits of \$5 billion, got \$300 million in tax credits by claiming that software training was high-tech research. In 1995 the Big Five eliminated 2,800 jobs.

The Alternative Budget also proposes a series of National Social Investment Funds that would redirect public money from private sector job killing schemes into public programs in health care, education, pensions, unemployment insurance, child care and housing. A national child care programme, long promised by Ottawa, would not only help kids, men and women. It would also create 30,000 jobs.

### **The training gospel**

We're often told that the solution to unemployment lies in getting retrained for jobs in something called The New Economy. Many are listening to this message, going back to school, getting that next diploma, beefing up their resumes.

But too many young people are serving their apprenticeships in video stores, pizza parlours and telemarketing outfits. Meanwhile, we are being lectured about the need for an education system devoted to turning out graduates trained for today's competitive job market. Train

### Skill refill

"When you buy a toaster, you should be able to take it back..." says the president of PEI's Holland College, where they offer a warranty on their graduates. If you don't measure up, the employer can return you to the supplier.

Workers are increasingly being treated as consumer goods. Sometimes we are used up and tossed aside like broken toasters. Sometimes we get recycled like so many bottles. This is what the training gospel is all about: Once your skill level -- as defined by the employer -- goes down, it's time to be sent back to the bottling plant to get topped up with a skill refill.

and train again -- this is the order of the day. And it's an order than rings particularly loudly when job fear abounds.

This training gospel is a cruel hoax. Think of the law of supply and demand trumpeted by the same business bullhorns that are telling workers to spend so much time (and money, now that postsecondary education is becoming so expensive) getting retraining. According to this law, when the supply of any commodity goes up, the price goes down. So it's not surprising that the employer's political programme should emphasize the supply side of the job market equation: The bigger the pool of qualified workers, the lower the price for their labour.

But the training gospel is alarming not just because it's a supply side response to a demand crisis in the job market. It encourages us to see mass unemployment in individual terms. If we can only train and train again, things will work out. And if we fail, well, it's our fault. This encourages us to regard a public issue as our own private trouble. We have no shortage of people ready and able to work; indeed, we now have the best-educated population in our history. What we lack are decent jobs for those people to do. That is the demand side of the job market equation. "Training for what?" is the common sense question being asked by the thousands of workers taking yet another series of courses that will allow them to extend their UI claims for a few more weeks.

### The time crunch

We started our look at employment by pointing to glaring paradoxes as we approach century's end. Poverty and wealth. Scarcity and abundance.

There's another paradox that's becoming impossible to ignore: More of us are working longer hours at the same time that the ranks of both the unemployed and the part-timers who don't have *enough* hours continue to grow. Between 1976 and 1993 there was a 27 per cent increase in the numbers of Canadians working more than 50 hours each week. During this same period, the number of workers with less than 30 hours a week jumped by an astonishing 55 per cent.

What's more, the increasing inequality in access to hours of work contributed to a yawning good jobs/bad jobs gap that separates a core of permanent, full-time workers with a just-in-time pool of part-timers and temporary workers: Inequality is on the rise.

This hasn't always been the case. Until the long postwar boom, unions fought for -- and won -- shorter hours. But that period of prosperity, complete with the glowing promises of consumer culture, coincided with the end of the trend towards shorter hours. By the time a long economic downturn began in the 1970s, more women had entered the labour force, adding to the number of hours a typical family was putting in. This increased many family incomes and helped to cushion -- at least temporarily -- the impact of the inequality that was slowly coming to the fore.

Today, however, the paradoxes are too glaring to ignore. More people have noticed this absurd situation. One worker in five is putting in more than fifty hours per week while 1.4 million are unemployed. Most of the work fiends are men, while 300,000 women work part-time involuntarily because they can't find full-time work. Again, there's something wrong with this picture.

The issue of a workforce fractured along time lines presents the labour movement with both a challenge and an opportunity.

The challenge involves seeking an end to the time-and-a-half culture of overwork encouraged by employers reluctant to hire new people when there is more to be done at the end of the standard workday. They want us to be "flexible" -- a word CEP negotiators hear a lot these days at the bargaining table. But why not share the available work more equally?

The opportunity? There's an ever-wider recognition among trade unionists, environmentalists and women's groups that the issue of work time is crucial to their concerns. Many women are squeezed in the double day's time crunch of paid work and housework. CEP can continue to press for the revival of labour's historic demand for shorter hours, sharing the work as well as the wealth. This is the union version of "flexibility." And *this* form of flexibility is aimed at providing a better life for all, not simply as a way of boosting the bottom line. The issue of work time cannot be seen in isolation from issues of job creation, interest rates and fairer taxation. If we don't share the wealth as well as the work, many of the benefits will continue to flow to the shareholders.

"Are you working more and enjoying it less? Join the crowd. Canadians are putting in more hours than ever before -- if they're lucky enough to be employed at all."

CANADIAN  
BUSINESS,  
April, 1996

## A Golden Age?

### Globalization?

We hear a lot about something called globalization, a word that's repeated so often that we risk losing track of its real meaning. It's a word usually uttered in the same breath as "competition" and "the free market," often in connection with some multinational's threat to move a plant to Mexico or Mauritius.

Free trade is the sharp edge of globalization. This is what has affected CEP members most directly and dramatically.

But when business shoved it at us, what we got was not really free trade, but a new economic constitution that gave business new rights to do whatever it wanted. At the same time, this "constitution" took power from elected governments.

Clearly, globalization's free trade edge hurt workers, particularly if we work in manufacturing. Whirlpool's closure of its Cambridge, Ontario plant and the Philips Cable shutdown in Brockville both involved moves to the USA. But the Canada-US free trade agreement is a particularly bad deal not because it was part of some inevitable march of globalization but because it is just that -- a bad deal, pure and simple: All give and no take.

The postwar period -- or at least the 30 years following World War II -- have been described as a "Golden Age."

This period, which nurtured the baby boom generation that's now approaching retirement age, was the product of very particular circumstances. A huge pent-up civilian demand was released after the war. People rushed to buy things, particularly houses and cars. Women, who had temporarily increased their workplace participation during WW II, eventually made dramatic gains, both on the job and in society at large. Government, business and labour brokered a kind of tacit consensus that had its roots in two things:

- memories of the poverty and devastation of a Great Depression that had so thoroughly discredited the idea that business, left to itself, could run an economy
- the tight controls necessary for wartime planning

These measures included strict regulation of financial markets, government intervention in the economy and the recognition of trade union rights. Years of depression and war had made it clear that capitalism had to be saved from itself.

The postwar consensus -- some call it a "deal" -- between business, government and labour provided a stable foundation for the Golden Age.

The deal is now off. It came to an end in the seventies and since then government and business have been attempting to take back labour's gains. Unemployment is up, wages are stagnant or falling. The postwar bubble burst in a dull pop as business increased its power, both at the bargaining table and around the world. Their message to unions has been to expect less in the face of record levels of unemployment.

The message to governments has been to expect less control over their national economies in the face of instantaneous electronic speculation that has transferred power from elected officeholders to currency traders eager to make a fast buck in the name of "market discipline."

The globalization threat from low-wage regimes is also a problem. But 90 per cent of Canadian exports are sent to the industrialized world, mostly the US, while nearly the same level of imports comes from industrial nations.

Nonetheless, about a fifth of all the manufacturing job losses from the industrial world were due to competition from low-wage countries. And the threat is increasing as the corporate sector and the government seek to open the free trade doors to countries like Chile.

The political challenge here is to rewrite the economic constitution to include strong "contract language" on jobs, fair trade, worker rights and environmental protection. No mean feat, and only possible if workers take a cue from business and band together.

In the case of the globalization of financial markets, there can be no doubting the immense leverage that currency speculators and bond traders have come to enjoy in recent years. They move money across oceans with the push of a computer key.

It is unrealistic to think that we can return to the conditions that gave rise to the Golden Age. Nor do we want to reproduce its problems. But this Golden Age has lessons for trade unionists. Solutions to difficult problems do exist if we can summon the political will both within our organizations and in society at large. Government can be a force for positive change when the excesses of the private market -- along with the paradoxes of poverty in wealth -- become too appalling to ignore.

How can CEP take up these challenges?

CEP has been the leader among Canada's private sector unions in the movement to shorter hours. Tens of thousands of our members have a standard work week of less than 40 hours. We will continue to negotiate for shorter working hours, more stringent limits on overtime, abolition of compulsory overtime, entitlement to overtime compensation in the form of time off and expanded rights to time off for family responsibility, education and other personal reasons.

Outside of the workplace and away from the bargaining table CEP should promote a complete rethinking of the direction of government policy, a direction outlined each year in the Alternative Federal Budget.

If we want to reduce the debt we have to make sure more Canadians have the jobs that will allow them to pay taxes. At the same time, we have to make sure that the tax burden is shared more equally, so that those who shout the most about debt actually put their money where their mouths are. We should also continue to fight for an end to the job-killing high interest rate policy that benefits wealthy bondholders.

As a union we will push for a CEP-based industrial strategy that takes the task of job creation out of the hands of footloose transnational corporations and puts the emphasis on active government policies. We need an industrial strategy built around our existing strengths in resources, transportation and communication -- sectors in which CEP members work.

These anonymous traders, freed from government control by a combination of deregulation and satellite-based electronics, make vast profits with virtually no effort, while eroding each country's control over its own interest rates and government spending. A simple tax on this "big casino," such as the one proposed by Nobel prize-winning economist James Tobin, would curb the power of the high-tech gamblers.

We need to make sure that forest and energy industries have strong linkages to domestic equipment suppliers. We have to concentrate not simply on raw materials but on adding value to those materials -- right down to end product for export. We need to make sure that our strong export platform in transportation and communications has a solid base in employment at home.

Finally, we need a much more comprehensive network of publicly-controlled capital investment funds. These pools of capital should be available for everything from sustainable development to the Social Investment Funds (housing, health care, education, child care) outlined in the Alternative Federal Budget. These would complement the successful labour-controlled investment funds that have protected so many jobs in the recent past.

Such funds embody two fundamental principles that guide CEP policy with respect to the issues discussed in this document: public control for the public good.

**Board Meeting  
November 19, 1996**