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CANADIAN CENTRE for POLICY ALTERNATIVES
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AFB2010

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GETTING CANADA WORKING AGAIN | ALTERNATIVE FEDERAL BUDGET 2010

Getting Canada Working Again

A Six Point Jobs Plan

The global recession of 2008–09 ripped through Canada's job market with the force of a cyclone, leaving a devastating trail of joblessness in its wake.

One year into Canada's recession 486,000 full-time jobs had been wiped out, placing a heavy burden on Canada's flimsy Employment Insurance (EI) system. For Canada's recession victims — the 1.5 million officially unemployed — there remains little relief within sight. Full-time job growth has been sluggish, to say the least. The majority of Canada's unemployed are forced into part-time or temporary jobs that pay less than the work they did before recession struck.

They are also competing in a smaller job market: Over the past year, Canada added only 55,000 new part-time jobs and 119,000 new temporary jobs.

Canadians are resourceful. By last summer, more than 100,000 of Canada's unemployed put up a shingle and joined the growing ranks of the self-employed as a means of coping with massive unemployment. But most self-employed jobs pay less and are far more insecure than the full-time jobs they once held. For many unemployed, they represent a temporary fix, not a permanent solution.

Meanwhile, 55,000 Canadians are discouraged workers who simply stopped looking for work. That's disconcerting, because the longer it takes to find a job in the wake of mass layoffs, the harder it is to find work that matches your previous income.[1]

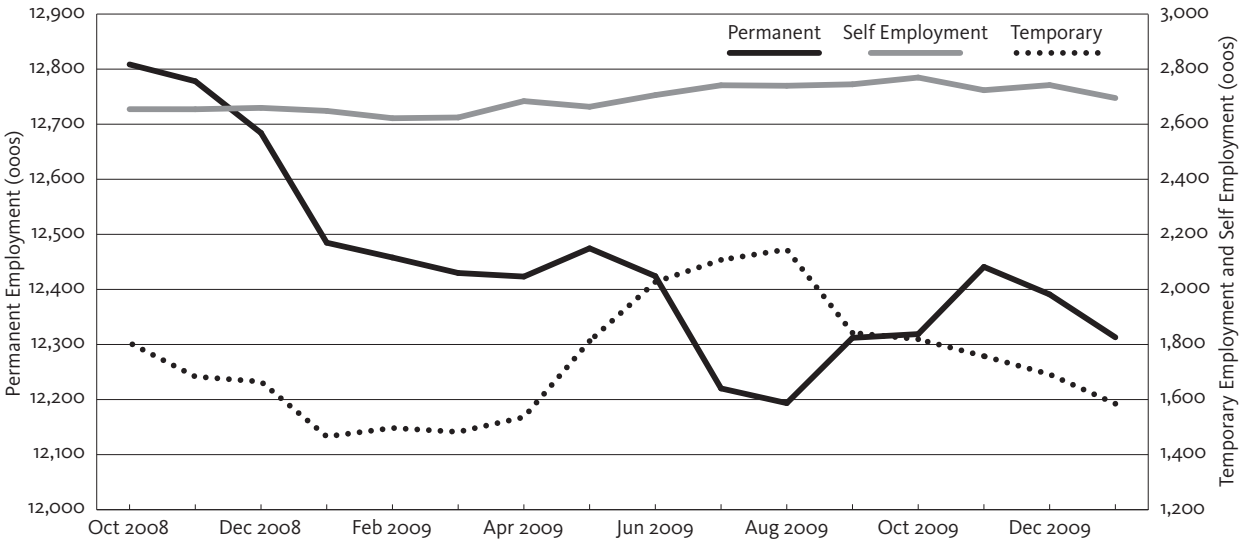
And there's more trouble on the horizon: About 810,000 EI recipients are poised to run out of benefits in the coming months, with nowhere to go.

Canada — the little country that escaped the worst of the global economic meltdown — is facing its darkest job crisis in more than a decade.

Canada's *he*cession morphs into a tepid *she*covery

The 2008–09 recession did not affect all Canadians equally. Workers in Ontario, B.C. and Alberta bore the brunt of the job losses — they represent 80% of Canada's unemployed since

CHART 1 Recession Erases Permanent Jobs, Increases Temporary Work and Self-Employment



October 2008. Men took a bigger hit than women. And young workers took a hard hit.

Many of Canada's unemployed once worked in middle class jobs that show no signs of rebounding. Men of prime working age were especially hard hit in what turned out to be Canada's *hecession*. Three-quarters (76%) of Canada's job losses were borne by working age men, many still in their prime (25–55). They face a grim prospect: what appears to be permanent job losses in manufacturing, construction, transportation, business and building supports, professional, scientific and technical services.

As green shoots take tentative sprout, there are some new permanent job offerings but they pale in comparison to pre-recession permanent jobs and a lot of the new work for men is in food services, accommodation, health care and public administration. These are sectors once dominated by women, but recession 2008–09 knocked women out of a lot of those permanent jobs and it's men who are replacing women as these sectors begin re-hiring.

As for Canada's economic recovery, it's largely been a *she-covery*, with women (especially over 55) making the greatest job gains. But the majority of those new jobs are casual, seasonal, contract and self-employed. Like men, women are not rebounding into the middle class full-time, permanent jobs they lost before recession hit Canada.

Young Canadians who were trying to gain a foothold into Canada's job market before the 2008–09 recession were especially hard hit. About 114,000 workers aged 15–24 have dropped out of Canada's workforce since October 2008. Those young Canadians lucky enough to find work are being offered seasonal or casual on-call jobs instead of permanent opportunities. This raises new questions about the financial stability of the country's youngest families as we emerge from the worst of the recession.

Some people attribute the loss of "good" jobs — well paid, with benefits and reliable hours — to the continuing decline in the importance of manufacturing. Others see the rise in temporary positions as an important proliferation of entry points to the job market. But the pattern of permanent job losses and minimal increases in temporary work cuts across all ages and all sectors. When it comes to jobs, Canada has lost far more than it has regained.

That leaves workers with less control over the type of work they do, over the hours of work they can count on, and over their wage rates. That loss of control makes life harder to plan, mortgages harder to pay, loans harder to diminish, savings harder to tuck away. In short, Canada's job crisis represents a new threat to the sustainability of Canada's middle class.

Fixing Canada's jobs crisis

Judging by Canada's last two recessions (20 and 30 years ago) it could take up to seven years for Canada to regain the full-time jobs that got wiped out during the worst of the economic downturn.

Given the early days of Canada's green shoot economy, it's difficult to tell how long the pain will last. But one thing is clear: The country — especially those regions hardest hit by unemployment — cannot afford to sustain a wait-and-see attitude.

There are mid-career Canadians in their prime who have been forced to sit out the last year and cannot afford a demotion into lower paying, insecure part-time or temporary work. And there is a new generation of young workers just waiting for Help Wanted signs to kickstart their life dreams.

What's clear, more than a year into recession, is that Canada's private sector is not stepping up to fill the void. Canada's federal government has to either get serious about job creation or pay the price for years, perhaps even a lost generation, to come. The good news is that a positive, do-able fix is within reach.

This year's Alternative Federal Budget (AFB 2010) recognizes as its starting point that governments cannot replace all of the private sector jobs Canadians lost in the last year-and-a-half — but it can, and should, provide the leadership that will enable private sector recovery. AFB 2010 proposes a **Six Point Jobs Plan** to get Canada working again.

AFB 2010 Six Point Jobs Plan

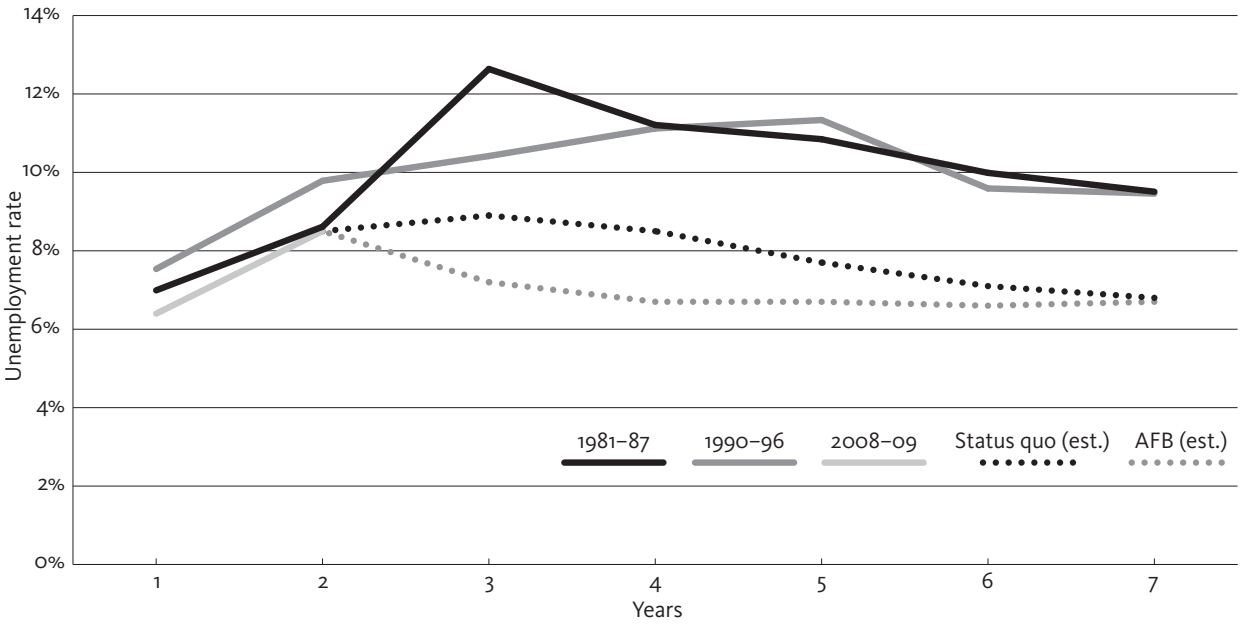
1. Protect the Jobless
2. Sustain Stimulus Spending
3. Revive Canada's Manufacturing Base
4. Create the Green Jobs of Tomorrow… Today
5. Get Youth Working
6. Strengthen Consumer Confidence

1. Protect the Jobless. For recession's hardest hit victims, Canada's unemployed, AFB 2010 does what that Harper government has refused to do so far: ease the transition from one of the worst recessions on record into a prosperous, more sustainable economy that benefits all Canadians. The federal government's first order of business is to stave off the crisis awaiting Canada's 810,000 EI recipients who are poised to run out of benefits in the coming months. Without jobs to greet them, the majority will wind up on welfare rolls or worse. Instead of abandoning the unemployed, AFB 2010 fixes the EI system to reflect the additional burden of recession-time joblessness and to avert a national crisis. AFB 2010 invests more than $10 billion to EI reform over three years.

2. Sustain Stimulus Spending. The Conservatives' 2009 stimulus package came too little, too late to create enough full-time jobs during the height of the recession. The jobs crisis demonstrates the need for stimulus spending in Canada is still strong. In fact, both the World Bank and the International Monetary Fund have warned governments who withdraw their stimulus packages too quickly could trigger another global recessionary dip. The Conservative package also cuts off stimulus spending too soon, letting the jobless fend for themselves as the economy drifts towards recovery. The danger of such an approach is that high unemployment may persist as it did in the 1990s for half a decade until it comes back down. AFB 2010 keeps stimulus dollars flowing to create more jobs, keep communities vibrant; address the long-ignored problem of crumbling infrastructure; and prevent Canada's fragile recovery from dipping into another recession. This is one of the most powerful aspects of AFB 2010's Six Point Job Plan, yielding far more bang for the buck by reorienting the equivalent amount of the Conservatives' stimulus plan to sustain job creating investments in physical and social infrastructure well into 2011. AFB 2010 commits about $15 billion a year in stimulus investments to create jobs (rather than tax cuts) until the private sector is back at full throttle. This investment does double duty by improving Canada's crumbling physical infrastructure and enhancing its social infrastructure — investments in cities, health care, child care, broadband and affordable housing. AFB 2010 creates jobs at a time when the private sector isn't, and leaves our communities more functional and vibrant as a result.

3. Revive Canada's Manufacturing Base. Canada's manufacturing base has been devastated. Manufacturing GDP has been in recession since 2006, shrinking dramatically as a share of the economy. Over half a million jobs have been destroyed. High value-added exports as a share of the total exports have dropped from over 55% to 35% since 2000. Instead of allowing Canada's manufacturing sector to revert to yesteryear's resource export status, AFB 2010 invests in a plan to turn that sector around, preserving and creating middle class jobs well into the future. AFB 2010 puts forward a comprehensive strategy to develop technology-intensive industries that produce high value-added products and provide better quality jobs. To do this, it mobilizes a variety of policy tools including: a skills training and development fund, a Canadian Development Bank, and procurement policies. The AFB's $5 billion investment over three years breathes new life into Canada's manu-

CHART 2 Unemployment in Previous Recessions & AFB Jobs Plan Projections



facturing base and helping those communities hardest hit by the 2008–09 recession.

4. Create the Green Jobs of Tomorrow… Today. Canada is increasingly viewed as an environmental laggard on the international scene but within a single budget, the federal government could turn that tarnished legacy around. A strong green jobs plan is not only integral to transforming Canada's economic base to a more energy-efficient platform, it's core to creating a society that ensures basic services (clean water, shelter, education, health care, child care, transportation, telecommunications) are accessible to all. AFB 2010 invests almost $5 billion over three years in renewable energy, safeguarding Canada's watersheds and protecting its ecosystems.

5. Get Youth Working. Young Canadians have been hard hit by recession. They represent Canada's future and they're anxious to start developing their lives and careers. One recessionary summer has already passed them by, but summer 2010 could help Canada's youth turn the corner. Instead of letting Canada's youth wait out the recession in the basements of their parents' homes or couch surfing among friends, AFB 2010 makes a modest investment of $112 million this year to create a robust summer jobs program that will get the next generation of Canadians contributing to the growing economy.

6. Strengthen Consumer Confidence. AFB 2010 recognizes the fledgling nature of Canada's economic recovery and takes solid steps to strengthen consumer confidence, to ensure Canadians are spending locally to preserve and create jobs in their own communities — a strategy that keeps Canada's economy humming and that helps the poorest of Canadians begin the climb out of poverty. AFB 2010 understands the limits to Canadian consumer confidence, which has been essential to preventing an even deeper recession and is critical to ensuring Canada's fragile economic recovery transitions into a jobs recovery for all Canadians who need work. Three pressures come to bear on consumer confidence: Canadians have higher household debt levels than ever before at a time when housing costs keep rising and new jobs are less secure and lower paying than the jobs many Canadians held before recession struck. AFB 2010 puts forward a poverty reduction plan that helps boost consumer confidence for Canadians at all income levels, following the logic spelled out by the IMF and the World Bank: people in the bottom half of the income spectrum spend rather than save extra income, and they spend the extra money both immediately and locally. Targeting stimulus measures to the less affluent is the best and fastest way to multiply the effects of government dollars. AFB 2010 devotes $25 million over three years — just slightly more than the Conservative stimulus tax cut package ($20 billion) — strategically providing more stimulus to Canadians who could really use an extra dollar. As numerous studies have shown, the Conservative tax cut agenda provides the most benefits to those who already have the highest incomes or largest corporate profits. Without

this intervention, provincial and municipal governments will be left holding the bag for the rising costs of recession as welfare rolls and homelessness worsen. AFB 2010 puts the federal government at the table with all other levels of government in the fight to prevent and reduce poverty.

As Chart 2 illustrates, the AFB 2010 Six Point Jobs Plan would have a powerful impact on Canada's jobs recovery, driving unemployment back down to pre-recession levels of 6.7% by the end of 2011. After five years, projected unemployment from the AFB jobs plan would meet the status quo as the private sector started hiring again.

In the interim, hundreds of thousands of Canadians will have been spared the indignity of being needlessly jobless for an extended period and Canada's flimsy EI program would finally prove worthy of recessionary tests.

A jobs strategy is good for Canada's unemployed, but it is also good for Canada's economy. The AFB 2010 Six Point Jobs Plan represents $27 billion a year in new investments — 1.6% of GDP. This investment will pay off for years to come: It offsets the loss of 330,000 jobs and creates badly needed physical and social infrastructure in communities across the nation. After five years, the AFB 2010 Six Point Jobs Plan will result in a smaller deficit, stronger social programs, greener infrastructure, a larger economy and a debt to GDP ratio comparable to the Parliamentary Budget Office's five-year projection of a Conservative government do-nothing scenario. In more ways than one, it gets Canada working again.

Notes

1 Craig Riddell, Department of Economics University of British Columbia, *Responding to the Adult Unemployed*, Presentation to the Queen's International Institute on Social Policy, Queen's University, Kingston, August 2009

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