



# Workers and Skills in an Ugly Global Economy: Sorting Out Myth From Reality

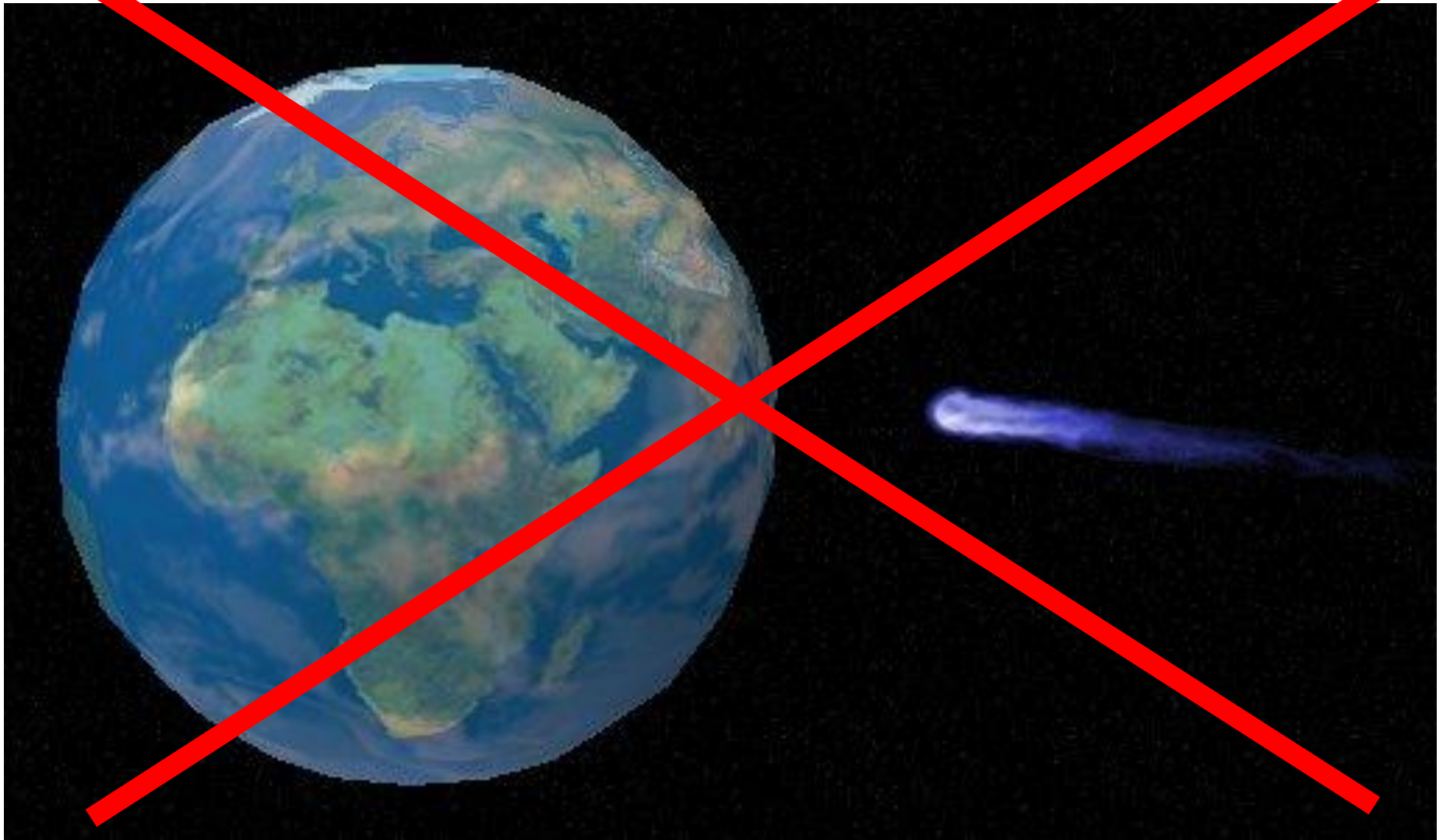
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For Colleges Ontario  
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# An Upside-Down World



- Business caused the crisis - yet now capitalizes on it to reinforce its power.
- Business is making more profit - but reinvesting less of it.
- There are lots of things we need, and millions unemployed to do the work - yet we're told to do less, not more, and we're told there are not enough workers!

# Where Did This Crisis Come From, Anyway?



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# Wha' Happened?



- Speculative bubble (again):
  - Centred in U.S. housing
- Fueled by aggressive, irresponsible lending
- Speculators borrowed at 50:1 or more
- U.S. housing prices began falling in 2006
- Chain reaction of collapse, deleveraging
- Blow to wealth, confidence, lending, investment, spending → **RECESSION**
- Globalization made things far worse
- Global austerity: new phase of same crisis.

# Still Stuck in the Mud



- After initial burst in 2010 (fueled by stimulus), world economy lost momentum.
- Still can't find widespread traction.

# The Economic "Recovery"...

*(Has anybody seen it???)*



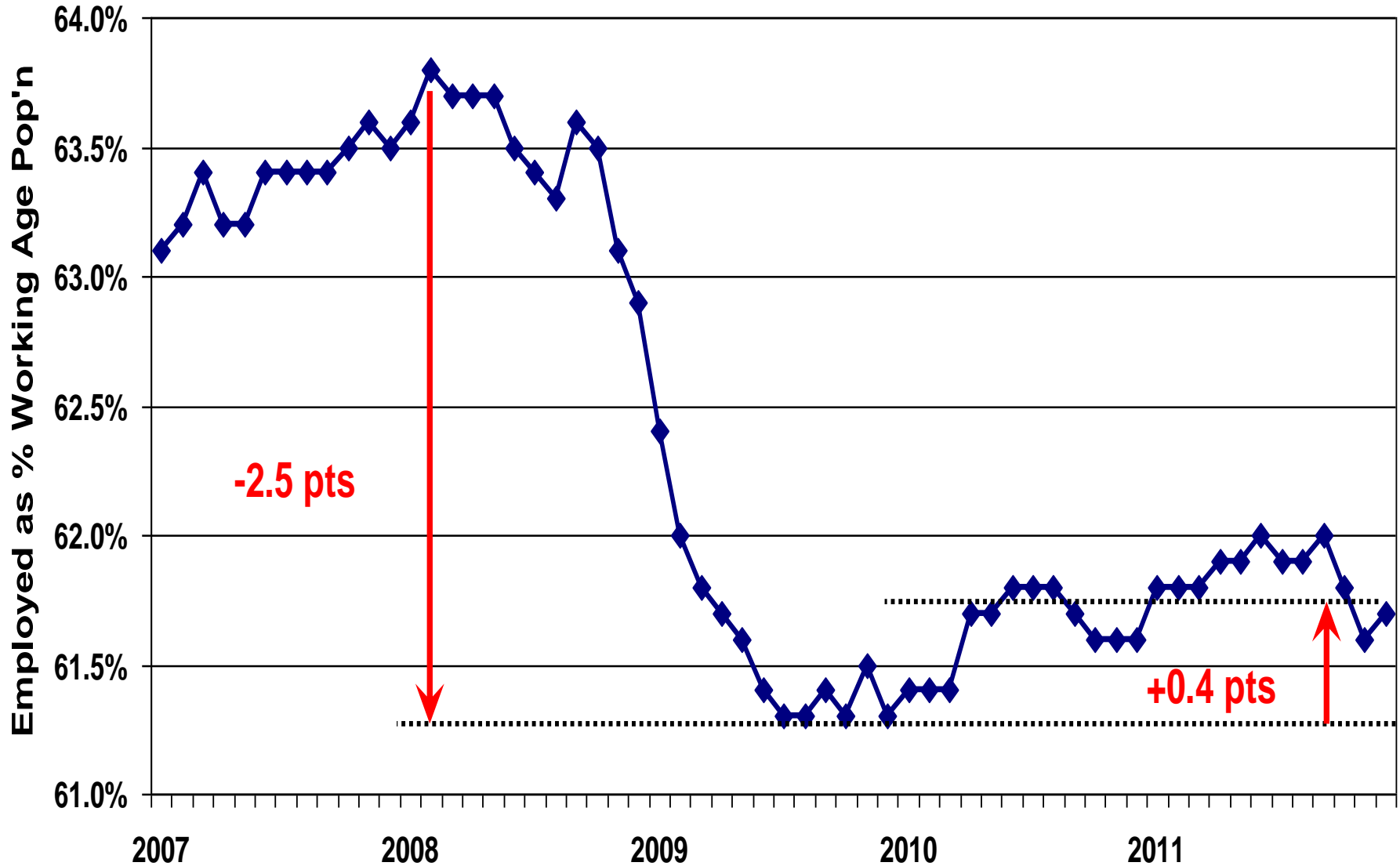
# The "Claim"

- All jobs lost in the recession have been won back.
- Canada's done better than anyone else.





# Employment Rate Decline



# Do the Math

- Official unemployment: 1,500,000
- Lost participation: 350,000
- Involuntary part-time: 375,000
- Waiting for a job to start: 130,000
- True unemployment: over 2 million (12%)
- No improvement in "employment rate" since summer 2010.
- Canada's performance has been "ho-hum"

# Mediocre is the Word

- Comparisons of Canada to other countries must take into account our faster population growth.
- Relative to population growth, our performance has been mediocre:
  - 17 out of 34 in real per capital GDP since 2007
  - 17 out of 33 in employment rate since 2008
- We did better than others that experienced all-out bank failures:
  - US, UK, Ireland, Iceland, Italy
- Compared to the rest, we've done badly
  - Germany, Korea, Australia

# Canada in the World...



**We're Number One!**



**We're Mediocre!**

# Employers and Labour Scarcity

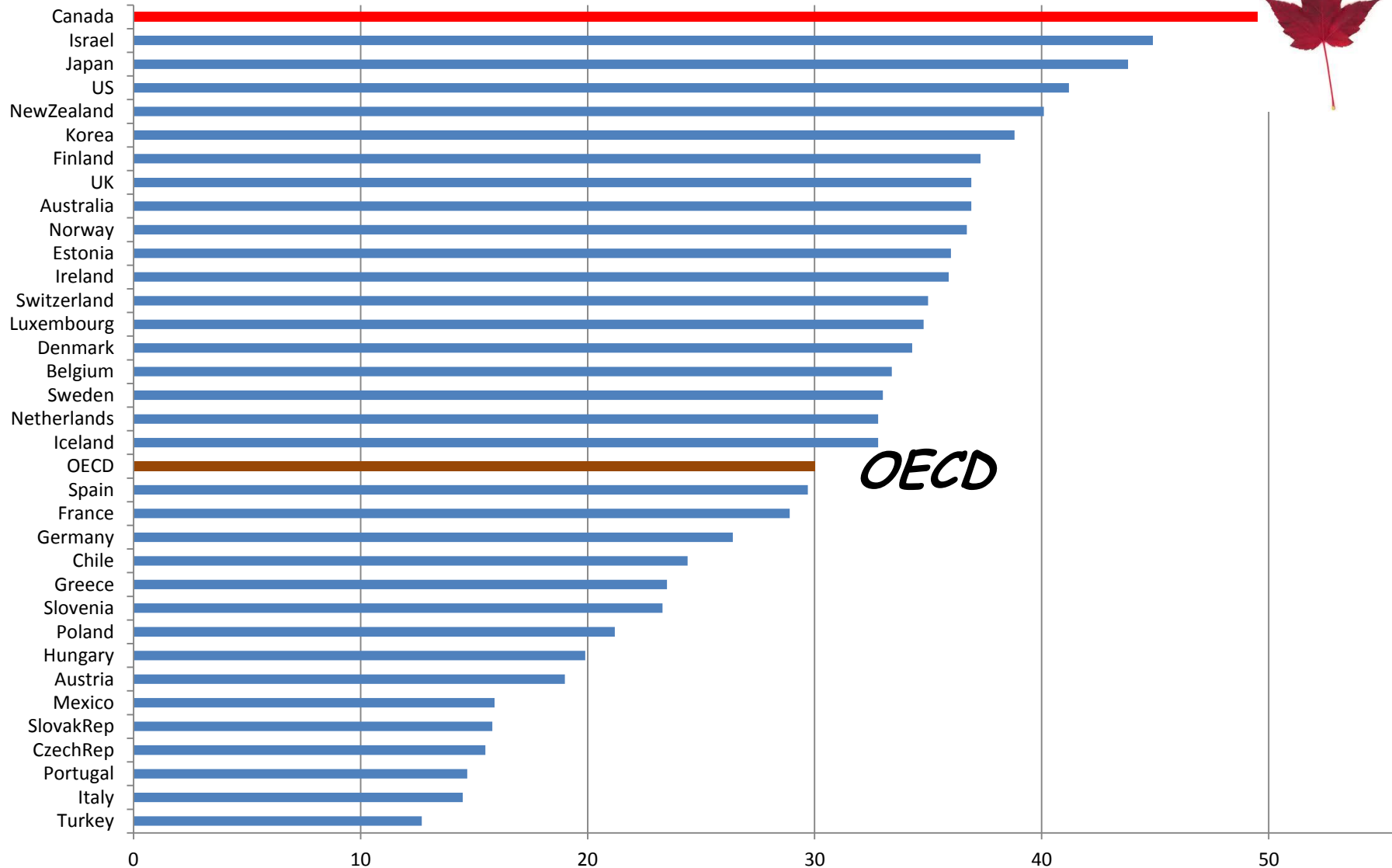
- “Normal” labour market for employers:
  - Advertise a job, and get 50 applications the next day offering to do the job for less.
- “Tight” labour market for employers:
  - Anything less than that!
- In reality, there is no labour shortage.
  - Employers must take some responsibility for their own labour force development.

# Are We Really Short on Skills?

- >2 million true unemployment.
- Millions of Canadians underemployed, not using their skills.
  - Especially young graduates.
- Of course, there are very particular skill sets that are in short supply.
- But the claim that Canada's economy is being held back, in aggregate, by a shortage of skills, is not credible.

# Tertiary Education Attainment

*% of population 25-64*



# Skills: Myth and Reality

- There will be millions of jobs that do not require advanced education.
- In many cases, higher education serves a queuing function.
  - Produces a private benefit (butt to front of line of applicants).
  - But no social benefit.
- We can (and should) make a social choice to ensure that so-called "low-skill" jobs are still decent, secure, recognized.



# Where are the Jobs of Tomorrow?

## *Top Ten Growing Occupations*

<b>Occupation</b>	<b>Growth Employment</b>
<b>Nurse supervisors and registered nurses</b>	<b>71,200</b>
<b>Computer and information systems professionals</b>	<b>67,800</b>
<b>Assisting occupations in support of health services</b>	<b>50,400</b>
<b>Motor vehicle and transit drivers</b>	<b>45,000</b>
<b>Administrative and regulatory occupations</b>	<b>44,900</b>
<b>Paralegals, social services workers and occupations in education and religion, N.E.C.2</b>	<b>43,300</b>
<b>Auditors, accountants and investment professionals</b>	<b>41,800</b>
<b>Retail salespersons and sales clerks</b>	<b>38,000</b>
<b>Sales and service supervisors</b>	<b>36,300</b>
<b>Secondary and elementary school teachers and counsellors</b>	<b>34,300</b>

*Source: Looking Ahead: 10-Year Outlook for the Canadian Labour Market (2006-2015), HRSDC.*

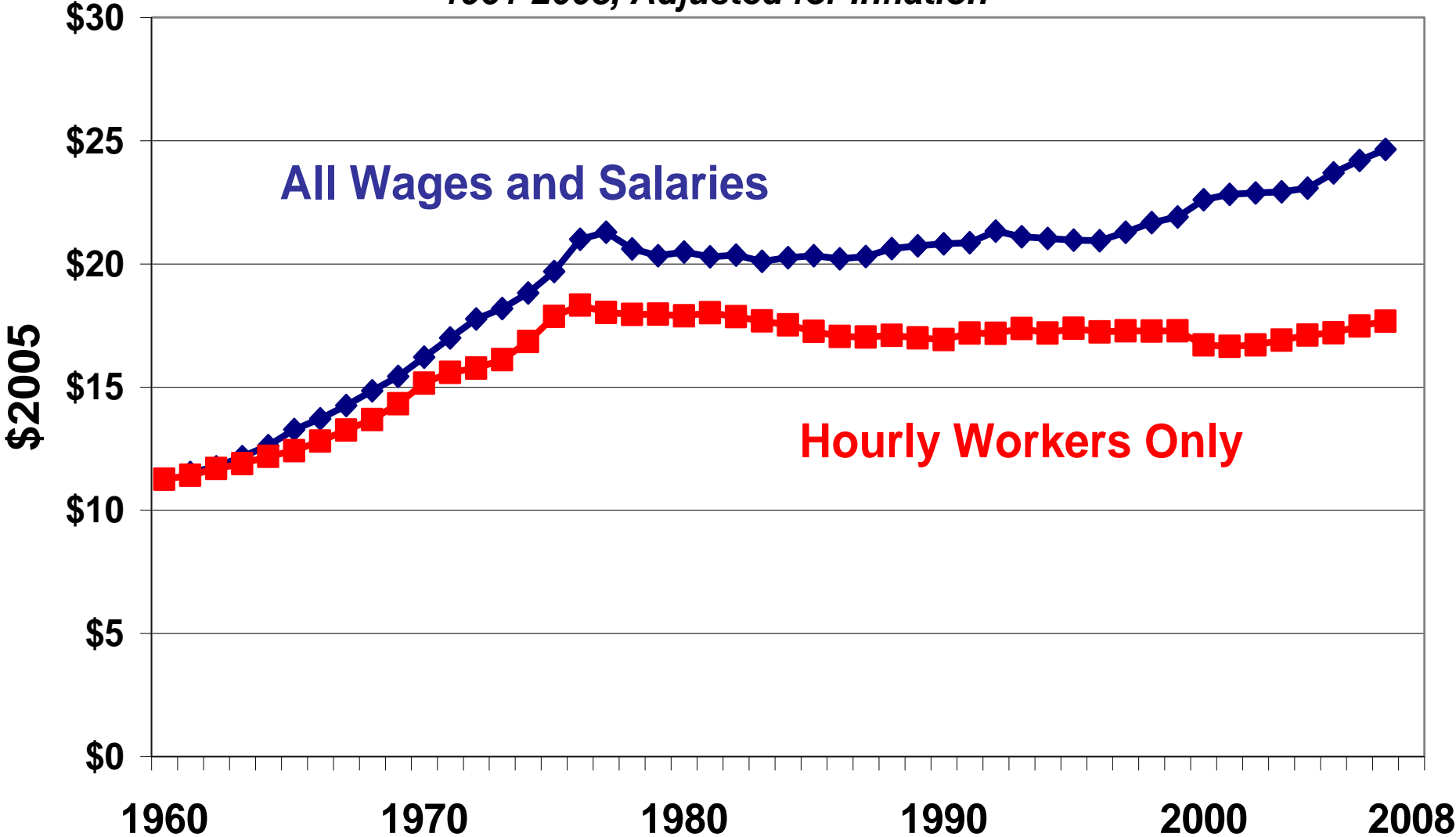
# "Laws of Supply & Demand"

- If something is truly scarce...
- You line up for it.
- And you pay more for it.



# Real Wages in Canada

1961-2008, Adjusted for Inflation



Source: Sharpe et al. (2008), author's calculations from Statistics Canada CANSIM Tables 281-0008, 281-0030 and 281-0022. Hourly worker wages from 1961-83 extrapolated on basis of manufacturing trend.

# The New Cheap Labour Strategy

- Goal: Support employers in age-old problem:
  - Recruit & supervise workers easily
  - Extract maximum labour effort & discipline
  - At minimum cost
- New techniques:
  - Temporary Foreign Workers (1/4 net jobs 2007-11!)
  - EI cuts & "Big Brother" policing of claimants
  - Deunionization
- Justified by myth of "looming labour shortage."
- Blame the victim: if you're poor, it's because you didn't get the right skills.

# Valuing Labour

- If labour and skills are genuinely scarce, then we should value it, not devalue it.
- That will help us use labour more productively, too.
  - Canada's productivity growth since 2000: 0.5% per year.
  - 28<sup>th</sup> out of 34 OECD countries.
  - Treat & price labour like a cheap, throw-away, just-in-time resource, then why would any employer use it carefully & productively?

# A Genuine Skills Strategy for Canada

- Match words with money:
  - Need strong & consistent funding for all PSE
  - Not just universities, not just glamour buildings.
- Stronger links with employers (public and private) in planning & curriculum.
  - Skilled trades.
- Ensure graduates have jobs that use their skills.
- Policies & structures to lift standards and incomes (not cut them).



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