

SUMMARY

Going Forward

A Modern Industrial
Strategy for Canada
in the face of growing
inequality and the rise
of precarious work

A PAPER BY THE



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The modern industrial strategy

From the end of World War II to the mid-1970s North America and Europe enjoyed incredible economic growth coupled with low levels of inequality. Governments made economic plans, unions were powerful, tax was progressive, and government programs were strong. This all changed as a result of the neoliberal turn of the 1980s. Since then, economic plans such as industrial strategies have become taboo, unions have weakened, progressive taxation reduced, and public services have come under attack. The new reality is slow economic growth coupled with increasing inequality. A laissez-faire approach to the economy has to stop. Instead a plan is needed to confront growing inequality head on. This is the role of the modern industrial strategy.

At its core, the modern industrial strategy must be based on the following 5 guiding principles:

- 1. Government Role:** Recognizes governments have an essential coordinating and enabling role to play in the economy
- 2. True Partnership:** Is a true partnership involving government, labour, business, community, academic institutions and other stakeholders.
- 3. Reduced Inequality:** Creates well-paying quality jobs. Puts people and nature at the heart of the economy.
- 4. Whole Economy:** Puts long-term needs ahead of short-term considerations
- 5. Green Future:** Goes beyond the debate between “high tech” and “smoke stack” industries. Provides tools sectors need to be part of a modern economy.

Developing a modern industrial strategy now would help foster greater coordination between government, labour, business, and civil society as well as reduce inequality. If it is possible to do so, this should be the first step to reducing inequality in the long run. However, for this to be a true partnership, it is beneficial for labour to be strengthened to act as a powerful counterbalance to business. It is also advantageous to develop and build on public services that reduce inequality today. In so doing, the neoliberal belief that government intervention is harmful can be further challenged.

If developing the modern industrial strategy requires a longer-term approach, then building up labour and inequality reducing policies and services become steps that lead to its successful development and implementation. In either case, strong labour, public services and a modern industrial strategy are all complimentary approaches to fighting inequality and promoting economic development.

The problem: Inequality

It should come as no surprise that inequality is bad. It is bad for people and it is bad for the economy. Theories and research from psychology have long shown that feeling lesser than others is the source of considerable problems for people. Surprisingly, the results are manifest and obvious in data collected at the national level. Wilkinson and Pickett (2010) find that in the US, inequality is related to a range of life impairing conditions including obesity, mental health burden, violence and illegal drug use to name a few. The story in Canada is much the same. To put it in perspective, Statistics Canada finds that inequality contributes to 40,000 premature deaths per year. To make matters worse, it is becoming harder for people to move from the lower to middle or upper classes. People are getting stuck there. For those who would argue that inequality is necessary, the Organization for Economic Co-operation and International Monetary Fund, as well as a growing number of academics, find that inequality stunts economic growth.

Inequality is getting worse

Inequality is bad and getting worse across the developed world (OECD 2015; IMF 2017). The United States (US) leads the way, but Canada seems to be following suit. Some national level statistics hide this fact because a number of factors have reduced inequality such as the boom in the commodities sector, women's growing participation in the workforce and increased borrowing. However, a closer look reveals the growth of low income and precarious work. In Ontario the percent of nonstandard work has increased to 26.6% of all jobs in 2015 and account for nearly two thirds of new job creation since 1997 (Mitchell & Murray 2017). This is not unique to Ontario; precarious work in its various forms is problematic across the country.

Some countries do better than others

Though all developed countries are experiencing growing inequality, some countries are doing better than others. Varieties of Capitalism typology is used to motivate comparisons between two country types. Canada and the United States are examples of liberal market economies (LMEs). These countries' businesses are organized around market mechanisms. Labour and management have an adversarial relationship, there are low union densities and less government redistribution through public services and redistribution. Not surprisingly inequality is high in these countries. Coordinated market economies (CMEs), including many central and northern European countries (eg. Germany, Sweden) have strong economies and generate

much less inequality. Rather than relying on market mechanisms, business, labour, and governments plan with greater coordination. This occurs at many levels including within business leadership structures. They also tend to enjoy better public services.

To demonstrate the value of this coordination Germany was hit quite hard by the Great Recession and were expected to lose 1.4 million jobs. Instead, employment increased slightly. This job miracle was possible specifically because the relationship that exist between business and labour (Herzog-Stein & Zapf 2014).

The causes and solutions

Though the causes are numerous and often complex, the simple reason why inequality was allowed or even encouraged to grow was because the neoliberal turn of the early 1980s. Governments began to adopt more of a laissez-faire approach to the economy. Union density and influence decreased. The now over empowered business actors including powerful shareholders, uncontrolled executives, untrustworthy managers, have been able to manipulate governments and workers for their own benefit and at the expense of everybody else (Stiglitz 2012; Piketty 2014; Weil 2014; Greer & Hauptmeier 2016).

Strengthen labour

Unions need to be strengthened in order to act as a counterbalance. Within businesses, unions need to adopt the coordinating power that exists in Germany. Union representation on the boards of medium and large companies would empower labour in negotiations and act as a check on the runaway power of business leaders. Politically, unions need to be empowered by increasing density. Laws need to be changed to make organizing easier and more effective. This will promote incremental increases that will strengthen labour in time. Further, more radical changes may be necessary. Precarious workers may spend a lifetime changing jobs within or between sectors. Regional or sectoral unions could complement existing union structures in order to mobilize this massive and growing workforce.

Canada's political parties must also do a better job representing the interests of labour. To motivate them, the electoral system must be reformed. Proportional representation must be adopted at the federal and provincial levels.¹ Better representation

¹ Labour votes are distributed across Canada which reduces their potential impact on the seat shares won by political parties who attract

can then be achieved in two ways. Multiple parties might compete for labour votes by offering labour friendly policy. Alternatively, the NDP might strengthen its commitment to labour in order to win its support. In a proportional system that would have a greater impact on policy than is currently the case. Because proportional representation creates more minority governments, smaller parties have meaningful influence on policy.²

Improve progressive policies

Even outside of this plan, it is important to improve inequality by better supporting Canadians with lower income. Minimum wages must continue to increase; the full-time work week must decrease, and employment insurance must be improved to better assist those who need it today and the growing number of people who will in the future. This list is of course not comprehensive, but represents the types of policies that improve the conditions of those facing low pay and precarious work. Additionally, the more that inequality is tackled through good policy planning, the more it becomes obvious to law makers and the public alike that strong public services and redistribution policies are the best way forward.

Special considerations

Beyond the larger plan outlined above, there are several topics which merit specific consideration due to their unique impacts on inequality and relevance to a modern industrial strategy.

Privatization was largely believed to protect the commons or more efficiently deliver public services. The history of privatization in Canada demonstrates that the primary beneficiary of this process is the new owner rather than the public. What once belonged to everyone becomes the property of a few and private delivery of services has too often proven to be inefficient or ineffective. Public reviews consistent with NUPGE's 5 point plan and the CCPA (2015) recommendations of past and present plans of privatization are required to ensure that the public truly benefits from privatization. Where privatization has failed, it must be reversed.

Education and training provides workers with the capacity to better command meaningful wages and good jobs. This begins with accessible and high quality early childhood education and better benefits for new parents to ensure that they can

them. In a proportional system the distribution of labour votes would not negatively affect seat count, so labour votes would translate into more seats for the parties who earn them. Parties would therefore place a greater value on representing labour.

² Minority governments require the ongoing support of at least one smaller party in order to continue governing. They often achieve this through offering policy concessions to smaller parties.

raise their children in the earliest years if they so choose. The policies improve not only investment in children, but at least as importantly allow parents, particularly mothers, to return to the workforce and improve their incomes. Women's' income is a central mechanism for fighting inequality between genders and between income classes (OECD 2011). Post-secondary education and training must also be accessible, high quality, and geared towards the needs of the current and future Canadian economy. Business should also be encouraged to invest in the training of their employees which is characteristic of CMEs and a major reason why companies hold on to their workers in those countries even through downturns.

Innovation is also necessary for the development of Canada's economy. For the most part, CMEs, with higher union densities and coordination with business and government demonstrate advantages in incremental innovation (Malik 2017). Only in high-tech industries characterized by radical innovation do liberal business structures foster more innovation. Canada should therefore adopt CME style institutions to promote innovation, but allow some exceptions based on evidence that they are better at innovating as is.

The environment must be protected to ensure that a vibrant economy is even possible in the future. Transitioning to a greener economy must not only occur, it must not leave people behind. To that end labour has demonstrated that it is the best actor to promote the continued welfare of workers through such a transition, so that old jobs which disappear with time will be replaced by good new jobs. This is quite possible; the Green Economy Network estimates that a million jobs can be created through such a transition. Financing a just change involves taxing carbon and earmarking the revenues specifically for this transition and the development of green infrastructure.

The more distant future

If trends continue, the more distant future will be characterized by a minority of workers occupying highly paid jobs and everyone else enduring the hardships of low-paid precarious work. Given the possible scope of this problem, it is essential to plan ahead and build institutions and policies which are capable of responding. Guaranteed annual income (GAI) needs to be further explored as a complement to a well-funded comprehensive public service. Strong progressive taxation on income and wealth will also be required (Piketty 2014). These new revenues could fund GAI and other programs necessary to fight inequality now and in the more distant future. International agreement will likely be necessary to ensure the closing of tax loopholes, hiding of wealth in tax havens, and general race to the bottom tax behaviours of developed countries.

Conclusion

A MIS is the ideal framework through which multiple stakeholders can together shape a long-term plan for the economy. Because it is unclear exactly what the future will bring, a supporting National Advisory Council representing governments, labour, business, civil society, and academics must regularly review and update the strategy overtime. There is more than one path forward, but the best first step is to empower labour. Labour as an actor is best situated to promote equality in such a forum and the stronger labour is, the better the results will be.

Get the full paper

[GOING FORWARD: A Modern Industrial Strategy for Canada in the face of growing inequality and the rise of precarious work](#) can be downloaded from the Canadians for a Modern Industrial Strategy website

<https://industrialstrategy.ca/>



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