

Notes for

**Ken Georgetti, president
of the
Canadian Labour Congress**

to the

**Ontario Federation of Labour Forum
on the Manufacturing Crisis**

**October 25, 2006
9:00 a.m.**

**Crowne Plaza Hotel
Toronto, Ontario**

Thank you for the opportunity to address this important forum.

You certainly don't need me to tell you what you all know.

Canada's manufacturing sector is in a deep crisis.

Over the past four years, we lost one in seven jobs – about 15% of the 2-million jobs we used to have in the sector.

Almost 300,000 jobs have disappeared. Gone. Many more layoffs and plant closures are on the way.

Three hundred thousand jobs. Gone. Good jobs. Many of them were highly-skilled jobs. Close to half of them were union jobs. They paid an average of \$21 per hour.

They were the kind of jobs which supported a decent standard of living for ordinary working people, their families and communities.

The last time we saw job losses on this scale was between 1989 and 1992 when our economy was in full recession. But if you believe the banks, the right-wing think tanks or the wizards at Council of Chief Executives, our economy is robust.

I suppose if you're a capitalist – someone who makes their money from investments or from the spillage of moving so much of other people's money around – you might think things are pretty rosy.

If you're someone who works for wages, odds are your future isn't as bright as it was just a few years ago.

Because it doesn't stop there. Manufacturing jobs are the wellspring for jobs in other sectors. When we lose them, we lose good jobs in the sectors which supply manufacturing companies with specialized inputs. Sectors like transportation and business services to name just two. It's a domino effect that cuts across the rest of the economy.

We hear a lot today about the need to build a highly-productive and innovative, so-called knowledge-based economy. The impression is often left that the good jobs of the future have nothing to do with the old business of making things.

The fact of the matter is that fully two-thirds of research and development in Canada is undertaken by the manufacturing sector.

Natural resources are an important part of our economy. But we need a strong manufacturing sector to add value to those resources before they are exported.

It is true that the energy boom is creating jobs, good jobs, particularly in Western Canada. But, in terms of direct jobs, the oil and gas industry has replaced only one in six of the jobs we have lost in manufacturing since 2002.

And I have to point out that our conventional oil and gas reserves are already running out. We would be wise to manage our energy resources for the long term, and to use those resources to lever long-term, sustainable jobs. Jobs that add value to those resources. Jobs that create wealth instead of merely extracting the wealth those resources already represent.

We also hear a lot today about the need to improve Canada's productivity performance.

One of the worst ways to do that is to shift jobs from high-wage/high-productivity industries to low-productivity/low-wage industries. But that's precisely what we're doing in Canada today.

The proportion of all jobs held by adult workers which pay less than a poverty-line wage of \$10 per hour has been increasing, to one in eight adult jobs in 2005. Most manufacturing workers who lose their jobs take a big pay cut if and when they are lucky enough to find a new one.

My key point, then, is that we need to maintain and build up our manufacturing sector as a major source of good jobs for the future.

It is not a matter of holding on to what some would call the "old economy". It is a matter of recognizing that manufacturing must be a major part of the "new economy" which we in the labour movement want to have.

The bottom line: Canada needs a long-term jobs strategy.

Fundamental to that strategy is building an innovative and highly-productive manufacturing base – a base which can support well-paid jobs with decent working conditions.

Other countries have done this. Their economies are strong, communities are prospering and their citizens are reaping the benefits.

Canada's role in the world must be as a supplier of goods and services which sell on the basis of being unique and of high quality.

This requires investment in research and development, investment in skills, and investment in leading-edge new plants and new machinery and equipment.

And it requires a plan, and an agenda. Because, quite frankly, much of the Canadian manufacturing sector as it exists today is not up to the challenge.

A key factor behind recent job losses has been the sharp and continuing increase in the exchange rate of the Canadian dollar against the US dollar.

Driven up partly by the global energy and resources boom, the high dollar has cut into our exports of manufactured goods, and has led to a surge in imports from China and other Asian countries.

Between 2002 and 2005, our trade deficit with China jumped from \$12 billion to \$22 billion, and the raw natural resources share of our exports has soared at the expense of manufactured goods.

Adding to the problem in a major way, Canadian manufacturers have traditionally relied on a low dollar, rather than investing enough in new machinery and equipment, research and development, and worker training. The statistics clearly show that Canadian corporations have under-invested in innovation and in skills training compared to more successful industrial economies.

The constant mantra of the corporate elite – repeated by most politicians – has been that free trade deals and low-corporate taxes plus attacks on the living standards of workers will lead to increased international competitiveness.

That strategy has clearly failed. Free trade agreements modelled on the Canada-US deal have led to job losses, unbalanced trade outcomes, and relentless downward pressures on wages, benefits and working conditions. Even unionized manufacturing workers have seen little increase in wages and benefits even as work demands and productivity have increased.

As a country, we have become more rather than less dependent on raw resource exports. High corporate profits have not been ploughed back into major new investments.

In the background paper for this conference, the Canadian Labour Congress has put forward the beginnings of a plan for good jobs and wealth creation.

Let me quickly just go over a few key elements of our plan.

We need monetary policies which help contain the sharp rise of the Canadian dollar. It's true that the Bank of Canada cannot control resource prices, or the level of the US dollar.

But they do control interest rates here in Canada, and these were higher than in the US for most of the period since 2002 when we have been losing jobs by the thousands.

We need international action to secure more balanced trade between developing Asia and North America. A key problem for us is not just that the Asian share of our market is growing fast, but also that our share of the US market for manufactured goods is shrinking as the US trade deficit with China explodes.

Part of the problem is that most Asian currencies, including that of China, are tied to the US dollar at too low a level.

Another big part of the problem is that countries like Korea and China have an industrial strategy, and we do not.

They welcome foreign investment where it works for them, and block it where it doesn't work for them. Their governments directly support investment in the export industries they want to move into, and often limit imports to build their own industrial capacity.

The problem is not the growth and development of China, which should be good news for the world. The problem is that their growth is driven far too much by exports based on very low wages, and far too little by rising wages and living standards which would lead to more balanced trade.

The federal government must press the case for protection of labour and democratic rights in all so-called free trade agreements. We can also push for trade balancing provisions on a sector by sector basis in future trade deals, such as that contemplated with Korea.

We need government support for new manufacturing investment through targeted programs and tax measures, not more across the board corporate tax cuts.

We should support a temporary investment tax credit for investment in new manufacturing machinery and equipment, with a higher credit for purchases of Canadian-made machinery.

This would encourage companies to invest now, rather than shut down product lines or even entire plants.

We need to continue and increase direct government support for new job-creating investments.

The world we live in does not operate on pure free trade principles. Government policies do make a difference in corporate investment decisions.

Canada has built capacity and created lots of good jobs in the aerospace sector by supporting long-term, high-risk investments in research and development.

The recent Ontario-Canada automotive strategy has been at least a partial success, resulting in major new investments.

We need to extend these programs to other sectors. We have also called for a Sector Development Bank to assist in the restructuring of firms through injections of long-term equity in firms in particularly hard-hit sectors, such as textiles and clothing, and pulp and paper.

The aim is to support new investments to retain jobs, while generating a return to the public over time.

We are not talking about corporate welfare and give-aways. We must insist that any government support for new investment is conditional on the protection and creation of jobs, and has real strings attached.

We need comprehensive reviews of foreign takeovers to safeguard jobs and ensure net benefits to Canadians. It was a farce that we allowed foreign takeovers of Inco and Falconbridge without even discussing key issues like how to build a stronger mining machinery sector here in Ontario, and how to expand research and development to increase value-added processing in the mining sector.

We need to make a serious commitment to worker training as part of a good jobs strategy. It is a scandal that manufacturing companies here in Ontario are still complaining about a shortage of workers in the skilled trades, and still failing to invest in apprenticeship programs. Ordinary workers still receive far too little training in the workplace, and have little or no opportunity to take leaves to upgrade their skills.

Many recent immigrants cannot get their skills recognized.

Part of the solution we have called for is to allow workers to receive EI benefits to take training as part of a developed training plan at the company or sector level. We want to pilot this kind of program, based on apprenticeship training, in the manufacturing sector.

We need to develop a Green Industrial Strategy for Canada as part of a plan for reaching the greenhouse gas reductions called for in the Kyoto protocol and achieving greater energy efficiency.

Workers deserve more, and they must get more.

Pension benefits must be guaranteed and wage protection for workers impacted by bankruptcy must be implemented without delay. EI funds should be used to support retraining on the job prior to layoff, as well as serious retraining programs and mobility assistance for displaced workers. And EI regular benefits must be significantly improved.

Brothers and sisters, the key point that I want to leave with you is that we as a labour movement can and will respond to the jobs crisis. We must develop our own ideas, and take them to the rank and file and to our communities. We must press those ideas with the federal and provincial governments as a major part of our agenda for political action.

That is precisely what we at the Canadian Labour Congress will be doing in the next few months, in the lead-in to the next federal election.

Thank you very much.

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