

New Democratic Party of Newfoundland

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Toward an Economic Development Strategy for Newfoundland and Labrador

The Persistence of Unemployment

The most serious long term problem in Newfoundland and Labrador, quite simply, is that there are not enough jobs for all the people in the province who want to work.

Statistics Canada says that the unemployment rate in Newfoundland in the summer of 1981 was in the range of 14%. On the surface of it, this is a big improvement from previous years, when the unemployment rate was as high as 16-17%. On the face of it, things seems to be getting better in Newfoundland.

But if all the people who have dropped out of the labour force because they cannot find jobs, those who feel their prospects for employment are so limited that they have stopped looking for work, are added in, then the unemployment rate for Newfoundland, again based on Statistics Canada figures, rises to nearly 21%. Nearly one out of every five workers is, available for work and cannot find a job. This means, in the summer of 1981, about 55,000 people for whom there are no jobs.

But even this measure significantly understates the level of unemployment in Newfoundland. When an economy has been so depressed as Newfoundland's, for so long, many people, especially young people, never even enter the labour force. Many people who would work if there were jobs never even get to the point where they are counted, either as unemployed, or even as 'hidden unemployed', those who were once in the labour force but have given up looking. Many people, in fact, never even start looking.

The People's Commission on Unemployment, a few years ago, found itself faced with the reality that the numbers of people touched by the long term lack of jobs in the province were much greater than those expressed in the official statistics. They found that they had to come up with their own way of measuring unemployment. On the assumption that people in Newfoundland are as eager to work as people anywhere else, and that they would take jobs, if they were available, at the same rate that people take jobs in the more prosperous parts of the country, they came to the conclusion that the real unemployment rate in Newfoundland and Labrador in 1977-78 was, in fact, in the range of 35%.

If we repeat the People's Commission calculations for 1981, we find that in a vibrant economy like Alberta the participation rate, the proportion of adults in the province who are actually working or looking for work is 71-72%, while in Newfoundland the participation rate is in the range of 53%, while if you remove the unemployed from this the actual employment rate, the proportion of adults in the province who are actually working, is just under 46%. On the assumption that a similar proportion of people in Newfoundland would be working or looking for work if the economy were in better shape, the rate of real unemployment in Newfoundland in the summer of 1981 is in the range of 36%. Most of these people, in fact, are not counted by the traditional methods of measuring unemployment. Nearly 36% of the people who would work if there were jobs for them are unable to find work.

The social and economic effects of this prolonged depression in the Newfoundland economy are devastating. As the People's Commission found, the personal effects of unemployment are severe. The effect on towns and

-2-

villages across the province is also severe. In many towns, virtually the entire population of young people, as soon as they graduate from school, leave to find work elsewhere. No one who travels to and from Newfoundland in 1981 can fail to see the exodus of able bodied young people who are moving west, to the prairies or Ontario, to find jobs. A whole generation of our young people are either moving out of the province to find work or are locked into a cycle of unemployment and social assistance from which it will be impossible to break out if something is not done to create jobs and economic growth here in the Province.

The Failure of Past Economic Strategies

In the past, the Newfoundland government has acted on the assumption that if we were to make it attractive enough for outside interests to come into our province to develop our resources, the result would be industrial growth and jobs. In fact, the exact reverse has happened. Anyone familiar with the history of resource development in the province can name a long string of companies who have come into the province, exploited our resources for a while and then left. The result is often worse than if they had not come at all, as people are taken out of their traditional occupations and their homes to take up jobs that have disappeared as soon as the resource became less profitable to exploit. In 1980-81 the provincial government collected more in tobacco taxes on residents of the province than it did from mineral taxes and royalties; Newfoundland has among the lowest rates of resource taxation in the country, yet the mining industry in the province is collapsing. Iron ore production, our major mineral resource, actually fell over 13% in 1981. We have followed a traditional policy of giving away our mineral resources to anyone who would come in to exploit them, and the result has never shown up in terms of jobs and economic growth.

Similarly the federal government's "regional development" policy, in Newfoundland, has only succeeded in reinforcing the dependence of the province on federal government handouts. With just under 2% of the Canadian labour force, Newfoundland has just under 4% of the unemployed, even on traditional methods of calculating the unemployed. At the same time, the Newfoundland fishery, the mainstay of the economy is in the process of collapsing as our traditional markets disappear and we find ourselves unable to break into the new markets that we need to keep the fishery going. At the end of a generation of federal government regional development policies, the Newfoundland agricultural sector has all but disappeared, and we find ourselves totally dependent on outside supplies for our food.

Low Incomes, High Prices

As a result of the failure to employ our people in meeting our own basic needs, we find that while Newfoundlanders, on average, have the lowest incomes in Canada, their cost of living is among the highest in the country. Personal per capita income in Newfoundland is only about 2/3 that of the national average, and about 30% out of every dollar that the average person in Newfoundland has to spend come from government transfer payments - welfare, unemployment insurance, family allowance, pensions. At the same time, Newfoundlanders pay the highest level of sales taxes in the country, and the level of provincial taxation in general is significantly higher than in any other province. Newfoundlanders pay more for phones, electricity, heat, and so on. Food costs and the costs of basic needs are all also much higher than elsewhere. A recent federal Department of Agriculture survey found that while the average family of four spends about \$83 a week to feed itself properly in Toronto in the summer of 1981, the average family of four

-3-

in St. John's needs to spend about \$89 to feed itself properly.

In addition to the lower incomes and higher costs associated with living in Newfoundland, people in the province have the lowest levels of services available to them of any province in the country. The number of patients per doctor and dentist is the highest in the country, the average number of hospital beds available per capita is the lowest in the country, and the number of school age children enrolled in higher education is the lowest in the country.

The Need for a New Economic Strategy

Clearly, the old strategies for economic development have not worked. Depending on multinational corporations has perpetuated our status as a resource colony of the more industrialized parts of the country, and has not produced either enough jobs to employ our people, or enough revenues to provide basic services. Regional development strategies have produced only temporary make-work jobs in Newfoundland, and attempts to prop up the provincial economy with handouts from Ottawa only mean that dollars spent in Newfoundland go to prop up the economies of central Canada where the things we have to buy are produced. A new approach to economic development is needed.

The basic approach to economic development in Newfoundland is not new, nor is it mysterious. In many ways, in fact, it is just the reverse of the many policies that have been followed over the years by the federal and provincial governments.

The People's Commission on Unemployment, after it had examined the problems of economic underdevelopment across the province, outlined a series of principles for economic development. The principles are as follows:

1. The Importance of Jobs: every Newfoundlander should have the right to employment in humane conditions at a fair rate of pay, and the government should make this right a cornerstone of its policy.
2. Doing it Ourselves: central to any economic plan must be the goal of reducing dependence on economic and political institutions whose primary interests conflict with those of Newfoundland and her people.
3. A Vibrant and Active Public Sector: if we reduce dependence on multinational corporations as vehicles for investment and economic development, and if we work toward a new relationship with the federal government, the provincial government must step in and acknowledge its direct responsibility for economic development.
4. Keeping Our Traditions: rural lifestyles must be strengthened and preserved. People should not have to leave their homes and traditions behind in order to find work.
5. Minimum Standards: there are certain social standards that the

-4-

government must see as an irreducible minimum. Services must be increased in many areas, and they must not be sacrificed to budget cutting or "restraint".

6. Equality of Treatment: the principle of equal pay for work of equal value must be central to our economic strategy, and we must pledge ourselves to the principle that economic opportunities and social services must be equally available to people in every part of the province.

A New Democratic Economic Strategy for Newfoundland and Labrador

Based on the principles above, the NDP economic strategy has as its goal stimulating economic development in Newfoundland that will be based on our strengths and our traditions, and will ensure that the benefits of economic development are shared among all people of the province.

1. The Importance of a Strong National Economy. Like the rest of Canada, Newfoundland cannot prosper without a strong national economy. We cannot sell our resources if there is no market for them, and we suffer, like the rest of the country, from high interest rates for mortgages, car loans, small business loans and so on. Inflation eats away the value of our incomes. The Premier of the province must take it as his responsibility to argue at federal provincial conferences for strong economic stimulation, lower interest rates, and relief for those on low and fixed incomes, and he must use the prestige of his office to attempt to create a national consensus that social services and income support programs like unemployment insurance must not be cut in the pursuit of lower deficits.
2. A Strong Public Presence in Resources. In Saskatchewan Saskoil provides a strong presence in the oil industry, and returns revenues to the provincial government. Similarly, the Potash Corporation of Saskatchewan has taken a strong position in the potash industry in Saskatchewan and is able to influence both price and supply of the resource. Even Tory Alberta has accepted the principle of strong government involvement in the resource sector and has set up a number of corporations to administer the provincial stake in oil, either through direct public ownership or through joint ventures with the private sector.

In the case of offshore oil, the Newfoundland and Labrador Petroleum Corporation, in principle, can take a 40% interest in any oil development. However, there is no indication yet that the government intends to become more than a passive holder of resource rights that will be developed by the private sector.

The provincial government should pledge itself to a strong public presence in the petroleum sector, and should turn the NLPC into an actual working oil company along the lines of Saskoil, that would explore, develop the oil resource, and return the profits to the people of Newfoundland in the form of economic development.

The principle that the provincial government has an automatic

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-5-

right to a certain percentage of any resource development should be extended to the resource sector in general. The provincial government should set up a Crown Corporation to administer its holdings, and should become, at the very least, an active partner in the major resource developments of the province.

3. Resource Profits for Newfoundland Development. In the past most of the profits of resource development have flowed out of the province in the form of profits and dividends to nonresident owners. The government should pledge itself to the principle that a certain percentage of the profits from resource development should be invested in the Newfoundland economy, to produce jobs and growth here.

One way to do this, of course, is to involve the government directly in the development, and the profits, of resource development. But if there is to be a continuing significant private sector presence in the resource sector in Newfoundland, some mechanism must be found to make sure that they invest some of their profits in the province.

One method of doing this might be to set up a development fund, devoted to investing in Newfoundland. Resource companies operating in Newfoundland would be required to place a certain proportion of their profits in a Newfoundland and Labrador Development Bank. The Bank would issue bonds, or shares, and would pay interest, or perhaps dividends based on the profitability of its enterprises. The bank would have significant provincial government control, and would use its funds to invest in Newfoundland, with a heavy emphasis on ensuring that small business, local contractors and people in rural Newfoundland were able to benefit from the exploitation of provincial resources.

4. Support for the Newfoundland Fishery. The inshore fishery is the mainstay of many people's incomes, but it has suffered from deteriorating markets and uncertain prices. The provincial government must pledge itself to prevent the inshore fishery from collapsing, and must support guaranteed prices for fish and a renewed effort, with the use of resource revenues from other sectors, to develop new markets in Canada for the products of the inshore fishery. Especially, the provincial government must work to develop the inshore fishery in such a way that fishermen will not have to leave their communities in order to pursue their work.

5. A program to Counteract High Food Prices. Food prices in Newfoundland are significantly higher than anywhere else in Canada, and part of the problem is that large food chains make much higher profits on their sales than similar chains on the mainland. In order to bring down prices, the provincial government must work to break the near monopoly situation that the large food chains have in many areas of the province. It can do this by stimulating the cooperatives and small independent food retailers who are increasingly being pushed out by the chains.

An NDP government would be prepared to invest a significant

-6-

amount of money in helping the small wholesalers and the small independent retailers and coops to set up their own wholesaling operation to compete with the large chains, and would be prepared to provide marketing and management advice in order to ensure vigorous and efficient competition to the large food chains.

Labelled the "WIN" program (wholesaling for independents in Newfoundland) we believe such a program to provide competition in the retail food sector, and to provide the management and other expertise needed to enable the small food retailers to do it efficiently, would produce much lower food prices in Newfoundland.

6. A program to Counteract High Housing Costs. Especially in St. John's, housing prices have driven low and middle income people out of the market, and apartment vacancy rates are virtually zero.

The provincial government must pledge itself to set aside enough money to provide low and middle income housing in areas like St. John's, with enough rental housing for renters who are being driven out of their homes by high rents, and a program to stimulate the construction of low priced housing for those who wish to buy.

This program must be supplemented by a stringent Landlord and Tenant Act in Newfoundland which will prevent landlords from evicting existing tenants simply in order to re-rent at higher prices to new tenants, and by controls on the ability of landlords to simply raise prices as high as the market will bear.

7. Help for People on Low and Fixed Incomes. The Newfoundland and Labrador Federation of Labour has called for an increase in the provincial minimum wage, so that it would be tied permanently to the cost of living and to the average of wages and salaries across the province. An NDP government would immediately raise the minimum wage to a level that provides a decent income to unorganized workers, and would index it permanently to a cost of living and the general level of wages and salaries.

Social assistant payments form a significant part of many people's income, and if the government cannot produce the economic growth that provides jobs, it can at least ensure that people on social assistance do not fall behind as costs rise. An NDP government would index social assistance payments to the cost of living index. Similarly, provincial pensions should be indexed to the cost of living.

8. A New Training Policy. With new resource developments, especially offshore oil in the mid 1980's, new job opportunities will open up for Newfoundland's people in areas that require high levels of skills. Too often in the past, the managerial and technical jobs in the resource sector have gone to outside people and Newfoundlanders have not benefitted as much as they should. There is some evidence that the same story is repeating itself in the oil industry. A recent study by the Petroleum Directorate showed that offshore drilling crews were only manned 55%

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-7-

by local people; seismic crews were only 50% local, and onshore operations, which includes managerial staff, technical support, secretaries and so on, was only 65% local labour. In fact, most of the local labour component of these jobs is clustered at the low end of the scale, with managerial and highly skilled jobs overwhelmingly filled by people from outside Newfoundland. The provincial government must pledge itself to begin, now, to train local people for the jobs that will be available in increasing numbers as the resource development gets under way, and it must pledge itself to spend a significant amount of money either upgrading existing training facilities or building new ones to meet the need.

All of these components of an economic development strategy have one common element: the provincial government must accept the responsibility for directing economic development in the province, and must ensure that the primary benefits of that development flow to the people of the province rather than the resource and other corporations. For too long, provincial governments have assumed that their only responsibility was to provide an attractive climate for outsiders, and that benefits to ordinary people would "trickle down" from profits made at the top. The first step in a new development strategy is to change our attitude and to understand that the responsibility, and the benefits, of economic growth, are ours, not someone else's.