



August 9, 2013

To all OPSEU Members

A letter from President Warren (Smokey) Thomas

Summer provides time for reading and thinking. When I can, I check out blogs from both sides of the Canada-U.S. border. The American experience can predict what we may face in the future. One blog I look at is Business Insider (B.I.), a news website based in New York City that analyzes business news from around the web. A publication like the New York Times cites news from this blog. B.I. recently blogged about the need for stronger labour unions.

I am amazed by how the role of unions has changed. Not long ago unions were formed when employers did not meet fair working conditions and compensation in an industry or sector. They ensured outlying employers faced some regulation for their actions. In most, this resulted in funds coming back into the company from executive perks and pay or excessive shareholder dividends. The workers got a share and the company grew stronger. This reduced government regulation and intervention. With viable unions, economic forces were better balanced. Corporate self-interest was not left in total control.

This provided the path to address service improvements for clients, complaint resolution, quality issues and health and safety concerns. Staff could speak about problems without fear. This balance has been upset by those who control or own businesses and organizations. Their attacks have reduced employee union rights. With this, the voice of employees was silenced.

Bosses may find this liberating. They can then focus just on profits and efficiency. If wages can be reduced they should be. If services can be

trimmed without losing customers, so be it. Other agencies then follow to remain competitive. That enterprise will then cost less and/or provide greater profits. In the case of government services, this will respect the taxpayer. With this the boss will also get their year-end bonus.

Many OPSEU members now feel the pinch of these practices. We see from the B.I. blog points below where this has taken the American economy.

(1) U.S inequality is so extreme that it is worse than any time since the late 1920s.

(2) Corporate profit margins are at an all-time high. Companies are making more per dollar of sales than they ever have before for goods and services.

(3) Wages as a percent of the economy are at an all-time low. One reason companies are so profitable is that they're paying employees less. More broadly, this narrow view of "shareholder value" has led companies to put "maximizing profits" ahead of another critical priority in a healthy economy: investing in human and physical capital and future growth.

(4) U.S. companies have become so obsessed with generating near-term profits that they're paying their employees less, cutting capital investments, and under-investing in future growth.

*So what's the solution? Ideally, companies would voluntarily share more of their wealth with their employees. If companies can't be persuaded to do this on their own, maybe it's time to do one of two things. Increase minimum wages **and promote unions.***

American research shows there is a correlation between the share of the national income going to the top 10% of earners and membership in a union. What it suggests is that, as unions have declined, income inequality has soared to that top 10% to the disadvantage of the 90% below them.

Right now the U.S. has the highest corporate profit margins in history, combined with one of the highest unemployment rates in history. We also have the lowest wages in history as a percent of the economy. That's not good for the economy and it's also just not right.

With the American economy at a low point, even "the union option" is back as a way to build prosperity.

This is why OPSEU sent a film crew to the States. They documented how anti-union laws have played out. From Michigan to South Carolina - the devastation was easy to find. Closed factories, empty shops and

abandoned homes were all around. This fall, OPSEU's film will show how policies now proposed by Ontario conservatives have wrecked lives in the U.S.

The U.S. hit bottom before realizing unions are the solution and not the problem. By learning from them Ontario does not have to suffer the same fate.

Unions were put in place to curb the excesses of capitalism. Capitalism is good at generating wealth, but for whom? In the last century, along with wealth for some, it brought about economic collapse, poverty and starvation for others. Jobs were lost; farms abandoned; factories closed and ghost towns created. An entire generation learned from this lesson.

Back then governments set up structures to balance power between the rich and poor. Labour legislation legitimizing unions was one measure. Others included pensions, minimum wage laws, unemployment insurance, universal health care, progressive taxation and increased access to education programs were created to provide a solid floor for all citizens. From this foundation they could then express their initiative and drive. More would succeed while fewer would fail. It is no surprise that these interwoven programs are now under attack. Tear at one and you destroy the bundle.

Canada's wealth (GDP) has increased a lot over the last 50 years. While our deficit also bumped up in response to the U.S. mortgage generated financial collapse in 2008, the annual deficit levels are now declining as economic growth outstrips borrowing rates. Our situation also benefits from low interest rates. So, while we have an unpaid balance on our societal credit card, we can breathe easy given our income is growing faster than the increase in our unpaid balance.

The federal and provincial governments remain on the austerity track. That austerity is just slowing the economy. Investing in the public sector is investing in the economy. This investment should come through tax fairness, taxing under-taxed corporations (who can't be bothered to invest because customers are broke and can't buy anything), and setting up rules that would require corporations to invest their pooled profits in the economy. The fact is that there's more money in Canada than ever before, yet regular people are taking it on the chin.

Based on the experience in the U.S., the following points are clear:

1. Canada and Ontario needs counterbalancing structures (like unions) to keep one group from running off with the riches.
2. Our society and economy continue to generate ever-increasing wealth. At the same time we are facing greater income inequality

- with most wealth going to just the top 10%.
3. Canada as a society is richer than ever before, with our deficits growing at rates well below that of our income (GDP). Yet with this increasing wealth, we continue to starve ourselves of transit improvements, hospitals and valued public service growth.
 4. With these continuing trends we can retain social programs without undue economic cost. In fact, added public programs like pharma-care and childcare would provide benefits while being affordable in our ever richer economy.

But this is not the picture our leaders paint. They want the balance to be paid off by further starving the economy and lowering expectations. This is both needless and wrong. The same could be accomplished by reducing current income inequality.

It takes a lot to change how we view the world and our economic status. This fall, OPSEU's public education campaign will try to debunk current myths. Ontario needs stronger unions and employment standards, including improved minimum wages. If we see, understand, and accept facts, we can move ahead to avoid the American experience.

In solidarity,



Warren (Smokey) Thomas
President

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www.sefpo.org



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