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WOMEN IN A CHANGING ECONOMY

Organized Working Women

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1. Women in a Changing Economy

The Free Trade Debate

When the history of the free trade battle is recorded, writers will note a unique twist to the story. Never before has there been a country-wide debate - much less on economics - where women have figured so prominently.

It is the social consequences of the Canada/U.S. Free Trade Agreement which have mobilized women. Economic "readjustment" will throw hundreds of thousands out of work, with little recourse to retraining or alternative employment. Any social policy requiring a commitment from corporations - health care premiums, pension contributions, pay equity, taxation to finance childcare, social welfare, health and education - will have to be uniformly applied or opened to U.S. trade remedy laws. We will become subject to a continental social policy, as well as a continental economic policy.

Women and Economic Policy

Trade is economics. Women, with a handful of exceptions, have been absent from economics. Female trade unionists who took to convention floors on social issues were noticeably absent at the microphones when resolutions on the economy came up. But this is changing. The Mulroney free trade deal and other key elements of the Tory agenda have been taken up as women's issues.

The Conservative government's fetish about the "free market" is particularly worrisome for women. The market has never been our friend. Minimum wages, pensions, unemployment insurance, family allowances, as well as environmental, health and safety, affirmative action and pay equity laws exist to protect the most vulnerable members of society from the ravages of the market place.

Whether it's privatization or tax reform, women have added a whole new dimension to economic debates in this country. As people who have been dealt out of the Canadian "dream", we are understandably upset about policies that not only delay women's rate of progress, but will actually leave us in a worse position than we are in now.

Women in a Changing Economy is a guide to some of the economic policies which threaten to turn back the 'equality clock': free trade, privatization, deregulation and tax reform. More than a critique of conservative economics, this booklet also offers alternative strategies where equality, employment and job security prevail.

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2. Free Trade and Women

Free trade is more than the removal of tariff barriers. It will mean a much closer integration of the economic and social systems of the United States and Canada.

Unfair Trade Practices?

The supposed reason for entering into the agreement in the first place was to counteract U.S. protectionism. The United States was using its trade laws to challenge the Canadian way of managing the economy, arguing that a wide range of Canadian practices are "unfair" subsidies to export industries. The intent of negotiating the agreement was to ensure that U.S. trade legislation could not be used to retaliate against Canadian exports.

The tragedy is the agreement does not deal with the issue of how an "unfair subsidy" will be defined -- the promised exemption from U.S. trade laws never materialized. As a result, Canada has undertaken a whole range of changes which will dramatically affect our way of life, without any guarantees of access to the U.S. market for Canadian industries.

The free trade deal is packaged in two parts: The Canada/U.S. Free Trade Agreement and Bill C-130, the federal government's legislation to change Canadian laws. The commitments in the Free Trade Agreement itself will require other changes, beyond those contained in the Bill C - 130 legislation. All of these changes will be devastating to women, when they eventually come into place.

Jobs, Jobs, Jobs...

Manufacturing

Women's employment in manufacturing is concentrated in industries where jobs are most at risk: textiles, clothing, food processing, electrical and electronic products and other consumer goods. Textiles and clothing are the largest industrial employers in Canada and account for 7% of our total national income.

The women who will be particularly affected by job losses in manufacturing are immigrants, women of colour, older women, disabled women and women with low levels of formal education. While new and better jobs are promised, there is little real evidence this will occur. Where women have moved out of manufacturing jobs in recent years, they have tended to find work only in low-paying, unorganized jobs and part-time work in the service sector.

Services

The majority of women work in the service sector (84%), where jobs will be threatened as restrictions on the provision of services from outside the country are removed. Just about every type of service can be traded internationally, including banking, data processing, telecommunications, computer services and culture. The removal of the current restrictions on data processing, for example, will eliminate many clerical jobs which will shift to low-wage states in the U.S.

Also, in the free trade agreement, there is a no "country-of-origin" provision for services. This means that much of our data processing could occur in low-wage countries and be imported into Canada via the U.S.

The free trade agreement also lays the groundwork for the privatization of public services. This will result in the loss of many women's jobs in areas of work which are among the better paid in Canada.

Agriculture

According to the National Farmers Union, almost half the production from family farms in Canada is the result of women's labour. Women's work in agriculture is jeopardized because so many of our agricultural industries are at risk under free trade. With increased competition with U.S. agribusiness, Canadian farmers will lose access to our own domestic market. Canadian grain growers, fruit and vegetable farmers, the dairy industry, the grapes and wine industry, the horticulture industry and poultry and egg production are particularly threatened by free trade.

Wages and Working Conditions

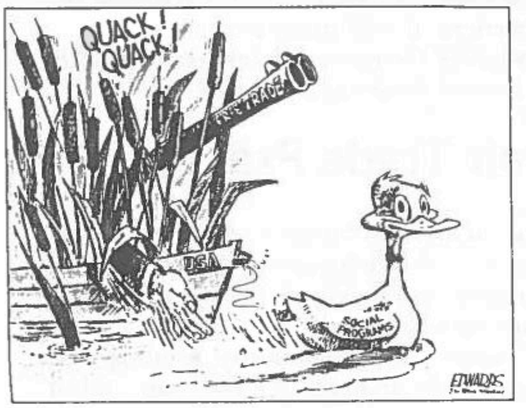
Under free trade, women and men will also have lower wages and poorer working conditions. With increased U.S. competition here, Canadian firms will be forced to cut costs by lowering wages, ignoring health and safety standards and fighting legislative protection which ensures equal rights and equal pay for women. They will do this because their major competitors will be companies located in the U.S. states with a low or no minimum wage, poor labour legislation and very low levels of unionization.

Social Services

Our social services - health care, day care and unemployment insurance - could also be endangered by free trade. U.S. firms can challenge any public program they feel is an unfair subsidy to business. In the past, the U.S. has challenged aspects of the unemployment insurance system, the national railroads and regional development schemes. Particularly troubling is the free trade agreement's provision for on-going negotiations over the next five to seven years on the definition of "unfair" subsidies.

In addition to the problem of subsidies, the free trade deal provides the "right of establishment" and "right of national treatment" to U.S. companies in 299 service categories. This means that U.S. firms may freely do business here and receive treatment "no less favourable than that accorded to Canadian service enterprises."

The prospect of U.S. firms taking over our service sector is only half the tale. Through the Business Council on National Issues (BCNI), Canadian businesses have already applied pressure on all levels of government to lower government spending and the taxes that support our social programs -- all in the name of becoming more competitive.



Health Care

Canada and the U.S. have radically different ways of providing health care. In Canada it is publicly supported, while in the U.S. it is run by private enterprise.Under free trade, U.S. businesses will be free to come in and manage (or own) our hospitals, nursing homes, halfway houses and homes for the disabled; not to mention community health clinics, ambulance services, medical labs, x-ray labs and even our blood banks.

A few hospitals in Canada are already run by such private U.S. management firms. They cut costs by using "patient classification systems." These are computer programs which determine the type and amount of nursing care is necessary. As a result, the full-time nursing staff is cut to a minimum, and the part-time nurses are expected to follow the computer printout with regard to time and care for each patient.

Day Care

Under the investment chapter of the free trade deal, private U.S. day care corporations can claim access to public funds for establishing centres here. They would be allowed to compete for such funding on an equal basis with our own non-profit day care centres.

This could lead to a preponderance of "for-profit" care delivery in Canada. Private day care companies usually pay lower wages to their workers and have lower standards of care giving.

New Social Programs

Under free trade, it will be virtually impossible to set up new publicly provided services, as Canada did in the 1960s with Medicare (with agreement from the provinces). For example, many Canadian women feel that we should be moving toward things like public auto insurance and public dental coverage.

Under free trade, Canada will have to get approval for such programs from the U.S., and then our governments will have to financially compensate U.S. insurance firms for losses they would experience under such new programs. Obviously, no province will ever be able to afford this.

Education

Free trade gives U.S. private educational firms rights of national treatment and access to public funds for training programs. This means that our local training programs for women through our community colleges, vocational schools, trade schools, schools of art and performance and business colleges will have to compete with big U.S. private firms for public funding.

> *We expect that publicly-supported elementary and secondary school systems across Canada will face increasing pressure under free trade to conform more closely to their generally less adequately funded and less equitable U.S. counterparts.*
>
> **- Canadian Teachers Federation**

The Consumer Under Free Trade

Those in favour of free trade usually claim the Canadian consumer will be better off as a result of the deal. This claim deserves careful examination.

Duty-Free Goods

Canadian authorities have admitted that under free trade there are still the normal limits on the amount of duty-free purchases tourists can make across the border.

Taxes

Under free trade, the Canadian government will lose more than $2 billion a year by not collecting tariffs. The government plans to recover this loss by extending the federal sales tax to include not only manufactured items, but taxes on virtually all goods (except food) and on all services. This may mean that every time we ride the bus, make a bank transaction and have our hair cut, we will have to pay a new tax on those services.

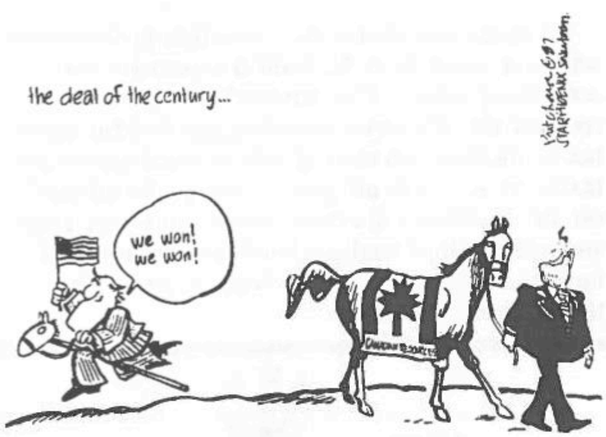
Prices

The recent changes which Canada was forced to make in our drug patent legislation are a direct result of the government's push for free trade and pressure from U.S. drug firms. This has resulted in higher drug prices for

Canadians and this is a forerunner to what will happen to prices for many items under free trade.

While the elimination of tariffs would seem to suggest lower prices, the federal Finance Department's own studies admit there is no control over whether savings will be passed on to consumers or be kept in the pockets of suppliers and retailers.

Prices can be kept lower when there are domestic producers who compete with importers -- otherwise importers can charge whatever they want. This happened in the Canadian shoe industry when tariffs and quotas were removed and import prices increased by as much as 26%.



Energy

Under free trade, the Canadian government is committing itself to a one-price policy on oil and gas and energy exports. This means that it can't impose a policy whereby Canadian consumers buy energy at lower prices than those charged to U.S. consumers.

Equally important, the free trade agreement obliges Canada to share our energy -- even in times of shortages. The agreement guarantees U.S. buyers the same proportion of Canada's energy resources that they now receive. The U.S. uses more Canadian oil than Canadians do and we will be locked into this, even when there is not enough oil for our own use.

Dangers to the Environment

All governments in Canada, including the federal and all provincial governments, have endorsed the need to integrate environmental protection with economic planning and policy. However, the free trade deal will seriously erode our governments' ability to take such measures.

Acid Rain

The acid rain which is destroying our lakes and forests is partly caused by the sulphur dioxide emissions released from the smokestacks of industries relying on coal for fuel. Under free trade, government subsidies to help Canadian industries cut acid rain pollution may be seen as unfair trading practices. "Harmonizing" our standards with the U.S. will likely mean that Canada will have to accept the lower American standard for emissions control of acid gas pollution.

Water

The trade agreement does not allow Canada to limit exports of natural resources, such as water, on the basis of shortages, unless restrictions are also placed on Canadian consumption. In addition, it does not permit export restrictions for the purpose of protecting the environment.

Every Canadian resource is subject to the provisions of the free trade agreement. There is no exclusion for water. Where the agreement excludes an item, such as logs, it is explicitly stated.

Forests

What little reforestation is carried out in this country is heavily subsidized by the Canadian government. The U.S. lumber industry regards reforestation grants as "unfair" trade practices and subsidies to Canadian lumber exports. Because of the Softwood Lumber deal, the B.C. government has already agreed to end its replanting subsidies to the forest industry.

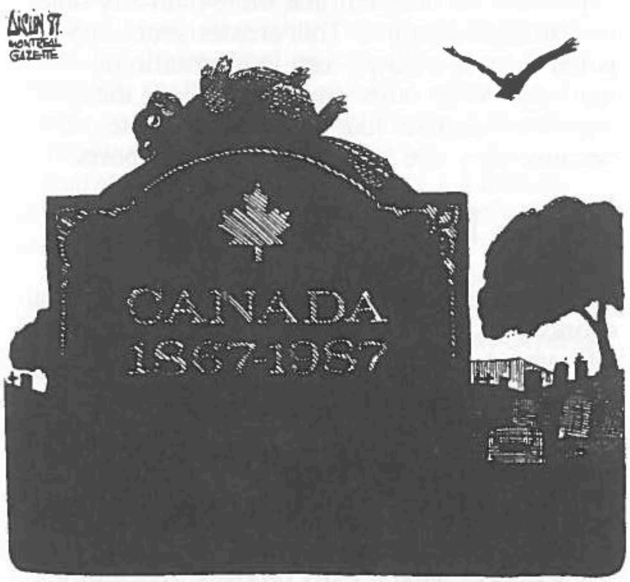
Another casualty of free trade will be our prospects for adding to Canada's parkland and wilderness areas. Unimpeded development in the oil, gas, mining and lumber industries will have a tremendous impact on our wilderness areas, on aboriginal hunting grounds, and on areas that support traditional ways of life.

A Threat to Peace

The trade deal will reduce the possibility for an independent Canadian voice on peace and security issues like the U.S. Star Wars initiative. Women are in the forefront of the peace movement and are concerned about the potential use of our resources and labour for military purposes under free trade.

Militarizing Regional Development

The supposed objective of entering into the free trade agreement was to eliminate the ability of U.S. firms to challenge Canadian policy, such as regional development schemes, as unfair subsidies to trade. The agreement failed to achieve this. Most government subsidies to poor regions can still be challenged. But there is one exception. If any government subsidy is "sensitive to the defence of the country," it will be permitted. The result may well mean the increased focus on military industries in the poorer regions of this country.



Militarizing Jobs

Building weapons is not the answer to Canadian unemployment, but as thousands of jobs are lost in other sectors, this is one area where the free trade deal allows governments to subsidize and intervene as much as they wish. Already in Quebec, female employment levels are down as textile companies relocate to low-wage states in the U.S., and defence-related industries expand in that province.

Canadian Way of Life

The Canada/U.S. Free Trade Agreement is not simply about tariff reduction and trade, as the proponents of the agreement would have us believe. It is about how much control Canadians will have over our future.

Women have long recognized that we need the modifying influences of public policy to correct the most discriminatory and unjust features of the market system. Market forces alone cannot provide us with sufficient jobs and eliminate the grossly unfair ways women and minority groups are treated.

Our experience is that justice and fairness have to be imposed on business. Yet the free trade deal is an attempt to return to a greater reliance on the workings of the international market to determine our economic and social policies. As we embark on the free trade route, our ability to establish priorities - other than those dictated by the private market mechanism - will be relinquished.

Trade is important for Canada. We are a great trading nation and will continue to be one. But the main issue now is the role of trade policy: **it should serve economic and social goals -- not determine them!**

This article is reprinted with permission from the National Action on the Status of Women (NAC). This excerpt is based on the original pamphlet entitled "What Every Woman Needs to Know about Free Trade" and is available from NAC, 344 Bloor St. West, Suite 505, Toronto, Ontario M5S 1W9 .

3. The Myth of Free Trade

Since the end of World War II, the United States has promoted the virtues of free trade the way the biggest kid on the block calls for a *fair fight*. With Europe devastated in the post-war period, the U.S. emerged with a strong economy and in the most powerful position to advocate free trade.

Many Canadians remember the Marshall Plan, which the Americans claimed was simply "economic aid" sent to help war-torn Europe. In reality, this so-called "aid" was used to firmly establish the international position of American multinational corporations and to expand the base of U.S. economic control.

In 1947, the United States also initiated the GATT (General Agreement on Tariffs and Trade) as a way to regulate and direct world trade. But, by the early 1970s, it had dropped the idea of global free trade because Japan and Germany had begun to rival American industry in both production and quality. Today U.S. multinationals use their government to obtain free trade on a one-to-one basis with economically weaker nations, such as Canada and Mexico.

History of *Raw* Deals

Free trade is by no means an American invention. During the 18th and 19th centuries, England, too, called for international free trade, but this was when the British Empire dominated world trade through its colonies.

In fact, Canada's history as a British colony created a free trade pattern in this country. Drawing on Canada's natural resources, Britain supplied its factories with raw materials and its workers with manufacturing jobs. In the past few decades, this economic pattern has switched to a trade dependence on the United States. The latest figures reveal that Canada conducts more than 80% of its foreign trade with its southern neighbour.

Ironically, trade within Canada - between provinces - never really matured. We also failed to develop manufacturing industries in key sectors of our economy because a pattern had been set: to extract and export our raw, natural resources.

As a result, Canada is now more dependent on international trade than any other industrialized nation. This creates problems when there is a down-turn in international markets. When other countries reduce their imports, countries like Canada suffer the most because they are too dependent on exports.

Free Trade Theory

Free trade theory goes back to the classical economists, Adam Smith and David Ricardo, who wrote during the heyday of the Industrial Revolution in the 18th and 19th centuries.

Briefly, the theory maintains that *every nation* should:

- produce what it does best;
- trade what it doesn't use (surplus); and
- import what it can't produce efficiently.

According to this theory, a country's exports should reveal what economists call a *natural comparative advantage* . These advantages emerge from a state's natural endowments, such as climate, minerals, fertile land and skilled labour. Once free trading patterns are established, the best goods will supposedly be available at the best prices.

The problem with this theory is that it assumes the world never changes and that free market forces will always ensure full employment. It doesn't take into account many of today's economic realities: mass production, technological change, instant communication, and most of all, government intervention in the economy. In order to protect their national economies, governments have found it necessary to intervene by setting import standards, quotas and tariffs.

A Fool's Paradise

Using a pure free trade model, Canada would have to stick to exporting its raw and partly-processed resources, such as oil, gas, lumber, metals and agricultural products. This is a problem because most of our natural resources are non-renewable, meaning they will run out some day. Also, by not developing our manufacturing sector, we fail to establish a sound industrial base, which often produces long-term jobs and greater prosperity.

A free trade approach would allow only larger industrialized countries like the U.S and Japan to manufacture the world's suppy of finished goods like televisions, tape recorders, computers, cars, steel and machine tools. But, following such a policy would lead us to a "fool's paradise." Yes, there would be plenty of products on the shelves, but without a manufacturing sector, millions of Canadians would be out of work and unable to afford those goods.

The comparative advantage model has been proven unreliable time and time again. For example, after the Second World War, experts were predicting doom and gloom for Japan after the Second World War because of its "limited natural endowments." Poor Japan!

Another difficulty with free trade theory is that it hasn't paid attention to the effects of being able to move technology and money (capital) freely around the world. Free trade zones in impoverished areas such as Mexico (in the Maquiladoras), the Philippines and East Asia now produce electronic goods for richer countries in the West. Unfortunately, their comparative advantage has become low wage rates and sweatshop working conditions for their workers, most of whom can't afford to buy the very products they produce.

The Keynesian Solution

The economic crisis that began in the 1970s has produced high unemployment in all industrial countries. As more Third World nations produce consumer goods for Western markets, overproduction worsens. A world divided into rich and poor simply cannot consume all that it produces.

Today's global economy resembles some elements of the 1930s. At that time, English economist, John Maynard Keynes, came up with a temporary solution for the economic vacuum following the Great Depression. He proposed government intervention into the economy through what economists call *demand-management policies.*

According to Keynes, when the economy *stagnates* -- there's not enough demands for goods and services and unemployment is high - governments should:

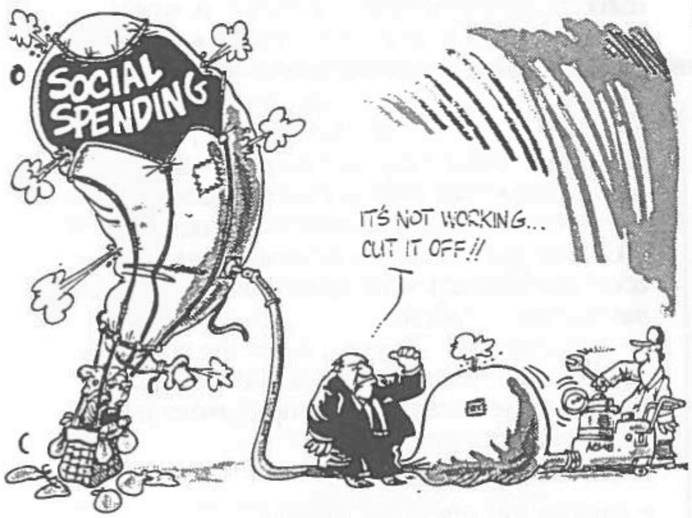
- lower interest rates; and
- finance job-intensive projects,

such as building roads, sewers, hospitals, housing and other public works.

When the economy *overheats* -- there's too much demand for goods and services and inflation results -- governments should:

- slow down production and demand;
- restrict the money supply; and
- keep wages and prices down.

Keynes hoped these measures would control the "boom and bust" cycles of capitalist economies. His advice was followed by several Western governments during the Depression. Many Canadians remember American president Franklin Delano Roosevelt, who brought in the New Deal in the 1930s -- a Keynesian-style series of federal public works programs which eventually reduced U.S. unemployment by almost 60 per cent. They may also recall that similar programs were introduced in Canada by then Prime Minister Mackenzie King.



The Welfare State

Keynesian economics also led the way to a *mixed economy* or *welfare state*. Indeed, many Western governments were pressured to bring in social programs to offset the ravaging effects of the Depression. Workers fought for unemployment insurance, old age pensions, medicare and social assistance (welfare) programs, to name a few.

More than simply intervening in the economy, most Western countries adopted some form of welfare state to promote the social security of its citizens, and to ensure that consumers had enough money to fuel the economy.

But the Keynesian bubble burst in the 1970s when Western nations saw the rise of *stagflation* -- industrial stagnation, high unemployment and inflation -- all occurring at the same time. Keynes did not foresee the technological revolution or the competitive edge of low-wage countries, such as South Korea and Taiwan. Since corporations could move their production facilities from one country to another, government intervention into one economy could not solve all its economic problems.

The Global Economy

Technological advances have enabled multinational corporations to move their production facilities to the depressed and low-wage economies of the Third World. While this has created an industrial boom in countries, such as Hong Kong, Singapore, South Korea and Taiwan, it has come at a very high price. To increase their economic wealth, these countries have been forced to offer multinationals low taxes, little or no regulation, and a cheap and disciplined workforce.

Women workers form the backbone of the labour force in many of these areas. Sweatshop conditions expose them to an array of health hazards and intolerable working conditions that are reminiscent of the Industrial Revolution.

Except for countries like South Korea, most Third World nations have not greatly expanded their manufacturing sectors. Rather, they still rely on farming cash crops for export to the industrialized world. The few consumer goods produced in the developing world are usually destined for Western markets since Third World wages would not allow most luxuries.

Ironically, lower real incomes and increased unemployment in industrial countries only adds to the economic problems of the Third World because this reduces demand for their products. At present, commodity prices for Third World goods are at their lowest level since World War II.

Workers Lose

Free trade advocates claim that jobs lost in industrial countries due to cheaper imports will be replaced by jobs in growing and more productive sectors, such as the high technology field. But, studies show that only a fraction of workers who had decent-paying industrial jobs find similarly paid work in the technology sector.

In 1986, a Statistics Canada survey showed that displaced workers who finally found full-time employment saw their weekly wages fall by 7% on average. Those who took pay cuts claimed their average wages had fallen by a whopping 28%. Older workers, age 55 and older, took even larger pay cuts. These and other studies prove that the free trade model in no way assures displaced workers they will find other jobs of comparable pay. Rather, they often find themselves relegated to low-paid work in the service and retail sectors.

Government's Role Reduced

Due to the latest technological gains, mass production can be conducted in almost any country, allowing market forces to dictate where production takes place. This virtually eliminates the government's role in establishing national goals, such as full employment, decent wages, a clean environment and a wide range of social programs.

Powerful business interests promote free trade for greater market freedom and as a way to avoid national restrictions of any kind. They argue that the only way industrial countries can defend their standard of living is *by lowering it*. They say Canadians can't possibly compete with efficient businesses abroad, unless we increase the rewards to big business and punish labour by limiting social spending and keeping wages low.

Multinationals use free trade rhetoric to reorganize the global economy, but what they really want is to reduce the social programs won in developed countries and to exploit low paid workers in the Third World.

Managed Economies

Over the past 20 years, the most economically successful countries have had governments manage their domestic economies. From a worker's standpoint, Japan is far from ideal, but it has emerged from the ruins of World War II as a leading producer and exporter. This troubles free trade evangelists because Japan makes no secret of government control over its economy.

Japan does not pick winners, *it creates them*. Profits are heavily taxed and these revenues subsidize new ventures. Take the case of the Japanese high tech industry. The government manages both supply and demand by buying new technology, sheltering it within the domestic market, and then giving subsidies to companies who purchase it. It uses the Japanese market as a testing ground for future exports, and if the products are successful, they soon venture onto the international market as a guaranteed success.

The American Way

Except for ineffective tax breaks (worth $87 billion in 1986), the free market doctrine in the United States prevents its government from nurturing new technology and other industries. Government research and development is spent almost entirely on the military. At the same time, American multinationals have been free to close plants and relocate to the Third World, leaving its national economy to deteriorate along with its cities.

Yet this is the frightening economic model that the U.S. projects onto its trading partners. Now that the free trade agreement has been signed and ratified, Canada's economic future is bound to follow the U.S. example.

The Swedish Model

Sweden, though smaller than Japan, is an even better example because it protects workers' interest while managing a healthy economy. It is a country where unemployment is low (2.2 per cent in 1987) and wages are high; where poverty, hunger, and homelessness are unknown; where people are treated equally and social programs are universal. Sweden has its share of economic and social problems, as do other countries. However, unlike Canada, the United States and Britain, it has been able to deal with them without imposing great hardships on its working people.

Managed Trade Needed

Overproduction continues to be a worldwide problem. Countries relying on exports to maintain their own economies worsen this problem. Finally, it becomes a vicious circle because *one country's exports are another country's imports* .

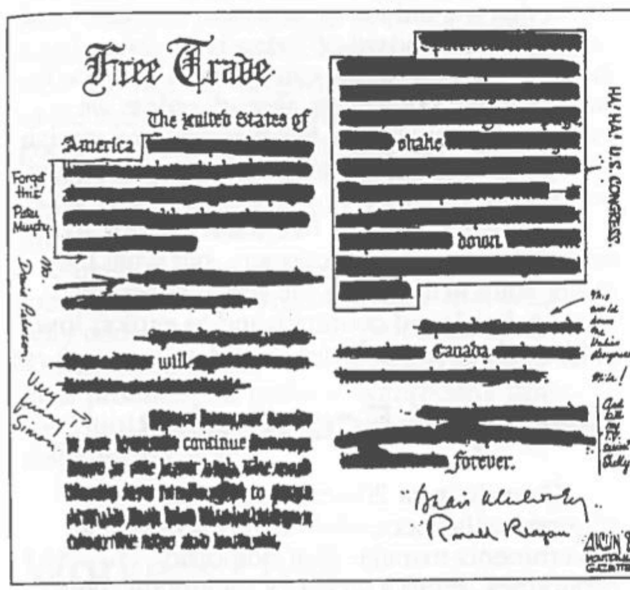
We need new international trade rules. National economies can share in world trade and also protect their workers through shared production agreements. The Canada - U.S. Auto Pact is a shining example of this kind of arrangement. Japan and Mexico and made similar agreements with the United States for their aircraft and auto industries.

Free Trade Mythology

The free trade agreement has pulled Canada in to the same economic pattern that cost the U.S. its leadership role of the industrial world. Yet many Canadians fail to see the writing on the wall -- that free trade is a means for multinationals to bypass governments and to create a worldwide army of underemployed and unorganized workers who will be forced to work for low wages.

Eventually this will lower our standard of living and reduce the social gains workers have won in this country, while we struggle in vain to remain "competitive" with low wage countries in the Third World.

While free trade theory is based on myths and wishful thinking, it proves one thing: it makes no sense to follow economic dogma blindly, especially when it serves the interests of corporations and the wealthy and produces hardships for most Canadians.



4. Privatization: Selling Off Our Government to the Highest Bidder

Imagine if one day Prime Minister Brian Mulroney held a big sale on federal prisons...

> *"You, yes you, or your company can be the proud owner of the historic Kingston Pen! Feed, clothe and rehabilitate these men for less than the government will subsidize you and then* ***you can pocket the difference****! Find out how you can make crime pay -- and big!"*

An American Nightmare or Reality?

Is the idea of prison sales far-fetched? Not as far as you might think. Experiments in privately owned and operated prisons have already begun in the southern United States.

The owners of these institutions have a potential conflict of interest -- if they succeed in rehabilitating criminals, they may miss out on repeat business. In government hands, the key purpose of prisons is to house, and possibly, to rehabilitate criminals; in the private sector, the main point is to make a profit.

And there is no call for Canadians to be smug, for there is at least one firm in this country permitted to make a profit with a half-way house for prisoners.

The Privatization Trend

Since Brian Mulroney was first elected in 1984, much of our public wealth has been gobbled up by private business. The Tories boast they have sold *more of Canada's public property than any previous government* . These include aircraft companies and many post office "franchises" -- twelve federal Crown corporations in all, and most recently, Air Canada. Petro-Canada is said to be next on the auction block.

When business starts buying public concerns in order to run them at a profit, the buzz-word is "privatization." Despite government claims that this will increase economic efficiency, its real objective is to cater to the demands of business supporters, who stand to profit handsomely from buying public assets at discount prices.

Privatization is a global trend, practiced mainly by conservative governments. From forestry management in the Netherlands to nationalized airlines in Malaysia, from garbage collection in New York City to private hospitals in the United Kingdom, any government service that can be run at a profit can be part of a deal between big business and a friendly legislature.

Privatization comes in several shapes and sizes. The first and most popular is the sale of state enterprises, such as crown corporations This is also known as "denationalization" because it involves selling off publicly-owned businesses which past governments had "nationalized" for the benefit of Canadians as a whole. Sometimes, as with de Havilland Aircraft, crown corporations are offered to their competitors at attractive prices. Other times, as with Air Canada, shares are put on the stock market for individual investors to buy.

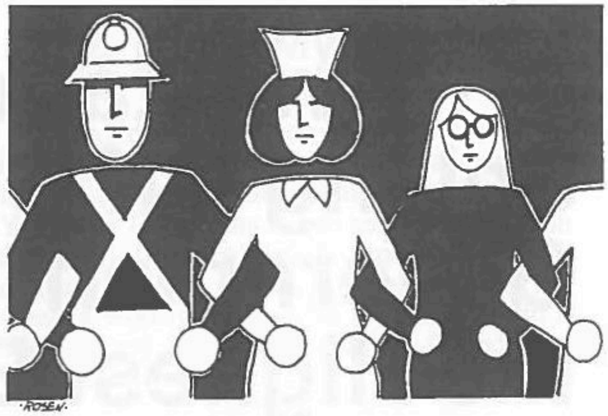
Ironically, the success of crown corporations such as the Potash Corporation of Saskatchewan, Teleglobe and Air Canada has made them more vulnerable to privatization. Governments have invested heavily in these enterprises over the years by building up modern production facilities, access to markets and technological innovations. This has made them particularly attractive to corporations seeking low risk ventures.

Contracting-Out

For several years, our federal and provincial governments have been selling off bits and pieces of their operations to private enterprise who are put in charge to provide the *exact same service*. This process is called "contracting-out."

Municipalities contract-out garbage collection, snow removal as well as road, sidewalk and sewer construction. Many school boards across the country pay private contractors to take care of building cleaning and maintenance, cafeteria operations, etc. And cleaning and maintenance functions at federal postal stations are uniformly contracted-out to private businesses who pay workers low wages and expect them to work under poor conditions.

When a government service is contracted-out, the business often hires back the same workers, only now they are **not** covered by the government employees' union contract, so their wages and benefits can be cut, often by as much as one-third. Contractors can further cut labour costs by reducing full-time workers to part-time status, since part-time workers have fewer protections and benefits under provincial employment standards codes. For example, if part-timers work extra hours, they usually do not qualify for overtime rates of pay.



The Case For Public Ownership

To understand why there is pressure to privatize a firm or service, one must first look at why it was privatized in the first place. Governments have typically nationalized firms that are considered central to the national economy. The sectors most likely to be nationalized are transportation, communications, utilities and energy resources, because without well-run systems in these areas, no other industry can operate effectively.

As a nation, Canada was built on the foundations of "public enterprise." From the CNR and CBC to Air Canada, Canada's crown corporations have been key instruments of national economic, political and cultural development. In fact, many Canadians argue that these public institutions have played a critical role in fostering our sovereignty and distinct Canadian identity.

There are many other reasons for nationalization. Petro-Canada, for example, was created largely because most private enterprises exploiting Canada's petroleum resources and our market for petroleum products were foreign-owned.

Petro-Canada purchased most of its assets from foreign-based corporations, restoring Canadian ownership to a segment of our oil industry. It also gave the Canadian people, through their government, a "window" on the petroleum industry. Now claims made by petroleum companies about their need for government assistance could be tested against the hands-on experience of Petro-Canada's management.

Sometimes government goes into business to provide needed products and services at reasonable prices. Crown corporations are more likely to provide vital services to remote communities, such as railway or air service, where prospects of profits are too slim to attract the private sector. The Canadian National Railways (CNR), for example, was formed out of failing private companies both to maintain competition with Canadian Pacific and to bring rail service to less profitable areas.

And finally, government sometimes provides a service so that the efficiency of monopoly can be harnessed for the "public good", as with the post office, power transmission systems and telephone services.

Why Some Governments Privatize

There are several reasons why conservative governments favour privatization. For one, these governments are forever preaching about balanced government budgets and privatization provides them with a ready source of short-term cash.

In Britain, for example, the sale of public assets goes into current government revenues, making that country's deficit look smaller than it actually is and postponing the need to raise taxes. Selling off publicly-owned enterprises to increase current revenues is particularly attractive to governments who won't have to face the consequences of their actions until after an election.

A second reason governments privatize is that selling public industries, such as crown corporations in Canada, has become a hidden form of patronage to their business supporters.

Since few companies have the financial resources needed to buy most large crown corporations, the government can easily narrow down the field of prospective buyers. Also any deal can be further sweetened in the process of negotiating the final terms of the sale by way of tax breaks, low sale prices and debt write-offs.

Privatizing the public sector is a mainstay of neo-conservative beliefs. The Reagan-Bush, Thatcher and Mulroney governments have fostered the pursuit of self-interest, before the wider public interest. These governments have cut social spending and reduced their share in or sold off public enterprises. However, when it concerns protecting or bailing out failed private sector initiatives, the business lobby calls for more government intervention, not less -- more tax breaks, higher government subsidies, but fewer social programs.

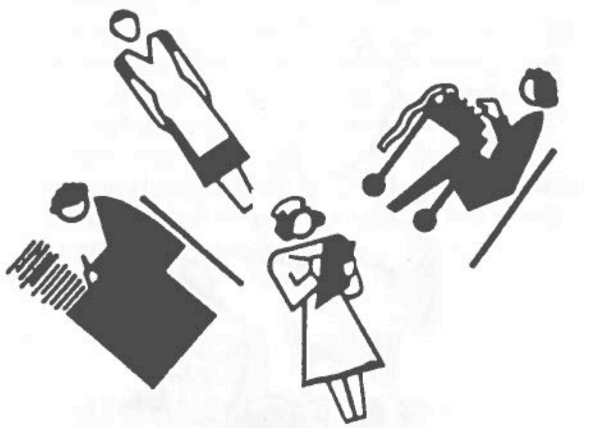
Big Business Motives

Privatization also works wonders for many businesses. It may reduce competition in an industry, allowing firms to provide inferior goods or services at greater profits; or it enables a private company to provide some essential service, such as telephone communications, with virtual monopoly control.

Many corporations gain a great deal financially through the purchase of public assets at fire-sale prices. Even non-profitable crown corporations can become a profitable investment if their assets are sold at a low enough price or if all their debts are written off before the sale.

Although it usually reproaches the efficiency of public enterprises, the business community has lobbied for privatization in order to reduce the competition from many crown corporations. Contrary to the claims of many "free enterprisers", most companies prefer less, not more competition. For example, public companies such as Petro-Canada and Air Canada have limited monopoly practices in the petroleum and airline industries, giving private firms *a good run for their money*.

But that's not how the business community sees it. Many corporations view public enterprises, particularly successful ones, as limiting the private sector's potential for profit. In times of economic stagnation, the business lobby puts greater pressure on governments to sell off their public assets so that the private sector can continue to grow.



Service Sector Affected

Contracting-out is a phenomenon which is particularly widespread at the provincial level, given the role the provinces play in health care, education and social services.

For example, between 1976 and 1984 the total dollar amount spent on purchased services (dietary, laundry, maintenance and housekeeping) in Canadian hospitals more than doubled. Residential care facilities for the elderly are heavily commercialized and in Ontario, 68 per cent of these are privately owned.

Similarly, child care services in that province are increasingly being delivered by "for-profit" operators. The Ontario government is encouraging this by offering direct grants to commercial day care operators on the same basis as non-profit centres.

What these trends suggest is that privatization, in all its various guises, is rapidly becoming a permanent and pervasive feature of Canadian life. The question that remains, however, is what does this trend mean for unions and women.

Union Busting

By breaking off little bits of large government bargaining units one at a time, privatization and contracting out are good union-busters. Should the employees of the contractors organize, their unions are small and do not deal directly with the real employer (ie., the government).

The owner of a hospital cleaning service, for example, is technically the employer of the cleaners, but the money for the payroll is coming from government. The workers cannot strike the government and a strike against their legal employer won't do much good if government holds the line on its allocations for the service.

Take the case of seven private nursing homes in Ontario who turned over their nursing services to private agencies. Those agencies provided Nurses' Aides and Registered Nursing Assistants to staff the homes on a daily basis. After privatization, almost all the unionized nursing staff were laid off (92 in one home alone) and a total of 300 in the seven homes.

The reason? Quite simply, profits. Under a union contract, a Nurses' Aide earned $11 per hour in wages and benefits (1984-85). After privatization, the homes paid the agencies $6.25 an hour for a Nurses' Aide, saving the private operator almost $10,000 per year per employee. In one large home, this added up to a $1 million windfall in the first year alone.

While the nursing home owners are happy, their employees and patients suffer the consequences of privatization. First, the standard of patient care is lowered. The staff supplied by agencies cannot maintain a high quality of service because many of them aren't familiar with nursing home work and haven't had much experience in caring for the elderly or other types of nursing home patients. Usually they don't have the time to learn the special needs of individual patients because they will only be at a particular home for a few days or weeks.

Employees are also victims of privatization and contracting-out, often finding themselves laid off or their wages reduced drastically. In the case of the Ontario nursing homes, most Nurses' Aides are women and many are visible minorities. In times of high unemployment, their chances of finding other decent-paying jobs are slim.

Privatization Is a Women's Issue

The service sector, which is most vulnerable to contracting-out, employs 83 per cent of all working women. Big business is interested in the service sector because much of heavy manufacturing has reached its growth limit, while the service sector still has growth potential.

One way employers save money in this job-rich sector is by cutting down on all labour costs. Getting rid of unions reduces the workers' power to negotiate better pay and benefits, but it does more than that.

Non-union workers, especially part-time workers, have little job security. This means they are more easily intimidated and less likely to blow the whistle if employment standards (such as overtime or holiday pay) or health and safety standards (for both workers and consumers) are not followed.

Since commercial operators are rarely accountable to the public, they are less likely to worry about exploiting their workers than the government is. Even unionized workers will have more trouble with commercial operators. A recent survey conducted in Metropolitan Toronto revealed that certified workers in unionized municipal day care centres earn **48 per cent more** than those employed in unionized commercial centres.

Inferior Quality of Services

Another equally important legacy of privatization is the hardship it imposes on the clients of public services. All evidence seems to suggest that the over-all quality of for-profit care is significantly poorer than care provided by non-profit agencies. In a nationwide survey commissioned by the federal Special Committee on Child Care, provincial licensing officials were asked to assess the quality of care under different systems. They rated non-profit over for-profit care in 27 out of 28 areas.

Studies also show that commercial centres, in their quest to maximize profits, will cut corners on staff qualifications, staff-to-children ratios, cleaning, food, toys, equipment, materials, and space. Access to quality and reasonably priced day care is essential to women workers and especially to single parents, most of whom are female. When the quality of of child care services slip and prices rise, much of the burden falls on women. Poor quality care in private nursing homes, too, affects women most, since women live longer on average and are more likely to wind up in such homes than men.

Alternatives to Privatization

Privatization has been a wrenching experience for many Canadians. Jobs are lost, prices escalate, wages and working conditions deteriorate, the quality of service declines, and health and safety is jeopardized. The growth of contracting-out threatens to undermine the already fragile position of women in the paid labour force, reducing their job security and salaries in already low-paying job sectors.

It must be recognized that the private sector alone cannot create all the required permanent, decent-paying jobs or satisfy all the social needs of Canadians. Crown corporations, for example, have a unique role to play in the Canadian economy. Unlike the business community, they are subject to greater public accountability for their activities, and are expected to consider the broader public interest in their decisions.

Instead of privatization, governments should reorganize public enterprises, making them models of open and democratic decision-making in which the views of local citizens, consumers and workers are taken seriously.

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5. Deregulation: Private Gain at Public Expense

Deregulation is often the first step toward privatization. It involves abolishing or reducing the amount of government regulation of industry and is now being touted as a cure for the major economic ailments that are plaguing Britain, the United States and Canada.

Brian Mulroney is following in the tracks of Britain's Margaret Thatcher and former U.S. President Ronald Reagan, who claim that regulation inhibits investment by private business and that unrestricted private enterprise will create more wealth than planned economic co-operation between the public and private sectors.

Neo-Conservative Philosophy

Many corporate leaders say that in a business environment free of government "intervention" (public enterprise and regulation), the new-found wealth of the very rich will "trickle down" to the rest of society. "Trickle" is right -- no one would claim the benefits are "flowing down" to the workers!

In fact, the rich are richer since the onset of the current deregulation/ privatization blitz. Many surveys in the United States have shown that the gap is growing between the rich and the poor -- even between the rich and the middle class.

Deregulation and privatization have thrown some 200,000 people out of work in Britain and similar results are turning up in North America as the trend takes hold here.

Regulation is government's major role in industry and there are rules covering all aspects of business. No doubt business would like to see a great many areas "deregulated," but the main thrust of deregulation has been in the key communications and transportation industries. Since orderly transport and communications systems are essential to all enterprises (public and private), governments have had to temper the effects of competition among private firms in these areas.

Regulations Needed

Government regulation of both the public and private sectors serves a very important service. In transportation, for example, unrestricted competition might lead to dozens of different railways all on the same busy routes, with different types of railroad tracks.

It might mean some communities would not be served by trains at all or that railway companies would be constantly starting up and going out of business. This would create a general confusion about this form of transportation, making it difficult for manufacturers to decide where to locate or when to promise clients a delivery of goods.

To prevent this type of chaos, governments have built their own railways and railway stations, set common standards for railroad tracks, and controlled where railways may go.

As a requirement for being awarded the profitable Toronto-Montreal run, a railway company might be required to serve Sudbury as well. As part of the deal, the railway might be given exclusive rights to one or more routes, or be required to share some routes with only one competitor. Fares, schedules and on-board services might also be regulated to prevent the railway from abusing its monopoly.

The same type of regulation has applied to airlines and telecommunications firms, generally as the result of careful study, co-operation and negotiation between governments and companies. But, since the Tories came to power, companies in these sectors have sought and received a reduction in regulations by claiming that so-called "government interference" has limited competition.

The justification for this move was the tired old right-wing argument that "competition is what has made this country great" by forcing firms to provide the public with the best goods and services at the best prices. But what conservatives don't tell you is that the goal of each competitor is to eliminate the competition and enjoy a happy monopoly forever after.

Workers Pay for Deregulation

To succeed at head-to-head competition, these firms have had to cut costs savagely, and this has meant cutting labour costs because these industries depend on a great many workers. In their drive to cut costs, deregulated employers demand wage freezes, rollbacks and other concessions as the price for job security. In many cases, employees are simply laid off. We only have to look as far as the U.S. to examine the disastrous effects of deregulating these industries.

Deregulation undermines all workers' wages, working conditions, benefits and job security. Since the airline industry was deregulated in the U.S. in 1978, 40,000 jobs have been lost. Eighty-three per cent of the employees affected are women. In addition, 250,000 jobs have been lost in the trucking industry; 150,000 in rail and 20,000 in the passenger bus industries.

Since 1984, telephone deregulation has resulted in the loss of 7,000 American operators' jobs out of 50,000 -- the majority of them women. This was supposed to give consumers cheaper long distance calls, but never did.

Telecommunications workers in Canada are in a slightly better position than those in the U.S., but as the Canadian Radio-Television and Telecommunications Commission (CRTC) considers proposals to deregulate the long-distance telephone industry, this job security may be short-lived.

Canadian Jobs Threatened

In Canada, the transportation industry has been effectively deregulated since 1984, although the actual legislation wasn't passed until January 1988. Michael Lynk, a labour lawyer and executive assistant with the Canadian Brotherhood of Railway Transport and General Workers, predicts that in the next two to three years, at least 35,000 Canadian jobs will be lost because of transportation deregulation.

Women in the airline industry are particularly vulnerable. Joan Hannant, in a paper submitted to the National Action Committee on the Status of Women, writes that women's jobs are more sensitive to the pressure of deregulation. While there has been an 8 per cent decrease in the total number of Canadian women employed by the airlines from 1982 to 1985, the jobs held by women are disappearing at a faster rate. Flight attendants and reservations clerks -- jobs held primarily by women -- have experienced a

Myth of Consumer Benefits

Advocates of deregulation claim that it leads to lower consumer prices. By examining the situation in the U.S. and in Canada, we see that deregulation tends to benefit a few people, in a few cities for a short period of time.

Let's take, for example, the case of the airline industry. On high-density routes in the U.S. (New York to Los Angeles), fares can be found at 65 per cent below the standard economy fare. On less competitive routes (such as the run between St. Louis and Cincinatti), **the standard fare more than tripled** in the first six years of deregulation.

A coast-to-coast flight (from New York to Los Angeles) can be cheaper than one crossing a state line. Some travellers are enjoying great bargains, but over all, between 1984 and 1987, the average fare paid by all airline passengers increased by 50 per cent. In some markets, **customers are now paying a 120-per-cent more for last-minute flights than they were in 1984.**

Canadian Consumers to Lose

In Canada, consumers are enjoying cheaper air fares as the major airlines strive to out-price each other. But as Air Canada's president, Pierre Jeanniott, said, fares are as low as they are going to be. As competition evens out, fares will eventually stabilize. So much for competition!! Meanwhile, Canadian travellers are facing chaos. In February 1986, for example, Air Canada had 28 different prices for the Toronto-Vancouver run; Canadian Pacific (now Canadian International) had 22.

In the U.S., customers are footing a much higher bill under deregulation of the telephone industry than they were before. In 1983, telephone companies in California were granted $46 million in increases and are now requesting an additional $430 million. This would mean a hike of 49 per cent on residential rates. Rate increases are pending in several other states. In Wyoming, the average basic monthly phone bill has skyrocketed by 70 per cent.

Safety and Service Deteriorate

The cost-cutting pressure of competition has been a concern in the U.S., where safety violations are mounting and inferior service has spawned several angry consumer groups. Last year, former U.S. President Ronald Reagan told the airlines to "clean up their act" or face re-regulation! Pan Am paid $3 million in fines for violations of air safety regulations last year; Eastern Airlines was charged $11.5 million in fines.

It is inevitable that safety precautions will suffer as carriers scramble to cut costs to the bone. Before deregulation, carriers maintained safety standards well above the legislated minimum. After all, they stood to lose a lot of money in an accident. But today, they are taking more risks (with our lives as well as their own money) and barely toeing the line. After all, maintenance costs money.

We have no guarantee that this will not happen in Canada. The number of air worthiness inspectors, for example, has not been increased to meet the demands of a deregulated environment and the Canadian Air Traffic Controllers Association has spoken out about the government's refusal to increase the number of controllers to match the dramatic increase in traffic volume.

Public Interest At Risk

Deregulation of any service - telephone, transportation or communications - is against the best interests of the public who ends up carrying the very costs it was supposed to save. These costs are often translated into lower wages and inferior benefits and working conditions for those employed in deregulated industries.

On a larger scale, deregulation often increases consumer prices, reduces the quality of service and jeopardizes the health and safety of consumers and workers.

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6. Robin Hood in Reverse: The Tory Tax Reforms

On June 18, 1987, Finance Minister Michael Wilson released his long-awaited White Paper on Tax Reform, the Tory government's plan to revamp the federal tax system. Contrary to government claims, these so-called "reforms" did not simplify the tax system or make it more equitable to the majority of taxpayers. Playing Robin Hood in reverse, the federal government has granted costly tax giveaways to corporations and continued to shift the tax burden from higher-income to lower-income earners.

Real Reform Needed

There is no question that the tax system needs to be reformed. Recent news reports have confirmed what many Canadians suspected all along: that the wealthy are not paying their fair share of taxes. Consider the following:

- In 1984, 110,000 profitable corporations paid no tax at all;
- 8,763 people earning more than $50,000 a year did not pay income tax in 1984;
- Corporations are carrying a much smaller share of the tax burden today than they have in the past. In 1961-62, corporations contributed 21.6% of all tax revenues; by 1987, their share was only 11.4%;
- In particular, businesses have been getting huge tax breaks for the last three years. Ottawa's take from personal income taxes is up almost 45.6% since 1984-85, while revenue from corporate income taxes has increased by only 8.8 %.

Serious reform is needed to introduce some fairness into the Canadian tax system. But fairness is not what is behind the Conservative government's proposals.

'Made in U.S.A.' Policy

As with deregulation and privatization, the reforms introduced by the Conservatives will bring our tax system into line with United States policy. The main reason the Tories are bringing in tax reform now is that the U.S. government reformed its tax system in 1986. The free trade agreement requires that the tax regimes of both countries must be "in sync", otherwise corporations in one country could operate more cheaply and undercut those in the other.

Since the U.S. population is about 10 times that of Canada's and the U.S. has power and influence in proportion to its size, synchronizing tax systems really means Canadian tax policy will be dictated by our southern neighbour. The Reagan administration, like the Mulroney government in Canada, receives its strongest support from powerful elements of the business community, and tax policy in both countries is likely to reflect those corporate interests.

The Mulroney Tax Package

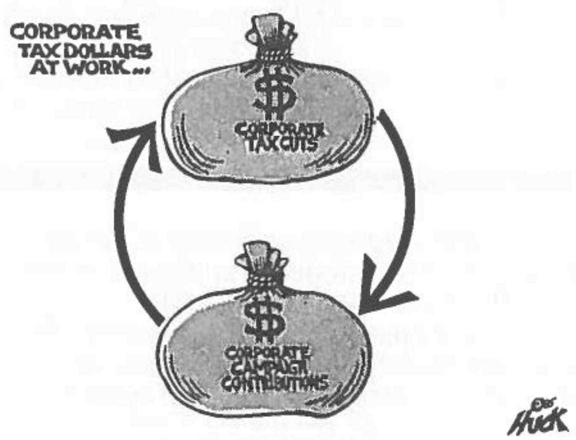
The Mulroney government's tax reform package has been introduced in two phases. The first phase, which started in 1988, affected personal and corporate income taxes, while the second phase, dealing with sales taxes, is expected to begin sometime this year.

The Conservatives divided these reforms into two stages -- probably because the sales tax portion was, by far, the most controversial. The Tories had designed the tax package so that Phase 2 (sales tax reform) would be imposed after the federal election.

Phase One brought, among other measures:

1. Fewer Tax Brackets:

Usually a progressive tax system consists of a number of tax brackets which tax people at higher levels as they climb up the income scale. Under tax reform the number of tax brackets has been reduced from 10 to 3.



2. A Narrower Range of Rates:

In January, 1988, personal income tax rates were lowered for the top tax brackets and raised for the lowest brackets. Incomes of less than $27,000 are now taxed at 17%; incomes between $27,000 and $55,000 at 26%; and any taxable earnings of more than $55,000 at 29%.

Since the lowest tax rate has been raised from 6% to 17%, this will hurt the working poor who can't afford to pay tax. These changes will also hit hard at middle-income Canadians who will carry the greatest tax burden. Of course, **the rich will benefit since the highest tax rate has been cut from 34% to 29%.**

3. Non-refundable Tax Credits:

There is some good news. Under tax reform, many personal exemptions have been replaced with tax credits. **Exemptions** are money you don't pay tax on, according to your tax bracket. **Tax credits** are usually more progressive than exemptions because they have the same percentage value, regardless of a taxpayer's tax bracket.

Before tax reform, the value of an exemption was based on someone's tax bracket-- the higher the tax bracket, the higher the value of the exemption. Now those earning $100,000 will get a 17% personal tax credit, the same percentage as someone taking home only $20,000 per year.

At the same time, these non-refundable tax credits are not as progressive as **refundable tax credits** which would have provided income support to those not earning enough to pay income tax.

4. Elimination of Some Key Deductions:

A few important personal deductions have been eliminated, such as:

- the employment expense deduction of $500 -- virtually the only tax break working people ever got;
- the $1,000 investment income deduction, penalizing retired Canadians who are dependent on some interest or investment income to supplement their pensions; and
- deductions for wholly dependent children over 18, hurting the parents of unemployed youths and of university and college students.

5. End of Inflation Protection:

In the face of widespread protest by Canadian seniors, the Mulroney government retreated from its callous attempt to allow inflation to eat into the purchasing power of Old Age Security benefits in 1985.

The buzzword here is "de-indexing." It is comes from the word "indexing," which comes from the Consumer Price Index (or CPI). The CPI measures increases in the cost of living -- otherwise known as inflation. To "index" pensions, for example, is to allow them to rise the same amount as inflation. To "de-index" is to remove this protection, allowing the value of the pensions to decline relative to the cost of living.

Unfortunately, **de-indexing has slipped into the Tory tax system.** Instead of raising tax brackets, credits and deductions according to increases in the cost of living, the Tories have reduced the level of indexing to **inflation minus 3 per cent.** This means that indexing does not begin until the inflation rate passes the 3-per-cent mark.

The effect of this is to erode the value of tax credits by 3 per cent per year so that in five years, if inflation continues at more than 3 per cent, these credits will have less than 85 per cent of their current value. The result is that the government gains windfall revenue from inflation, while taxpayers are penalized twice: **higher prices** and **higher taxes.**

6. A Corporate Bonanza:

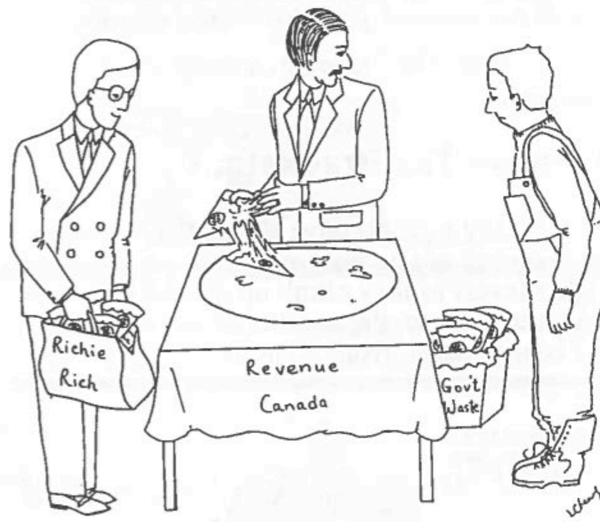
Corporations have come out on the winning side of tax reform. Although a few loopholes have been closed, corporate tax rates have been reduced significantly to remain "competitive" with U.S. tax rates.

Also the government only reduced a very controversial business tax break. In 1985, the Tories brought in a **lifetime** capital gains exemption of $500,000 which has not been eliminated, but only reduced to $100,000 (except on the sale of farm property and small business shares which will still be allowed a $500,000 exemption). Income not taxed under this exemption includes profit from the sale of real estate, stocks, bonds and other assets.

After tax reform, more than 60,000 profitable corporations will still not be paying any income tax because the Mulroney government did not impose a minimum corporate tax.

The Tories would be able to expand social programs, such as job creation, simply by levying a minimum tax on corporations. Although it expects corporate income tax changes to yield an extra $470 million in federal revenues in 1988, the government could have raised almost 5 times as much (or $2 billion per year) if it had simply set a minimum corporate tax.

Phase 2: The Sales Tax Revenge



"Now what can we do for you?"

The most regressive element of the tax package will be introduced in Phase 2 in the form of a multi-stage sales tax. The government's plan is to extend sales taxes to many goods and services that are excluded under the current federal sales tax system.

The Manufacturer's Sales Tax

The federal government has used sales taxes to generate revenue since 1920. Unlike provincial sales taxes, the federal tax (before tax reform) is **not** collected from the consumer directly, but from manufacturers, wholesalers and importers.

Consumers usually don't know about this tax because it is included in the shelf prices of many consumer goods. Even many retail stores are not fully aware of the amount of this tax because it is usually included in the wholesale prices and not listed as an extra or separate cost. This means the amount of the federal tax and its impact before tax reform had been largely hidden from consumers.

The Tory National Sales Tax

Instead of trying to reduce these hidden taxes, the tax reform package plans to extend sales taxes to not only to almost all goods, but also to a wide range of services not taxed under the present system. So far, food, products bought by government institutions and pharmaceuticals will probably not be taxed under tax reform, **but virtually everything else will.**

Since low-income people have to spend most of their earnings on the basic necessities of life, sales tax is unfair because it forces them to spend a much greater portion of their income on taxes. For example, if a single mother in Ontario has only $100 to spend on winter clothes, the $8 she pays in provincial sales tax will mean much more to her than $80 would mean to someone with $1000 to spend. The main problem is that sales taxes don't distinguish between rich and poor customers -- no matter how much you earn, you still have to pay an 8% sales tax in Ontario. It will be even worse after the Tory sales tax is introduced.

Under the Conservative government's proposed national sales tax, Canadians in some provinces will find themselves paying **a sales tax of more than 16%** on most goods and services. Not only will the items we purchase have an extra sales tax, but so will a wide range of services (such as haircuts, legal and dental fees, etc.) that have not been taxed in the past.

The tax expected to replace the existing provincial and federal sales taxes, will probably have a federal rate of about 8 to 10 per cent, and a provincial rate added on top of that. This means consumers in Ontario may be paying a 16 or 18 % sales tax after the federal tax is imposed. Although the Tories will introduce a refundable sales tax credit to offset the effects of these taxes on low-income Canadians, critics of the new sales tax claim that only the very neediest people will receive any benefit from the new credit.

Selling Tax Reform

In order to sell their tax reform package, the Tories had arranged it so that all the benefits were up front and the drawbacks were to come later. Beginning in July, 1988, taxpayers saw a slight reduction in personal income taxes. Lower taxes actually came into effect in January, but the Tories kept collecting taxes at the old (higher) rate so that taxpayers would receive bountiful tax returns in May, 1989 - just in time for a spring election. Opinion polls showing higher Tory support changed all that, causing the Mulroney government to call an early election.

Since the Conservatives won a majority government in November 1988, provincial premiers have started voicing their opposition to the new federal sales tax. However, pressure from the business community to reduce the deficit and pay the high costs of free trade will likely override attempts to scuttle the tax plan.

Women Hit Hard

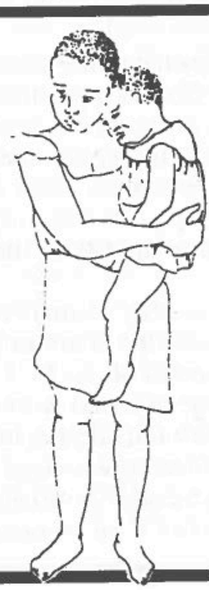
Women's groups have often complained that the tax system does not promote equality, but rather encourages women's dependence on men. Take, for example, the **spousal tax exemption** which grants tax relief ($3700 in 1987) to a working spouse -- usually men-- if the other spouse earns little (less than $520) or no income.

This huge tax subsidy to married couples in traditional relationships is not only expensive (costing the government about $1.3 billion), but it may discourage married women from looking for paid work outside the home. Since many women find themselves stuck in low-paying jobs, they are understandably concerned about spending most of their income on employment-related extras, such as on child care, travelling expenses and more expensive clothes.

Child care costs, in particular, may make or break a women's resolve to enter or stay in the workforce. Under the current tax system, parents are given a $2000 tax break (per child per year), but we all know that $2000 is not nearly enought to pay for adequate day care. In large urban areas, costs may easily reach $200 a week or $10,400 a year for each child -- hardly a work incentive for large numbers of underpaid women.

Ultimately, any tax changes that hurt low-income Canadians will hit women particularly hard. In 1985, the National Council of Welfare estimated that 41.9 per cent of unattached women were below the poverty line, compared to 30.5 per cent of unattached men. The numbers are even greater in single-parent households -- 46.7 per cent of these families headed by women fell below the poverty line, compared to only 9.6 per cent of those headed by men.

Mulroney's so-called reforms offer no hope of fairness to those at the low end of the income scale, and most of these are women. Finance Minister Wilson would have us believe tax reform will benefit the poor because 850,000 Canadians will be taken off the tax rolls. However, according to a study by the New Democratic Party, almost all of these people were exempt from income taxes before 1985, when the Conservatives brought down the first of three very regressive budgets. In fact, what tax reform does to personal income taxes is to reverse some of the damage done by the Tories in the previous three budget years.



Real Tax Reform

Genuine tax reform would take the increasing numbers of poor Canadians (most of whom are women) off the tax rolls entirely. It would reduce tax rates to low-income earners; eliminate or reduce our sales taxes; increase taxes levied on wealthy individuals and profitable corporations; and tax capital gains at the same rate as ordinary income.

Higher revenues from corporations and wealthy individuals could finance job creation. Tax breaks to corporations could be replaced by a more honest, open system of grants and loans, which could be tied to job-creation or environmental clean-up guarantees, or which could give the public, through government, a measure of ownership and a share in the profits.

A fairer tax system would also put more money in the hands of people who spend it on things that create jobs -- and more jobs mean more people on the tax rolls. With a larger number of people paying tax and fewer receiving social assistance, tax rates could be kept at reasonable levels.

Removing tax deductions which discriminate against working women would promote greater equality in our tax system. Raising child care deductions or tax credits **to at least 2/3 of the real costs** and giving tax breaks to employers who supply child care facilities would begin to eliminate the unequal treatment of women under the Income Tax Act.

Reverse Robin Hood

Despite its claims about the need for a fairer tax system, the Mulroney government did little to improve the lives of most working people. Instead, the Tories have played "Reverse Robin Hood," by cutting taxes to the rich and increasing the tax load on low- and middle-income Canadians.

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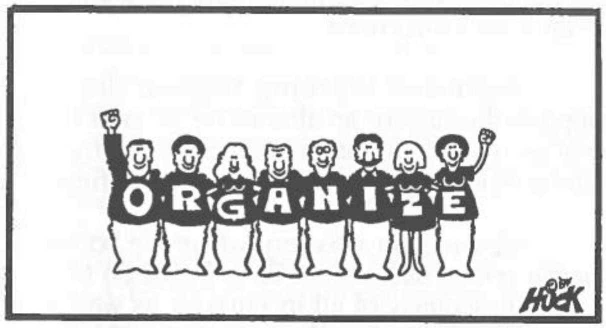
7. Alternatives to the the Tory Agenda



The Lean, Mean '80s

The Tory agenda is mainly the push for greater profits, and the corporate theme for the 1980s is "getting lean and mean". With Mulroney paving the way, corporations have set their goals and decided to "Go for it"! This is their economic plan:

Free Trade: This is Mulroney's way of bringing in market rule through the back door. Getting government out of the market place and removing all restrictions on multinational corporations will mean less chance for women to get union jobs at decent wages, and with basic benefits and protections.

Deregulation: This means higher prices and less public safety because it entrusts the public's welfare to coporate good will. It also undermines unions because in their drive to cut costs, deregulated employers demand wage freezes, rollbacks and other concessions as the price for preserving jobs.

Privatization: Thousands of unionized public service jobs are on the chopping block, to be replaced by low-wage work in the private sector. Privatization also reduces access to quality services needed by women and their families.

Tax Reform: Tory tax changes since 1984 make everyone pay more tax except for the very rich, who pay less. Increases in regressive sales taxes this year will hit the poor and middle class harder, while taxes on corporations have been reduced.

All these policies put profits before people. The veiled attack on social programs contained in privatization and the free trade agreement can only further undermine the well-being of the most vulnerable members of society -- women and children. The National Council on Welfare estimates that 56% of single mothers head poor families, while 1 in 8 Canadian children live in poverty! The Mulroney solution will only make matters worse.

Equality, Security and Full Employment

In spite of these neo-conservative attacks, the 1988 Federal Election proved that most Canadians still oppose free trade. Also the majority of public opinion supports women's equality -- including a national child care program, choice on abortion and equal pay.

A vision of a different kind of society - a democratic one where planned economic decisions will be made to meet our needs, not just to generate profits - was outlined in a document entitled *A Time for Social Solidarity: A Time to Stand Together*.

This document is endorsed by the Canadian Labour Congress, the women's movement, church organizations, peace, native, immigrant, social service and community groups. Its declaration of solidarity from all the popular movements in Canada provides a good basis of unity from which to fight the Tories. It also identifies the real causes of this country's present socio-economic crisis and outlines some alternative economic and social policy directions.

Organized Working Women also supports the call for an alternative economic strategy, where the market-driven economy will be replaced by a planned economic future.

We envision a society where the bottom line for policy decisions will be based on the economic security of all its citizens, as well as a concern for the surivival of our planet. As women in the labour movement, we must ensure that our concerns are central to any alternative program. These are:

1. Organizing the Unorganized:
Trade union membership is the best available protection working women enjoy. The unfettered right to freely join a trade union must become the choice of all workers.

2. Affirmative Action & Equal Pay:
We need to educate and lobby both unions and government for effective equality programs for women, visible minorities, native peoples and the disabled.

3. Shorter Working Time and Improved Benefits: Perhaps no other changes would improve the quality of life for working women as much as a shorter work day (with no loss in pay), a ban on overtime, improved maternity and parental leave, better vacation time, earlier retirement and better pensions.

4. A National Child Care Program:
Daycare should be a basic public service available to all Canadian parents and children. It should be publicly funded and as universally accessible as public education or medicare.

5. Improved Social Services, Health and Education: These must be fully accessible to all people, of all backgrounds, and in every region of the country. Current federal and provincial cuts to these programs endanger their very existence.

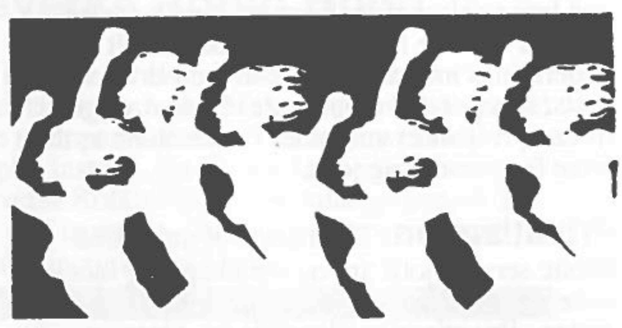
6. A Fair Income Tax System:
This would mean bringing in *real tax reform* -- collecting higher taxes from corporations and the wealthy and reducing the tax burden on low and middle-income earners.

The Role of Working Women

Over the next few years, the task of the progressive women in this country is to defeat the Tory agenda. We must begin laying the groundwork for a people's economic alternative -- **an economy for equality.**

Working women have a role to play in stopping the Mulroney government's concerted effort to cut our social programs and eliminate their universality. The corporations are well organized and they exert tremendous pressure on elected politicians. Workers, especially women, must not let our elected leaders bow to corporate demands at our expense. In this era of free trade, we will have to face the challenge of organizing on a daily basis in many different forums and on many different fronts.

Organized Working Women continues to be active in coalitions for universal child care, peace and disarmament, and alternatives to free trade, privatization and deregulation. As working people, building coalitions and common fronts is the way to take us out of the lean, mean '80s and into a just and more secure '90s.



8. Glossary of Economic Terms

Capital Gains - This happens when the shares of a company are sold at a price higher than what they were bought for. This term can also apply to a price increase on *any* good: houses, gold, art, etc. It is considered "unearned income" and taxed at a special rate.

Countervail Duty - An import tax on a good from a certain country that is assumed to be subsidizing the production of that good. This tax increases the price of the imported good compared to domestically produced goods, making it more difficult to sell. The U.S. threatened to impose countervailing duties on Canadian exports that have received any government subsidies, including regional development assistance and funding for research and development. It recently placed a countervailing duty on Canadian softwood lumber, claiming our lumber companies had received unfair subsidies.

Crown Corporation - A publicly-owned company - like Petro-Canada and Ontario Hydro - which sells services or goods like private firms. Crown corporations usually provide goods and services that the private sector is unwilling to provide at all or at a reasonable cost.

Deficit - For a government, the annual deficit is the amount that government spending exceeds taxes and other revenues in a given year.

Depression - A serious and extended economic slump, characterized by declining production, high unemployment and falling wages and prices.

Dividends - Payments to shareholders out of company profits.

Deregulation - The removal of government controls on the behaviour of private firms (eg. eliminating or reducing regulations on pricing and quality control). Conservatives often claim deregulation will increase efficiency, reduce prices and improve quality, but it usually results in higher prices and profits and lower quality services and wages.

Duty - A tax on imports (see also *countervailing duty*), which gives domestically produced goods a competitive advantage. *Also known as a tariff.*

Excise Tax - Taxes on goods and services like tobacco, alcohol and air transportation.

Exports - Goods and services produced domestically and sold to other countries.

Free Trade - The absence of government intervention in trade. In practice, there has nearly always been some governmental involvement, such as import quotas, tariffs and health regulations.

Full Employment - This occurs when virtually all of the available labour force is employed. Since it is rarely possible to manage the economy so that there is an exact match between job opportunities and the number of people who want jobs, a full employment situation allows for some unemployment (usually under 4%).

General Agreement on Tariffs and Trade (G.A.T.T.) - An international agreement, accounting for more than 80% of world trade between countries. G.A.T.T. works to reduce trade barriers, and sets out international rules on trade practices that all its signing countries are pledged to respect. It has a secretariat in Geneva to monitor trade practices and to see that G.A.T.T. rules are followed. During the 1940s Canada joined G.A.T.T. in an effort to promote freer trade among nations. Between 1963 and 1967, almost 50 countries participated in discussions leading to global tariff cuts on a total of $45 billion of trade. Decisions such as these may seem remote, but they have a profound impact on a country's unemployment rate and cost-of-living.

Imports - Goods and services produced abroad and used domestically.

Income Distribution - Refers to the sharing of income between members of a society. Income distribution among Canadians is very unequal. Some individuals and families have multimillion-dollar incomes each year, while others don't have enough money to buy the necessities of life, such as food, clothing and shelter.

Income Tax - A levy on the taxable income of individuals and corporations imposed by governments to obtain revenue.

Inflation - A measurable increase in the level of prices (or a decrease in the purchasing power of money). In Canada, the inflation rate or "cost-of-living" is measured by changes in the Consumer Price Index, issued monthly by Statistics Canada.

Manufacturing - This is the level of economic activity where raw materials are processed into finished goods and made available for distribution and consumption. See also *Resource Extraction* and *Service Sector.*

Marginal Tax Rate - *Also known as a tax bracket.* The rate levied on a taxpayer's last dollar of income. Before tax reform, there were 10 tax brackets; they were reduced to three brackets after tax reform. The marginal tax rates now are: 17 per cent up to

$27,500; 26 per cent from $27,500 to $55,000; and 29 per cent above $55,000. Taking provincial taxes into account, the highest marginal federal-provincial personal income rate averaged about 55% before tax reform; after tax reform, it will average about 45% -- a real bonus for high income earners.

Mixed Economy - An economy in which both the private sector and government play important roles. Government involvement ranges from regulating private sector activities to public ownership (eg. crown corporations).

Monopoly - When one company or enterprise controls the trade of a particular good or service. In this situation, the sole producer usually controls the pricing and quantities of the goods (or services) produced, and therefore, can make large profits. Government regulation of monopolies, such as Bell Canada, is supposed to ensure that profits are not too large.

Multinational Corporation - A corporation which operates in more than one country, although decision-making power is normally concentrated in the home country.

Non-tariff Barrier - Any barrier to the free flow of goods between countries, other than tariffs. Examples are health restrictions, import quotas and labelling requirements. Since G.A.T.T. negotiations have reduced tariff barriers over the years, non-tariff barriers have become more prevalent.

Privatization - The sale of government assets to private firms or moving the provision of services from the public to the private sector.

Productivity - How well a company, industry or the economy as a whole makes use of its resources. Labour productivity (eg. output per person-hour) is the type most often measured. It is based on the skill and intensity of work as well as on the amount and quality of other inputs, such as capital equipment, raw materials, management and organization of work. Using this approach, an unskilled worker pushing a button on a machine to do the work may be technically far more productive than a highly-skilled worker doing precision work by hand.

Protectionism - An economic policy brought in by national governments to protect domestic industry and commerce from foreign imports. Though protectionist policy has been regulated by international agreements (see *G.A.T.T.*), tariffs are still common.

Real Wages - An adjustment of wages for inflation which indicates the real purchasing power of those wages. For example, if wages go up by 4% and inflation by 5%, then a worker's real wages as well as her purchasing power have declined by 1%.

Research and Development (R&D) - R&D is a critical element in providing economic growth. R&D spending is key in developing new technologies because the technical quality of capital equipment is extremely important to the efficiency of investment.

Regressive Taxes - Taxes that are harder on low-income taxpayers than on those with high incomes.

Resource Extraction - Refers to industries such as mining, logging, forestry and oil production. This is the level of economic activity where raw materials are made available for production. See also *Manufacturing* and *Service Sector.*

Service Sector - Refers to the level of economic activity where finished goods are distributed and sold. It also includes the sector of government employment and the provision of public services. In the private sector, the service industry includes hotels, restaurants and personal or domestic services. Employment in this sector has grown consistently since World War II and now accounts for the largest portion of employment.

Stagflation - When high inflation and high unemployment occur at the same time.

Subsidy - A type of government financial assistance to producers to provide goods or services important to the public welfare, though the production of these goods may no longer be profitable.

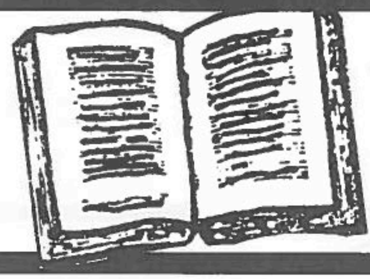
Tariffs - Taxes on imported goods. The purpose of tariffs is to protect domestic industries by giving them a competitive advantage over imported goods. Tariffs may be *preferential* (ie. one level for certain countries, another level for other countries) or *non-discriminatory* (the same level for all countries). Since the late 1940s, the General Agreement on Tariffs and Trade (GATT) has tried to move countries toward a non-discriminatory approach to tariffs.

Tax Credit - An amount to be subtracted from personal or corporate income tax that has the same value, regardless of the taxpayer's Marginal Tax Rate (tax bracket). A **refundable tax credit** acts as a form of income support because all or a portion of the credit is refunded in cash to the tax filer.

Tax Deduction - The Income Tax Act allows certain deductions (eg. retirement, childcare and investment) on personal or corporate income when calculating taxable income. Deductions are subtracted from total income; the resulting figure is taxable income on which federal and provincial taxes are calculated. A deduction is more beneficial to those in higher tax brackets because it allows them a higher percentage tax break. In contrast, a tax credit gives the same percentage benefit to all taxpayers.

Tax Exemption - An amount subtracted from gross income to arrive at a taxable income. The Income Tax Act recognizes that taxpayers must spend a minimum amount each year for basic personal needs and allows for a basic personal exemption. There are other exemptions for age, dependant children, etc. Unlike tax credits, exemptions provide a bigger tax break to those in higher tax brackets (*marginal tax rates*). All personal exemptions are converted to tax credits under tax reform.

Taxable Income - This is income subject to tax after subtracting all exemptions, deductions, allowances and expenses.



9. Resources on Economic Issues

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The Global Economic Crisis, Structural Adjustment and the Fate of Women. Draft Paper for the Women's Alternative Economic Summit, 1988.

If You Love This Country: Facts and Feelings on Free Trade, assembled by Laurier Lapierre. McClelland and Stewart, 1987.

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Privatization and Deregulation

Caring for Profit: The Commercialization of Human Services in Ontario, published by the Social Planning Council of Metropolitan Toronto, 1984.

Deregulation: Boon or Burden?, by Alan Pryde. Canadian Centre for Policy Alternatives, 1985.

The Facts, published by the Canadian Union of Public Employees. It regularly features articles on privatization, contracting-out and deregulation.

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Behind Closed Doors: How the Rich Won Control of Canada's Tax System and Ended Up Richer, by Linda McQuaig. Penguin Books, 1987.

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Women and Tax Reform: Background Paper, by Maureen Maloney. Canadian Advisiory Council on the Status of Women, 1987.

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Economic Alternatives

Getting Started on Social Analysis in Canada, by Michael Czerny S.J. and Jamie Swift. Between the Lines Publishing Ltd., 1984.

A Time to Stand Together: A Time for Social Solidarity, published by the Working Committee for Social Solidarity, 1987.

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Economics Demystified: A Dictionary of Economic Terms for Non-Economists, published by The Canadian Association of Labour Media, 1984.

The Fontana Dictionary of Modern Thought, Fontana Books, 1977.

- Notes -

Women in Changing Economy

is a primer on the key economic issues facing Canadian women today. From privatization to tax reform, this easy-to-read guide explains how a wide range of economic policies affect our daily lives. It's never to late to learn the facts about free trade and about some of the myths. Find out the truth behind the Tory tax reforms and who really benefits. Discover economic alternatives that increase women's opportunities, not reduce them. All this in **Women in a Changing Economy**.

Organized Working Women (OWW) is a membership organization dedicated to helping women actively participate in their unions and assisting unions in taking up the special concerns of women workers. As trade unionists, we fight for our rights at work alongside our sisters and brothers. As women, we strive for equality at all levels of society. For more information, please contact:

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