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Why teachers are still striking

SPEECH TO THE LANGLEY TEACHERS ASSOCIATION'S PUBLIC FORUM ON EDUCATION

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Check against delivery.

I have a slightly different take because I don't come from the labour movement or from the education sector – I come as an economist, so I'm going to talk a little bit about numbers. But before I get to the numbers I want to mention that, like all of you here tonight, I'm here because I know we can do better. I know that we can find a way to provide a great learning environment for all of our kids, including those who need additional supports, and who are currently not being served by the system. And we can fairly compensate teachers for the important work they do.

After all, we don't need to remind ourselves how beautiful this place is, but we probably need to remind ourselves every so often that it is one of the richest provinces of one of the richest countries in the world. So if we can't provide good quality education for all our kids, I don't know who can.

In the next couple of minutes, I'd like to talk a little bit more about affordability, and what affordability means exactly.

The Minister of Education has repeatedly argued in the media that the teachers' demands are unaffordable and unrealistic. Those are the words he uses. It doesn't matter how many newspaper articles or radio stories you listen to, those same words appear. So why does he say so? Because other unions have accepted lower wage increases than what teachers are asking for. So that's the main talking point.

But this is not what affordability means. Affordability is not defined by the wage increases that other public sector unions have agreed to. Affordability is defined by our ability to pay.

As a province, our ability to pay for education, and for other services that we want to provide together, depends on two things: one is the size of our economy, and the other is our tax rates. I'll talk about both in turn.

First, the economy: Five years after the recession, the BC economy is doing okay. We're not booming—I'm sure you all know that—but our economy is still projected to grow.¹

The teachers are bargaining for a five-year term, so I looked at the BC Budget and I asked, "How much does the government forecast that the economy will grow over the five years of the collective agreement?"

The economy is projected to grow by 19%.² That's not adjusted for inflation, but neither are the teachers' wage demands. That's not a small number.

Now provincial government revenues have been undermined by tax cuts, but they're also growing in line with the economy. They are projected to increase by 15% over that five-year term of the agreement.³

Even if we accept the government's costing of the teachers' demands as a 14.5% increase⁴—which a lot of people are disputing—this is actually in line with projected revenue increases of 15% over the next five years. This seems to me both realistic and affordable when you look at the budget.

Yes, it's a higher than what other unions have agreed to, but it is in line with the actual growth of our economy and with the growth of the current government budget. It simply ensures that teachers share in the benefits of prosperity.

Besides, considering that teachers have taken two years of zero increases, you can think of that 14.5% as an amount spread over seven years and not five years⁵. Then it becomes even more affordable and more realistic.

Comparisons to other unions' negotiated increases are not how we assess affordability. For whatever reason, these unions have agreed on wage increases lower than inflation—and I want to highlight that, because 5.5% over five years is actually lower than inflation—and that means they are taking actual wage cuts⁶. This is happening at a time when we expect to see real, per capita GDP growth – and they're taking less-than-inflation wage increases. That means that public sector workers who have agreed on these increases will not be sharing in the benefits of growth over the next five years. That's a problem

The real contentious issue in this round of bargaining, however, is not the wages but provisions around class size and composition. That's because legislation introduced in 2002—which has since been found illegal by the BC Supreme Court twice—has resulted in higher class sizes, fewer specialist instructors and specialty programs, and fewer supports for kids with disabilities. That has, however, kept a lid on costs of the education system in BC; costs have increased slower than they have increased in the rest of the country. But is it worth it? I argue it's not because it has also undermined the quality of education we are able to provide.

BC teachers are asking for smaller classes, and for more supports for kids. Does this cost money? You bet it costs money! But this is money that we, as a society, should be happy to spend, because it represents investment in our children. Any economist will tell you that education is one of the best investments you can make as a society. And the earlier you make it, the better off you are. It is fundamental in today's rapidly changing knowledge-based economy. It's also the key to promoting equality of opportunity and social mobility, and it is becoming ever more important as we see growing income inequality. Providing great education for all kids is the most reliable and sustainable way to build a better future for everyone, regardless of their parents' means or background.

The Minister of Education argues we can't afford to provide high quality education for all kids. He says all existing government revenues have been committed to other important projects and services. Including that 15% growth, it's all been committed.

But the thing to keep in mind is, as I've mentioned, government can choose how much revenues they have available to spend, and they choose it by setting tax rates. Saying there's no money for education improvements doesn't mean we can't afford it. It just means we can't pay for them with our current taxes. But we can choose to increase tax rates.

Federal and provincial taxes have declined considerably over the last ten years. The BC government likes to brag about having the lowest income tax rates in the country. But what good is having the lowest personal income tax rate if we also have the highest poverty rate, and the highest child poverty rate, and if we're cutting arts and sports programs in schools, and if we can't provide kids with learning challenges the kinds of supports they need? What good is it?

If we collected taxes at the same share of the economy now as we did in 2001, we would have \$2.5 billion more to spend on needed public services⁷. That would more than pay for the class size and composition improvements you are asking for.

There is room, as you see, to increase taxes modestly. We have the lowest tax rates. But maybe we don't need to have the lowest.

It can be done. For example, last year the provincial government chose to create a temporary new tax bracket for people earning over \$150,000 a year to help reduce the deficit faster. They have shown that it is possible to change tax rates if you have something you want to pay for. This new tax bracket was introduced for only two years—it expires December 2015—and it raises around \$205 million a year.

If we made this tax bracket permanent instead of having it expire in December 2015, that would almost cover all the costs of improved class size and composition that teachers are asking for.

And if we introduced a new tax bracket at incomes over \$200,000 on top of that, this would generate an additional \$250 million per year that we could use to improve education or whatever else⁸.

SFU Economics professor Krishna Pendakur—who was one of my professors in my undergrad degree there—had an op-ed recently in the Vancouver Sun⁹. It was a great piece, and he offered another

option: he mentioned if we increase taxes by just 3% overall, that would raise an additional \$1 billion per year. For most people, this would amount to between \$100 and \$500 per year – it's only those in the top 1% that would be paying more

A report we published last year called *Progressive Tax Options for BC* outlines a number of other possibilities – there are many different ways we can generate revenues if the will is there.

And just yesterday, if you read the newspaper you saw that the BC government ended the fiscal year with a larger than anticipated surplus¹⁰. That's another 200 million – almost enough to cover the costs for the one-time grievance fund that the teachers are asking for.

To sum it up: Investing in excellent education for all our kids is not only realistic and affordable, it's fundamental for building the kind of just and sustainable society that we all want to live in.

Thank you.

¹ The Economics Forecast Council, a group of private sector economists that provides regular economic forecasts to the BC Ministry of Finance, estimates that the BC economy grew by 1.4% in real terms (after adjusting for inflation) in 2013 and forecasts real economic growth of 2.3% in 2014 and 2.7% per year for 2015-2018. The Council forecast for nominal economic growth (before adjusting for inflation) is 2.7% for 2013, 3.9% in 2014, 4.7% in 2015 and 4.8% in 2016-2018. Source: BC Budget 2014, p. 90.

² The BC Ministry of Finance uses a lower economic growth forecast than the private sector (Economic Forecast Council) for the BC Budget. In BC Budget 2014, the Ministry's forecast for nominal economic growth (before adjusting for inflation) is 2.6% in 2013, 3.6% in 2014, 4.3% in 2015, 4.4% in 2016, 4.5% in each of 2017 and 2018. For the five-year period 2013 to 2017, which corresponds to BCTF's proposed contract term from 2013/14 to 2017/18 this adds up to 19.4% nominal GDP growth. Source: BC Budget 2014, p. 83.

³ BC Budget includes the following provincial revenue projections: 4.5% in 2013/14, 1.9% in 2014/15, 2.8% in 2015/16, 3.1% 2016/17. Assuming revenue growth in 2017/18 matches the forecast for the previous year, this adds up to 15.4% over the 2013/14 – 2017/18 term of a teachers' collective agreement. Source: BC Budget 2014, p. 123.

⁴ See the BC government-sponsored advertisement at: <http://www.news1130.com/2014/06/20/education-critic-slams-the-bc-government-for-a-front-page-ad-on-the-teachers-dispute/comment-page-4/>

⁵ The last BCTF collective agreement with BCPSEA covered the period 2011/12 to 2012/13 and included no wage increase.

⁶ According to a statement released by the BCPEA on June 19, 2014, the average public sector collective agreement to date is for a total compensation increase of 5.5% over 5 years.

<http://www.bcpsea.bc.ca/documents/Media/Backgrounder/00-UPDATED-August%2031-Backgrounder-Barrier%20to%20Concluding%20a%20Negotiated%20Collective%20Agreement%20-%20Cost%20of%20BCTF%20Proposals%20Currently%20on%20the%20Table.pdf>

BC Budget 2014 projects a total inflation increase of 7.5% over the period 2013-2017 (p. 73).

⁷ Author's calculation based on tax revenue data from BC Budgets. MSP premiums (which have doubled since 2001) are included in tax revenues. If we went back to the level of taxation as a share of the economy in 2000, we'd have \$3.5 billion more per year, as we calculate in a 2013 CCPA report *Progressive Tax Options for BC I* co-authored with CCPA-BC's Director, Seth Klein.

⁸ Author's calculations based on Statistics Canada's SPSPD/M model.

⁹ Pendakur, Krishna. 2014, June 11. *Vancouver Sun*. Retrieved June 11, 2014 from <<http://www.vancouversun.com/news/Opinion+willing+more+better+education/9926413/story.html>>.

¹⁰ The 2013/14 Public Accounts released on July 15, 2014 report a surplus of \$353 million for 2013/14, higher than the \$175 million surplus projected in February's 2014 BC Budget. See: http://www2.news.gov.bc.ca/news_releases_2013-2017/2014FIN0027-000983.htm