



Planning for Prosperity

What's Partnership Got To Do With It?

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Almost a decade ago the Government of Newfoundland and Labrador (NL) institutionalized the classic approach to partnership, bringing business, labour, and government together. Ongoing committees were tasked with charting the way forward on strategic areas of public interest that affect all citizens of the province. Quite common in Europe, this approach to decision-making is very rarely done in Canada.

It isn't the only thing that sets NL apart from the rest of Canada. Like Quebec, you are a distinct society. This is just another example; but it is one example the rest of Canada would do well to learn from.

Today, you are learning about yourselves too.

I understand this is the first time all the partnership committees have been brought together, to discuss what partnership can accomplish in these challenging times, and how it can shape your future.

It is an honour to share this day of discussion with you. In truth I feel uniquely prepared to be part of it. Frankly my career path looks like it was just a rehearsal for today's conversation.

I am an economist, but I have a Master of Industrial Relations—which means I have studied in depth the intersections between business, labour and government.

I have worked for decades in the non-profit community-based sector, where nothing gets done without partnership; and where, in the process of interacting with one

another, you learn more than you might want to know about yourself and your partners. I would wager that I have seen more than most economists of the profound intertwining of social and economic issues.

I am an economist with a great interest in economic history, as a way of understanding how we came to be where we are today. Most economists are interested in daily stock market reports, quarterly results in balance sheets, or annual rates of growth. Their focus is on predicting what is going to happen next. Lately they haven't been very good at it.

I'm not going to try to predict what is going to happen next. I'm going to suggest how partnerships can be used to **plan** for what is going to happen next and—by so doing—effectively **shape** what happens next.

It's important to know what you are up against. My comments are divided into two sections:

*The context in which you meet
(particularly the economic context); and*

The nature and role of partnership in moving forward

As far as the context, NL has not been untouched by recession, but it is not as economically devastated as it has been in past economic downturns.

I won't dwell on the trends and comparisons in GDP, as Glen Hodgson's presentation has already done so. Instead

Chart 1: Growth in Unemployment Since October 2008

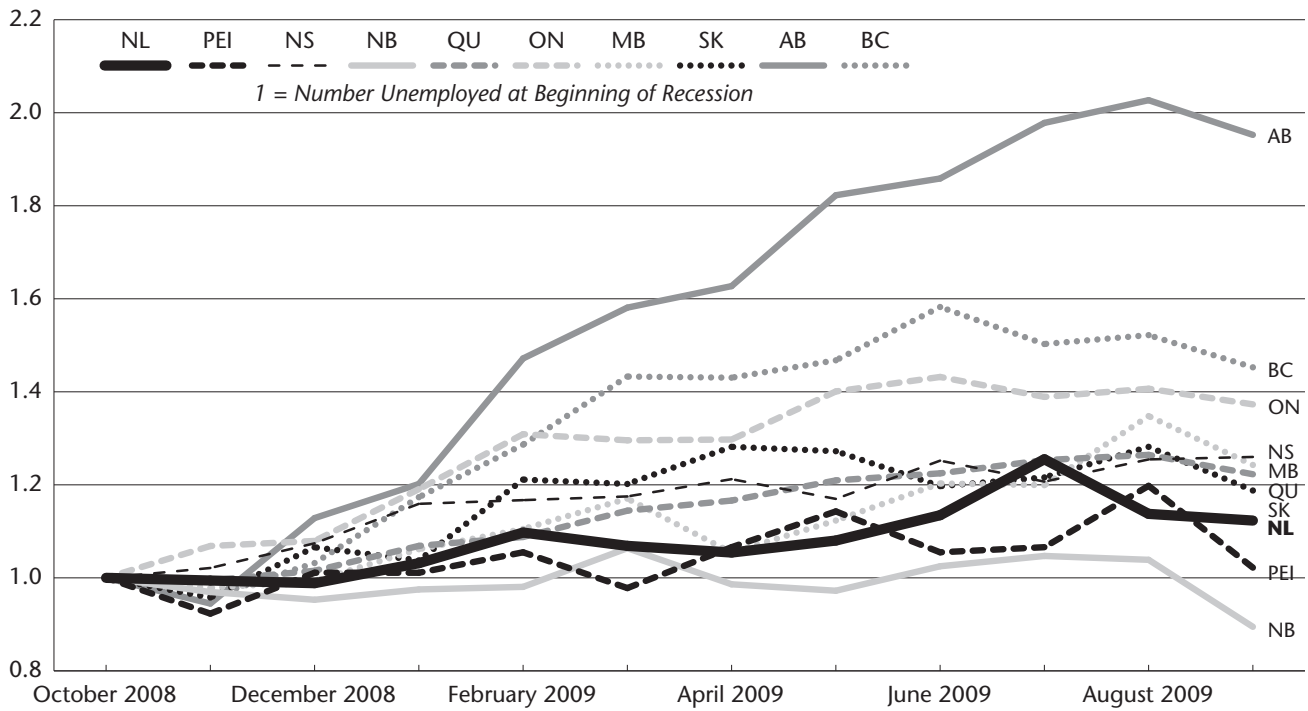
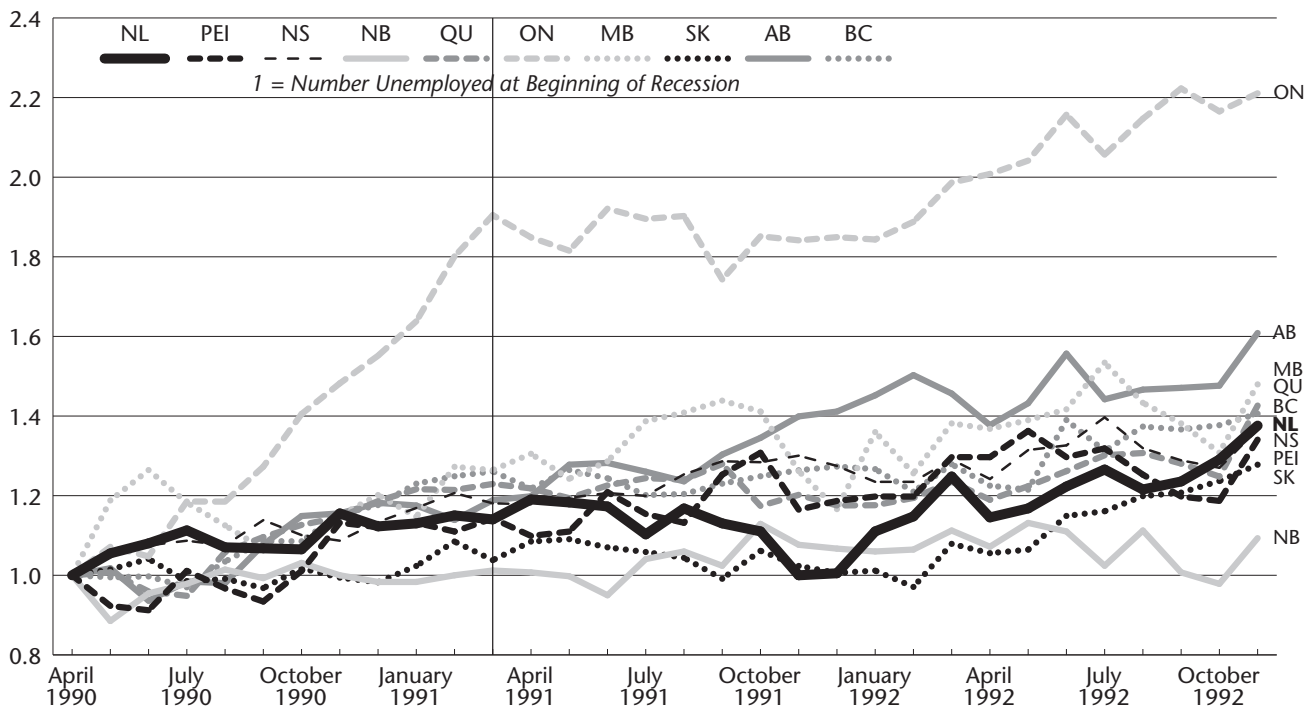


Chart 2: Rise in Unemployment, 1990s Recession



I'll show you how the people of Newfoundland and Labrador have fared in this recession.

You'll note that, thus far, the rise in the number of people unemployed in NL (heavy solid black line) is less pronounced here than in most other jurisdictions.

Chart 3: Growth in Regular EI Beneficiaries Since October 2008

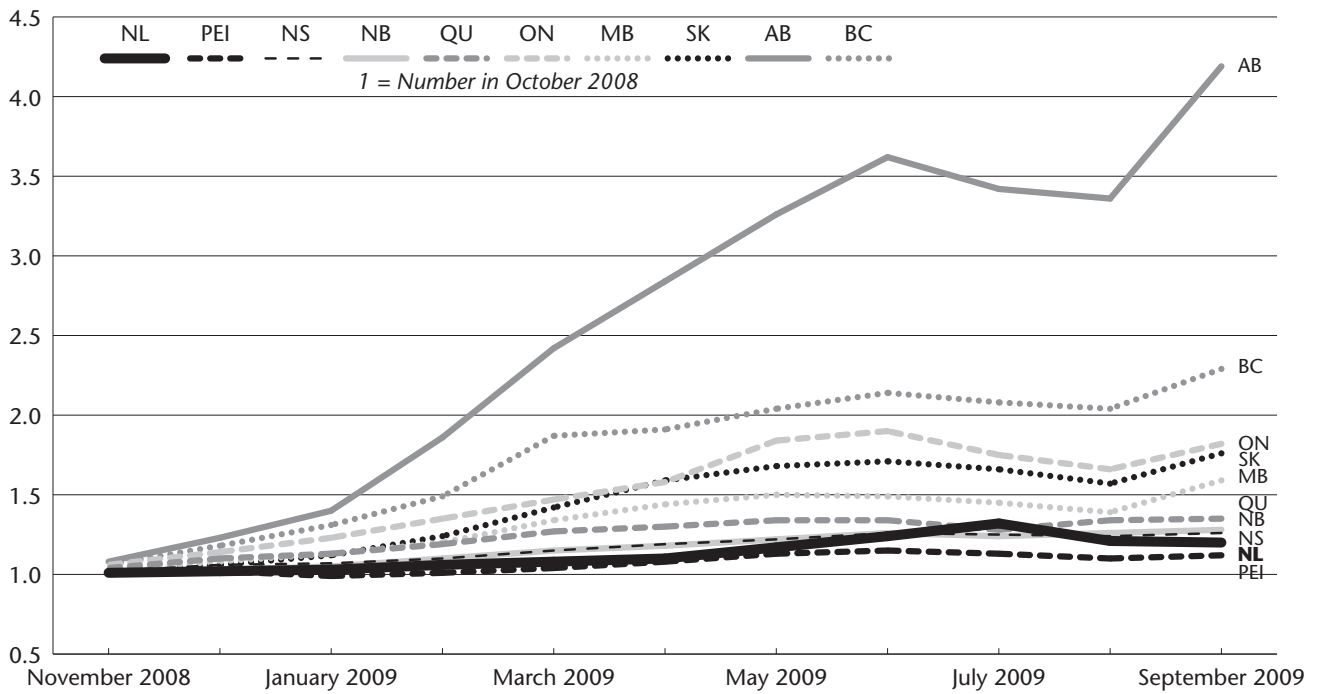
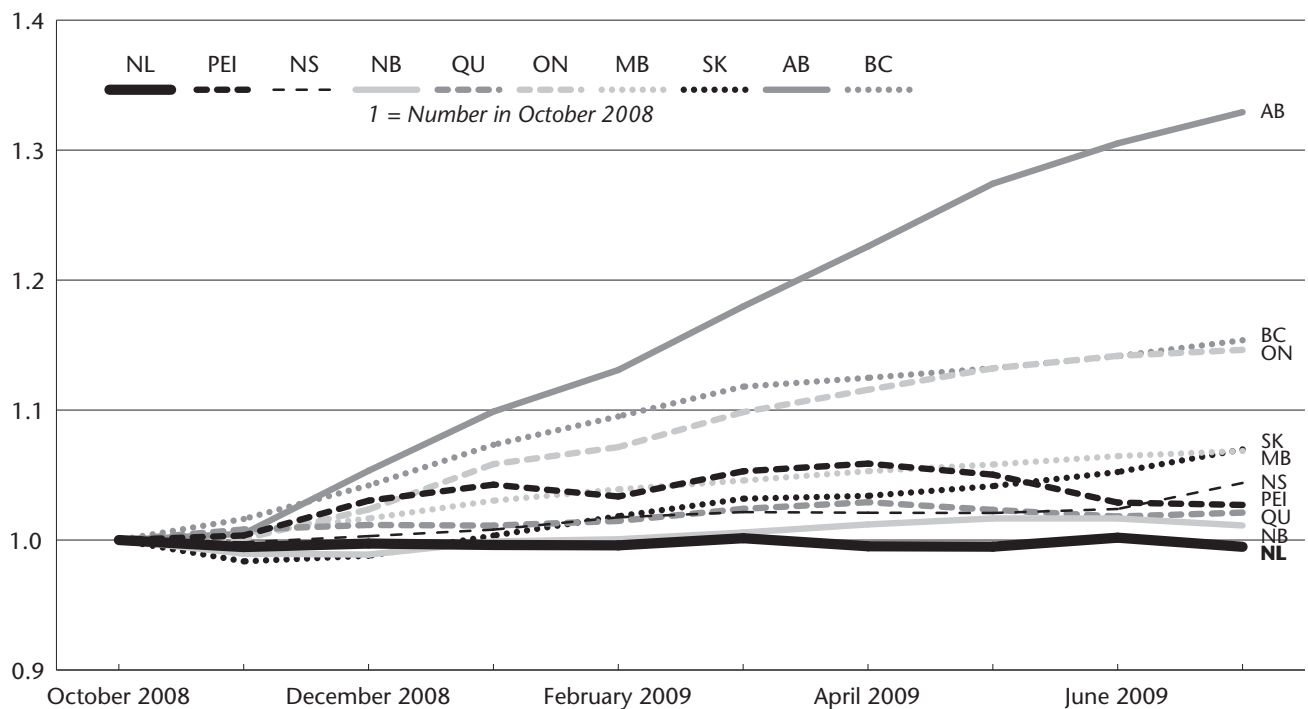


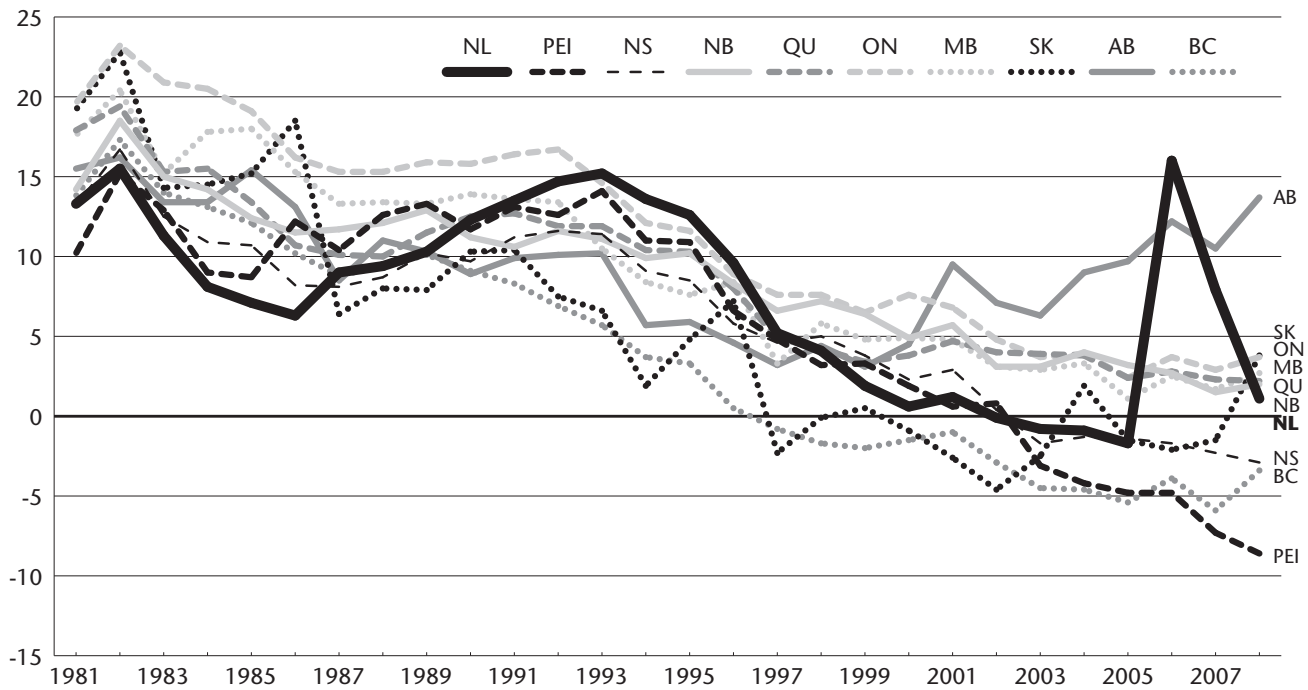
Chart 4: Social Assistance Increases Since October 2008



That may change. Things got much worse for NL in the last recession, but it didn't happen til quite a lot later into the national recession. The vertical line in this chart shows the point at which we are now in the recession, almost a year into it. That recession lasted a lot longer, and most

jurisdictions (excluding Ontario) didn't feel the full force of it in labour markets til much later. Full-time employment took almost seven years to recover at the national level, and there were important regional differences.

Chart 5: Personal Savings Rate, Provinces, 1981 to 2008



Because the employment impacts of this recession have not been as severe here as elsewhere, the increase in rates of reliance on Employment Insurance has been virtually negligible thus far.

Similarly, the number of additional people in NL that have turned to social assistance for income support during this recession has barely changed, though we are almost a full year into the recession.

That could be because people are dipping into their personal savings. Savings rates have been on a roller coaster ride in this province for most of the past thirty years—sometimes ahead of the rest of the country, and sometimes woefully behind. (NL is the heavy solid black line). But, if these overall savings rates tell us anything useful about those who are suffering from joblessness, right now people from NL seem poised to weather the storm a little better than elsewhere.

Another indicator of how resilient NL families are reveals both good news and bad news. Comparing rates of insolvency from September 2008 to September 2009, personal bankruptcies in NL have risen at the slowest rate in the country year over year. But increases in proposals are the highest in the country. Proposals mean that you need more time to pay up, or you can only pay a portion of your debts—it's like waving the white flag of surren-

der. Proposals are accepted if creditors believe they would recoup more money from you than if you go bankrupt. It is possible to work your way through a proposal, but it's a bit of a canary in the coal mine, revealing troubled household finances and suggesting potential troubles ahead. Consider this news a bit of a heads up.

In short, Canada may have been exposed to a global economic downturn of a force not seen since the 1930s, but NL's economy is not in tatters. Far from it. And, given its reserves of oil, it is poised to be one of the first Canadian jurisdictions to flourish when the global economy starts growing again.

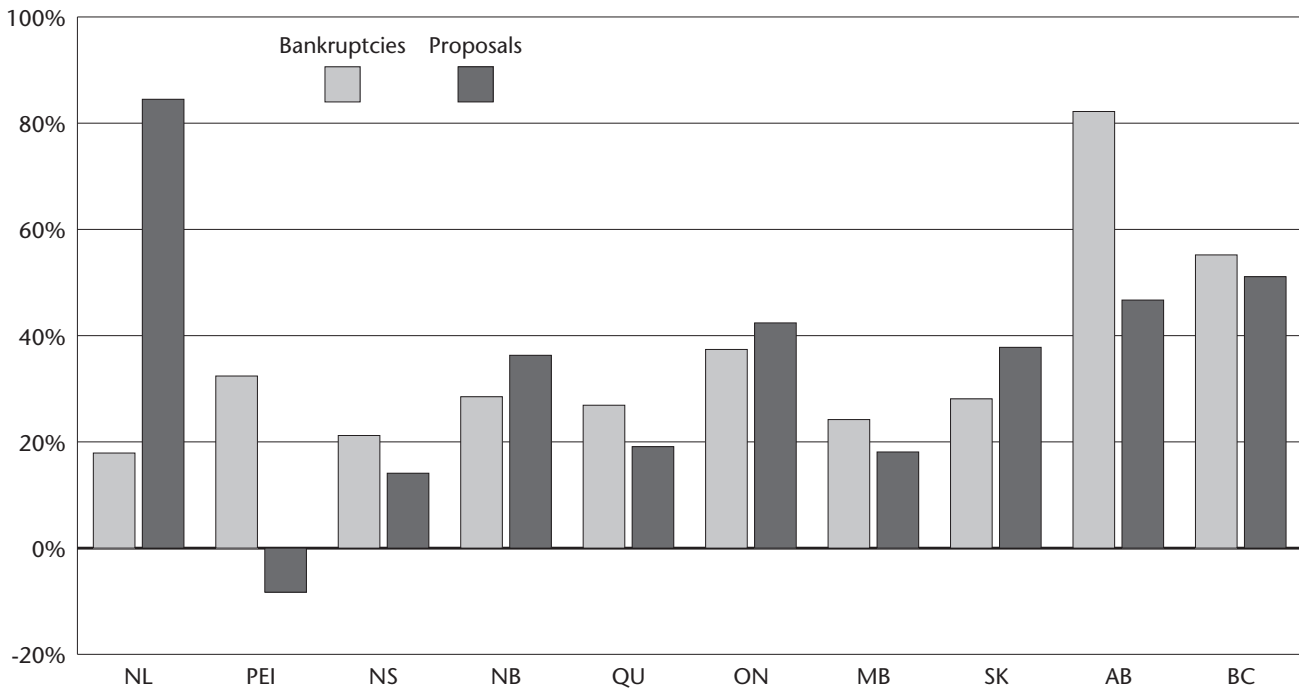
But you are not just waiting for markets to deliver the goods.

Major public investments are being made in infrastructure (energy, broadband and to a lesser extent a poverty reduction strategy), laying a strong foundation for the next wave of economic expansion.

NL government policies and civil society efforts do more to ensure no one is left behind here than in most jurisdictions, and that has long been the case. It's just become more of a mission of late.

In 2006, looking out over this province's remarkable economic prospects, the Premier decided a blistering pace

Chart 6: Growth in Personal Bankruptcies and Proposals September 2008 to September 2009



of economic growth was not a good enough indicator of success and effectively challenged the rest of the country to do more when he said NL would soon have the lowest poverty rate in the country. That can-do attitude isn't unique to the Premier. I've had a window on your conversations through the Federation of Labour in the past few years because of the work I've done on growing income inequality, here and elsewhere in Canada. And I can safely say that no other jurisdiction has engaged in such broad-based, sophisticated and profound discussion about how to share the wealth — any wealth, whatever its scale.

The final advantage you have on your side is your provincial budget. While the rest of the country frets about large and growing deficits, NL's public purse is in better shape than virtually any other province in Canada. In late March 2009, your budget predicted a \$750 million deficit for this fiscal year. That is almost guaranteed to be negligible or even totally disappear as the price of oil steadily rises, from \$50 a barrel when the budget was crafted, to almost \$80 a barrel today.

Just about any way you look at it, NL is in an enviable position. The pain of the recession hasn't hit your households quite as hard as elsewhere. Your public finances are in pretty good shape. You're coming together in this unique process to chart your common future. And your economy is all but guaranteed to be one of the top per-

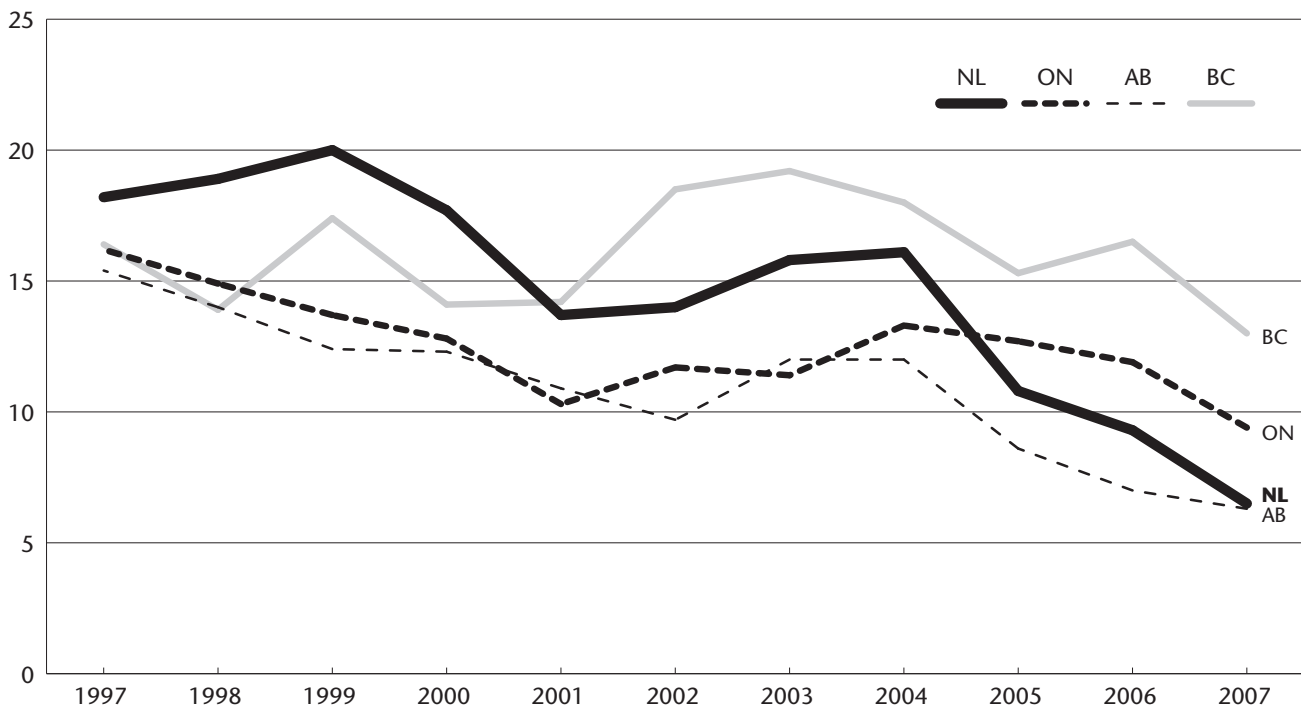
formers in the country when commodity prices, particularly oil, start to take off again.

That's the challenge you have before you: What are you going to do with the prosperity when it comes?

If a bigger economy was all it took to guarantee prosperity for all, the residents of Alberta, BC or Ontario would be laughing. Instead, hundreds of thousands, perhaps millions of Canadians are facing economic ruin of a scale unseen in post-war history. As I documented in *Exposed: Revealing Truths about Canada's Recession* (released in April 2009, and available at www.policyalternatives.ca/publications/reports/exposed-revealing-truths-about-canadas-recession), Canadians entered this recession more exposed to the risks of a downturn and joblessness than they have been since the 1930s. We have the weakest system of protection against unemployment since the 1940s. Our personal savings rates are comparable to those of the 1930s. We also have record-breaking levels of household debt. As a society, we are unprepared for massive job losses. Too many people have nowhere to turn.

Despite a decade of the most rapid and sustained economic growth seen since the 1960s, the prevalence of poverty has only gradually declined, while inequality has soared. Before the recession began, in the best of eco-

Chart 7: Child Poverty, Selected Provinces 1997 to 2007



economic times, there were already more than three million Canadians living below the poverty line. We won't see the data for two more years, but it's a pretty safe bet that the recession will trigger a steep rise in the numbers living in poverty, particularly in the three provinces that have been hardest hit: Ontario, Alberta and B.C. The economic crisis may add millions of *nouveau* poor to the ranks of the *déjà* poor, while the rich barely feel the pinch of these troubled times.

Poverty tracks unemployment, and given that NL has continuously had the highest unemployment rates in the country, one could reasonably expect poverty rates to be the highest here of anywhere in Canada. They are not.

Take a look at these charts showing NL's poverty rates for three groups—children, the elderly, and working-age adults.

Child poverty has seen the sharpest decline in NL, going from a jurisdiction with almost one in five children living in poverty, to one of the lowest rates of child poverty in the country over the course of the past decade. That's not to say that the job is done, but it does indicate how a surging economy has benefited a growing number of households in this province.

But it has not just been economic forces that have driven poverty rates. NL has tracked near or at the bottom of poverty rates among the elderly for the last decade, even when the economy was not thriving.

If it was just about the economy, you'd see a more dramatic reduction in poverty rates in NL among working-age adults. For this group, there has been a decline, but not as sharp as for children.

Clearly the reduction of poverty has been one response to the growth in the NL economy in the past decade. But these rates cannot just be explained by the strength of the job market. After all, NL's unemployment rate is still far worse than that of these other jurisdictions. And, strong or weak, job markets can't explain such low poverty rates among the elderly here compared to elsewhere.

You've always come up with imaginative ways of end-running poverty and taking care of each other. Doctor House's storied past is testament to that.

With low and falling rates of poverty, and perhaps the best economic prospects of any province going forward, relative to the rest of Canada, NL is to be envied.

Chart 8: Senior's Poverty, Selected Provinces, 1997 to 2007

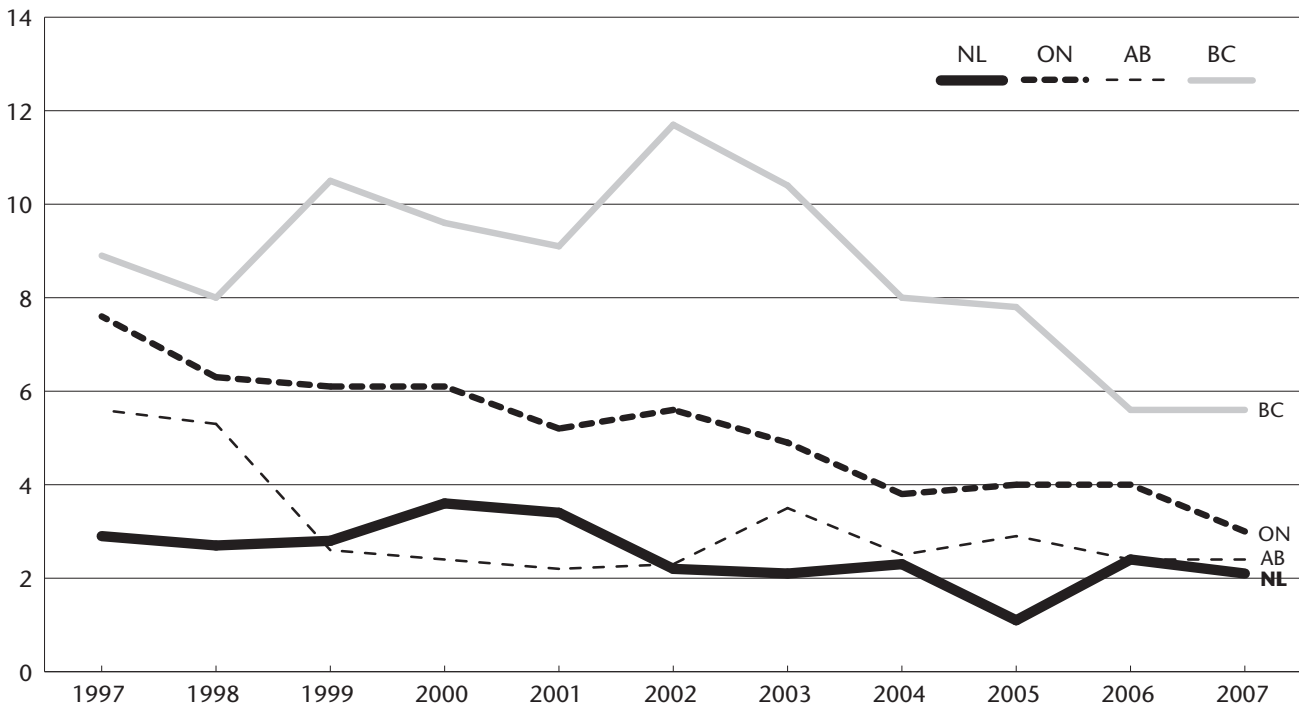
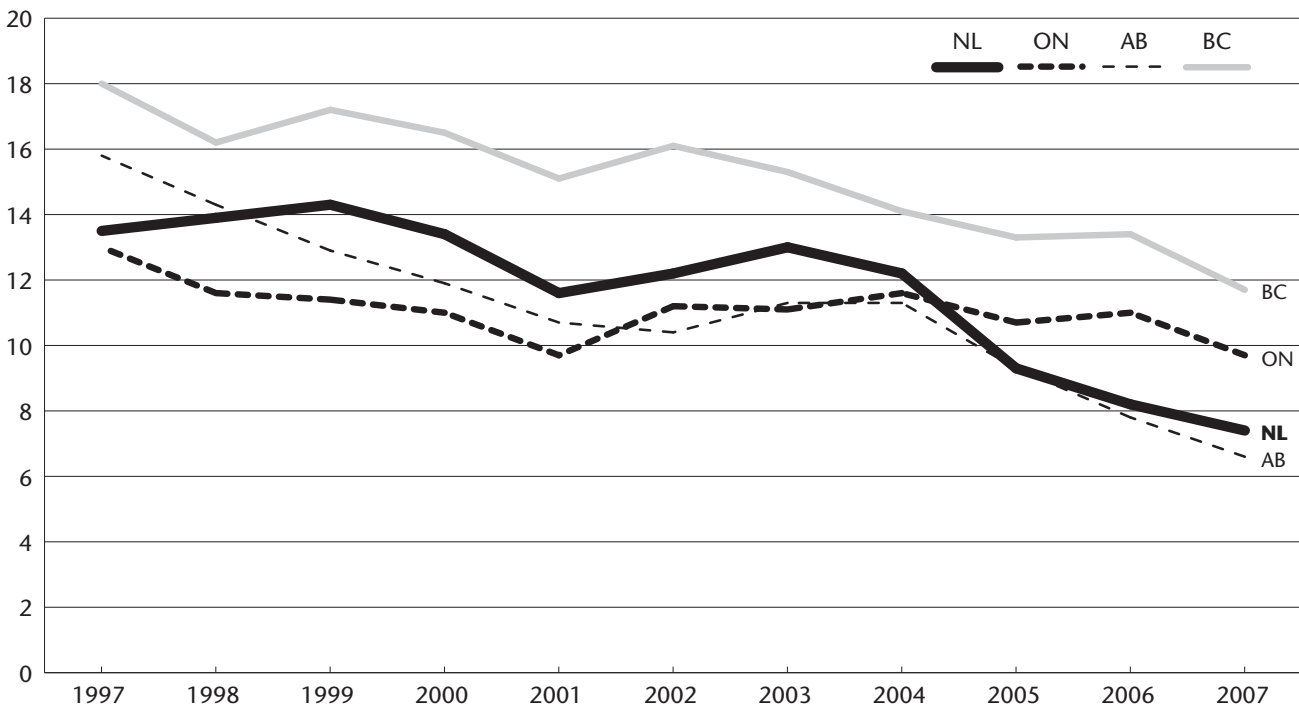


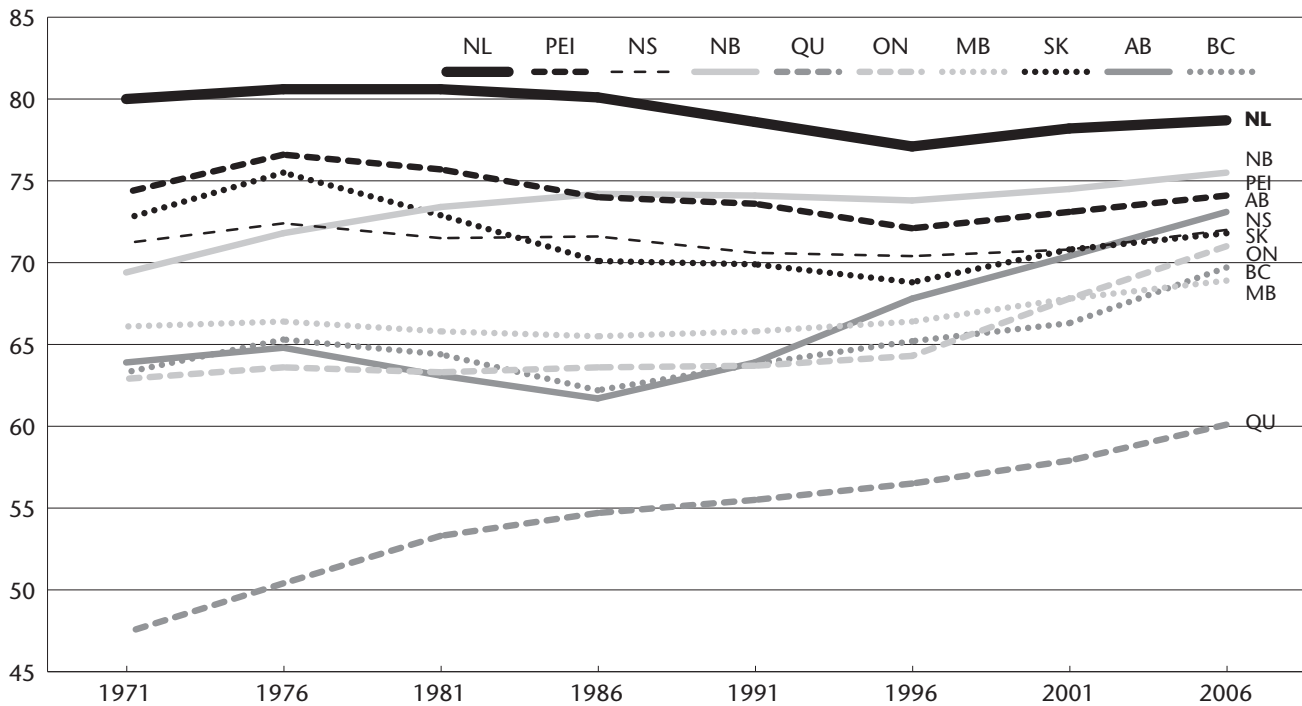
Chart 9: Poverty Rates 18-64 year olds, Selected Provinces, 1997 to 2007



Going forward you nevertheless face serious challenges, providing all the more reason for you to put your heads together.

- The first challenge is your large cohort of elderly citizens, which raises the stakes for keeping and attracting a younger population. Both groups make

Chart 10: Rate of Home Ownership, Provinces, 1971 to 2006



legitimate and difficult to fulfill claims on what level of health and education (including home care and child care services) can be accessed, where and how.

- The pronounced rural/urban divide raises important questions about how people are going to stay connected with one another and continue to build communities and economic opportunities. Rural communities continue to dwindle in size and number, sprinkled over a vast terrain; and city life is neither desirable nor affordable for many. These realities place a premium on transportation and telecommunications policies but also economic development policies. Like elsewhere in Canada—indeed around the world—this is a province of two economies, the haves and the have-nots. The haves, as elsewhere, are in your biggest city, and its surrounding communities. The have-nots are everywhere else.
- NL is still the jurisdiction with the highest proportion of residents living outside urban centres. Affordable housing used to be almost a non-issue in NL because people would come together to build what was needed in villages and hamlets for next to nothing. That’s why NL has historically had the

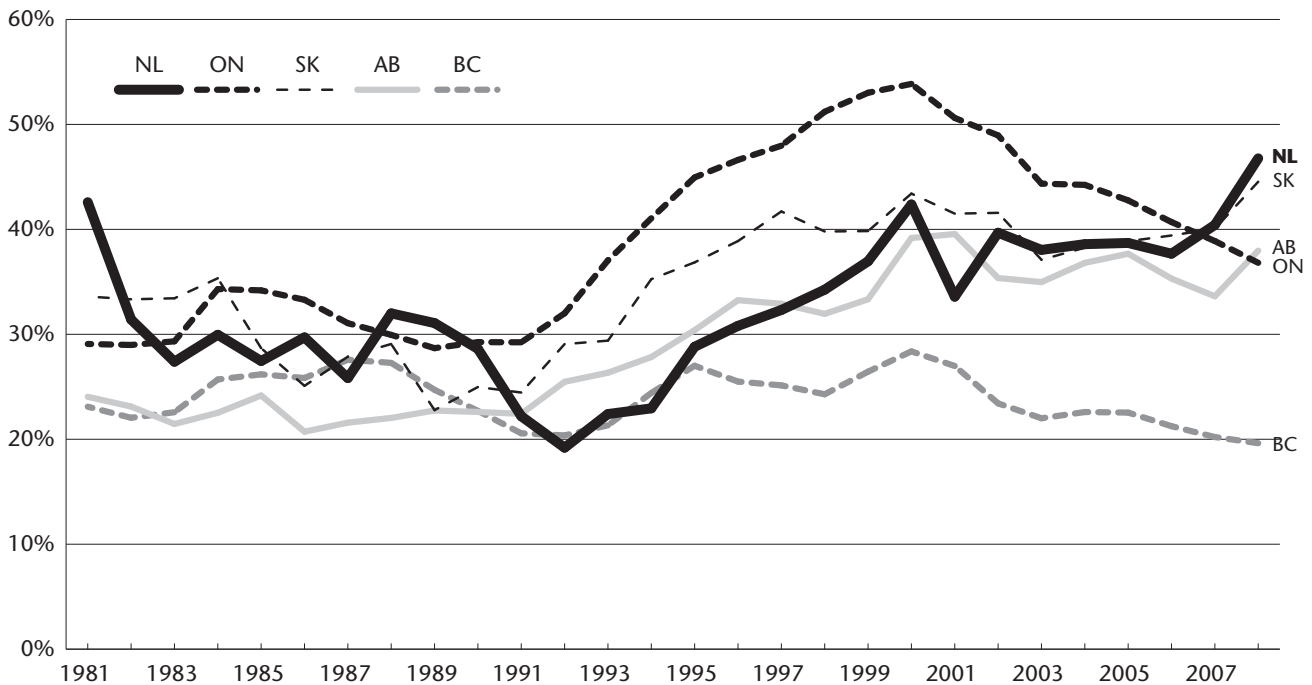
highest rate of home ownership in the country. Home ownership has been a key strategy for economic security in this province, and is still viewed as such.

That may be changing as the population becomes increasingly concentrated in the province’s biggest cities, making affordable housing a burning policy issue, not just for the province’s most vulnerable populations but for a whole new generation of people starting families.

The challenges are not just social either. They threaten to profoundly change business practices in NL and elsewhere.

- Throughout the world, the global slowdown is resulting in massive corporate consolidation of the financial sector as well as commodity producers, manufacturers and retailers. The slowdown in demand is triggering enormous price competition, and the biggest players are the ones best poised to remain standing when the dust has settled. That means fewer players, with more power. The NL economy is not immune to these forces. Ownership of resources and factors of production is a huge issue facing us all, and while NL has more experience with cooperatives and other small scale, local production, the stakes are high and rising.

Chart 11: Exports (International) as % of GDP



Who will call the shots on wages, taxes and economic development in the future? For your strategy of partnerships to work, the decision-makers must be at the table. But they are increasingly found in headquarters of multinational firms, located far away from your day-to-day reality.

- NL is more reliant on international exports than other jurisdictions. With half a million people, most businesses here produce for the global market, not the home market. This is, of course, the story of Canada’s economic development too. We’ve always been a trading nation, reliant on exports. It’s just that for business profits to grow at the desired rate, producers have become increasingly focused on export markets. (You might be interested to know that, when you include exports to other provinces, only about 20 percent of what you produce stays here; 78 percent goes “away”.)

That’s what business as usual looks like, but there are other factors nudging us away from that model, perhaps to a new economic paradigm: slow growth.

With climate change and peak oil changing the shape and nature of demand, some people figure there will, by necessity, be more reliance on local production. Nice

thought, but are local markets big enough to sustain the quality of life and standard of living to which we have all become accustomed? Can we learn to live without raspberries in December?

It isn’t just green consciousness or expensive fuels that are nudging societies towards slower growth, however.

Aging populations tend to consume less—we simply don’t need to keep buying big items at the same pace as we age. Plus, after a decade of easy money, households are trying to climb down from record levels of debt. (On average, households were carrying \$1.40 in debt per dollar of disposable income in Canada just before the recession hit; and that’s including people that had way more income than debt.) If we’re going to de-toxify our spending and borrowing habits, and line them up more closely with our incomes, it will mean less spending overall.

And, don’t forget, the recession has unleashed massive downward pressure on most people’s wages, benefits and pensions. Of course, not everybody is facing these pressures; namely, the execs at the top of the same companies that are trying to contain labour costs. But there are not enough of those people in the world to offset these facts: aging societies, maxed-out rates of indebtedness,

and wide-spread cuts to labour costs—all play their part in slowing things down, at least in the developed world.

That's both a good and a bad thing. When an economy expands at a rapid pace, it seems easier to deal with challenges—or ignore them. Slow growth makes those challenges more noticeable. Slow growth means more obvious tradeoffs, more raw politics, more friction.

And that's where you come in.

The NL economy may not be able to duck these forces altogether, but even if this province is on the brink of unprecedented prosperity, you folks are not just waiting for the next thing to happen. You are planning for it. And whether you end up talking about the fallout from slow growth, or the prospects of rapid growth, you'll have a leg up, because you'll be talking about it together, and that means greater possibilities for coordinated action.

You're not waiting for things to happen so you can get together to react. You're planning what you want to happen. And that will *shape* what will happen.

So, since your work may have an impact on what will happen next, why not use these committees to plan for prosperity, and what prosperity should look like when it arrives. Understand, what you are doing is so much more deliberate than what happens in most other jurisdictions, and if you make this work, it will change the way you work—and may very well change the way the rest of Canada thinks about growth.

The committees on which you sit will provide much of the raw material for the political process of deciding what to prioritize, and how to move forward—or at least identify the friction points. In the process of doing this work, you will constantly bump up against the limits of two interrelated sets of desires:

How do we make money—the business context;

How do we live our lives—the people context.

These two contexts intersect, but are often dealt with separately, pointing in very different strategic directions. It would be a mistake if you, too, separated them in your deliberations. You are, after all, uniquely situated to integrate these concerns, in the spirit of partnership.

I want to dwell for a moment on what can happen in this partnership journey you've embarked on. Less than a decade ago, you started off with labour, investment and taxation committees. The labour market and employment relations committees lasted and evolved. For those involved, you have experienced first-hand how this process can be a value-testing exercise. If it wasn't already obvious, these processes make crystal clear what business, labour and governments stand for—and that makes it both easier and harder to deal with one another.

Investing your time in a partnership strategy is a recognition that you're in this together, for the long haul. And that requires recognition that you're not going to get everything you want.

Whatever your specific committee's objectives are, partnerships reveal in no uncertain terms that you won't get "there" from "here" without certain acknowledgments:

- You can't have business without labour. It's important to stress this because, while the reverse is also obviously true, labour rarely forgets that it needs business. Most people don't want to run things, they want to work for someone; and they acknowledge they won't call many of the shots. But sometimes, particularly in recession—when it is so difficult to adapt to slowing demand, and labour costs are an easy target—it seems that business is more likely to view labour as an inconvenience, rather than as a necessity.
- You can't have community without community-based activities. These are, essentially, non-profit enterprises. People have to have enough time to give back to their communities but, equally, there has to be a network of organizations that people can plug into. Life is more than work.
- You can't have a resilient economy without a vibrant civil society. Economies go up and down. A healthy society provides many different ways to encourage and support people in good times and bad. You can't just flick a switch so that communities kick into place, providing backstops in a downturn. People want and need connection with others, regardless of economic conditions.
- You can't have functional societies without commonly accepted rules. Rights, and limits to those rights, are both important, for individuals, busi-

nesses and governments alike. That's as true in a local community as it is on the international stage. Growing inequality, with its attendant concentration of income, wealth and power, can blind the powerful to this essential fact of life.

- You can't have [much] pleasure without sharing culture, sharing experience. And what's the point of life if it doesn't have pleasure in it? You may find it strange that an economist is invoking pleasure as a cornerstone of development. A burgeoning new economic theory of happiness shows: Mixing it up, exchanging ideas and creativity are the fountainhead of all human progress.
- You can't have successful partnerships without mutual respect, equal voice, and shared expectations. That's as true in personal relations as it is in large business deals or inter-governmental affairs. In the end, successful partnerships provide everyone a meaningful say in the decisions that affect your life today and the path to future goals.

Like any relationship, partnerships evolve through the process of building (or breaking) trust. Not all partnerships work out. The problem is, you've struck these committees tasked with handling specific challenges and problems. So even if you decide you've had enough of the other guys, you still face the problems you couldn't find a way to solve together. That prickly reality is why there is nothing *but* the long haul. The people who can define their common interests are more likely to gain ground. They'll shape the prospects for the rest of us in the process.

Strategic partnerships, when they work, take a common understanding of where you're at, where you'd like to get to, and then craft a mutually acceptable way of getting there. The technical term is *rowing in the same direction*.

Whether in the context of slow growth or remarkable prosperity, your expectations about what comes next helps to *shape* what comes next. There is nothing more important than attitudes.

[Demotivational moment slide]. This picture [one match lit, just a little above a fistful of matches] pretty much illustrates what we all have experienced at one time or another: Burnout. The caption does more than affirm that feeling. It warns you where things are headed if you can't get over it. It says: "Attitudes are contagious. Mine might kill you." Yes, our attitudes certainly can shape the moment we are in, and the path of events thereafter.

Let me be clear: I understand there are plenty of reasons to dismiss strategic partnerships. But the truth is, if you are feeling that this partnership process is a waste of time, it's pretty much guaranteed that it will be. On the other hand, if you expect that the work you are doing together will change things, it likely will. It really doesn't take many people to turn things around. After all, as renowned anthropologist Margaret Mead famously said—"*Never underestimate the power of a small group of committed citizens to change the world. Indeed, it is the only thing that ever has.*"

An African proverb sets out the options:

If you want to travel fast, travel alone.

If you want to travel far, travel together.

You've chosen to travel together. If you stay together, you are destined to travel far.

Travel far.... and don't forget to write!

You may be charting the way for the rest of us.