



There's blood on factory floors: Where's Ottawa?

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From their comfortable posts in Ottawa, Canada's top economic policy-makers have been remarkably sanguine about the continuing recession in what is still Canada's most important single sector: manufacturing.

The foundations of Canadian industry continue to crumble. After another bad month in April, manufacturing now employs barely two million workers - the lowest in a decade. Almost 400,000 jobs have been lost since August of 2002, when Canada's currency began to soar. If we "seasonally adjust" the data, the toll is smaller: a quarter-million workers have lost their jobs since 2002 (Too bad we can't seasonally adjust their pain). The share of manufacturing in total employment has plummeted to 12 per cent - the lowest in our postwar history.

Manufacturing output is declining, and now productivity is, too (it's hard to be efficient when your factory is half empty). Rose-coloured predictions that exposure to a high dollar and merciless competition would elicit stronger investment and productivity have proven to be wishful thinking. By every measure, manufacturing is mired in a humdinger of a recession that now rivals the great free trade shake-out of the early 1990s. That time, we eventually won all the jobs back, and then some (thanks to a low dollar and our cost-effective health-care system). That won't happen again, however, without a dramatic change in policy direction.

Despite the bleeding on the factory floors, those occupying the seats of economic power aren't budging from their view that this is a natural, even positive, development. The Bank of Canada persists in its judgment that our petro-fuelled currency should be left to its own devices, all the better to help us "adjust to change." Trade mandarins plow ahead with another free-trade agreement - this time with Korea - that will destroy thousands of manufacturing jobs, despite huge losses resulting from the last four deals they signed. In Ottawa, manufacturing is just another sector, not worthy of special attention.

Statistics Canada official Philip Cross summed up this attitude bluntly. "I don't know where this idea came from that manufacturing jobs are great," he said last year. "There's nothing exciting about hacking away at a pig carcass outside of Brandon, Man."

Visit an abattoir and you'll recognize immediately that nobody does that job for excitement. People with PhD's curl up their noses at that kind of work. But for working-class people, manufacturing jobs are desirable: relatively well-paid (if unpleasant and tiring), often located in communities with few alternatives.

Indeed, it's not the carcass-hackers we need to worry about. Meat-processing employment has been rock solid: It mostly serves a regional market, and hence is relatively protected from the global forces buffeting other manufacturing. It's the globally oriented machinery, equipment, and motor-vehicle jobs that are disappearing by the thousand. And those high-tech positions are essential to our future as a modern economy.

The strategic importance of manufacturing can be summed up in three words: productivity, incomes and trade. Productivity levels are almost 30-per-cent higher in manufacturing than other jobs, and

productivity growth is historically faster. The transfer of employment out of manufacturing (mainly to unproductive service jobs) is contributing to a national productivity performance that can only be described as lousy.

Thanks partly to higher productivity, and partly to workers' stronger bargaining position, manufacturing incomes are also higher - about 25 per cent better than in the rest of the economy. That's worth \$8,500 a year to a manufacturing worker. It's one of the few jobs where a working-class person can enjoy a middle-class lifestyle.

And in trade, it's absolutely wrong to assume that manufacturing is a "smokestack" industry of the past. Manufacturing accounts for about three-quarters of global trade, and this share is rising over time, not falling. If we can't successfully participate in that trade, we won't prosper - especially once the oil boom ends. Writing off the decline of manufacturing as a natural result of "comparative advantage" would be an economic mistake of epic proportions. Japan, Korea, and now, China, have prospered in global trade precisely because they rejected that logic; instead, they used active policy to deliberately carve out valuable, high-tech niches for their industries.

For all these reasons, Ottawa's policy-makers need to shake off their white-collar elitism, and quickly. The crisis in the dirty, dusty, blue-collar world of manufacturing needs their urgent attention.

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