

CANADA'S
PUBLIC POLICY

FORUM

DES POLITIQUES PUBLIQUES
DU CANADA

The Canadian Way?

The Role of Labour in Canada's Prosperity

Roundtable Summary Report
May 2013





Canada's Public Policy Forum

Building Better Government

The Public Policy Forum is an independent, not-for-profit organization dedicated to improving the quality of government in Canada through enhanced dialogue among the public, private and voluntary sectors. The Forum's members, drawn from business, federal, provincial and territorial governments, the voluntary sector and organized labour, share a belief that an efficient and effective public service is important in ensuring Canada's competitiveness abroad and quality of life at home.

Established in 1987, the Forum has earned a reputation as a trusted, non-partisan facilitator, capable of bringing together a wide range of stakeholders in productive dialogue. Its research program provides a neutral base to inform collective decision making. By promoting information-sharing and greater links between governments and other sectors, the Forum helps ensure public policy in our country is dynamic, coordinated and responsive to future challenges and opportunities.

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Vers une meilleure gouvernance

Le Forum des politiques publiques est un organisme indépendant, sans but lucratif, qui s'efforce de promouvoir l'excellence gouvernementale au Canada par l'entremise d'un meilleur dialogue entre le gouvernement, le secteur privé et le tiers secteur. Issus de l'entreprise, les gouvernements fédéral, provinciaux et territoriaux, du secteur bénévole et des syndicats, les membres du Forum partagent une même vision : celle d'une fonction publique efficace et efficiente qui joue un rôle-clé dans le maintien de notre qualité de vie et de notre position concurrentielle à l'échelle mondiale.

Depuis sa fondation en 1987, le Forum des politiques publiques s'est taillé une réputation de facilitateur non partisan et digne de confiance, capable de réunir toute une gamme d'intervenants pour les fins d'un dialogue constructif. En encourageant le partage d'information et l'établissement de liens entre les gouvernements et les autres secteurs de la société, le Forum des politiques publiques aide le Canada à adopter des orientations futures dynamiques et bien coordonnées qui tiennent compte des défis et des occasions qui se présentent à nous.

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Introduction

The labour movement has made substantial contributions to Canada's economic prosperity and social cohesion. For decades, unions have been invaluable partners in building and maintaining Canadian strengths in fields such as manufacturing, resource industries, education and public service. They have been an inextricable part of Canada's competitive advantage.

Yet Canada, like all countries in the globalized economy, faces continuous and growing pressure to be nimble, innovative and ever-more productive. Keeping pace with the rate of change in global markets, developing and applying new technologies, and training and sustaining a robust, creative workforce are imperatives which all sectors in Canada must address.

There is little question that labour will be a critically important element of Canada's future prosperity. However, the means by which the labour movement will continue to be engaged in economic development and public policy has been a subject of recent discussion. Careful consideration is owed to the question of how unions may best continue to serve as a source of innovation and productivity.

On May 13th, 2013, Canada's Public Policy Forum convened a select group from across diverse sectors for a special dialogue on this important issue. Over a dinner in Toronto, senior leaders from the labour sector, government, academia and the private sector discussed the role which labour can and should play in the continuation of a uniquely Canadian path to prosperity.¹

Context

David Mitchell, President and CEO of the Public Policy Forum, welcomed participants to the discussions, taking a few moments to elaborate upon the role of labour in the Forum's evolution and mandate. A neutral convener, the Forum was established 26 years ago by leaders from different sectors who felt policy should be the product of frank and open discussion among government, business and labour. Over the years, the Forum has maintained this *raison d'être*, seeking to work with all sectors in the pursuit of better public policy and better government.

The discussion about labour unions, and the role they play in ensuring our future productivity and innovative capacity, is thus central to the work of the Forum. Human capital issues, driven by demographic change, technological advancement and increasingly complex markets, are among the most challenging issues facing the public and private sectors today. Collaboration with labour on these, and other policy issues, will be crucial to Canadian competitiveness.

¹ See Appendix A for list of participants

As policy development becomes a process increasingly shaped by consultation and engagement, public perception of policy-makers becomes even more important. This is no-less true for unions than it is for governments and businesses. Recent public opinion research presented by **Allan Gregg, Chair of Harris/Decima**, afforded participants some insight into the current public perception of unions. A majority of Canadians have a positive perception of labour organizations, and their leaders, specifically in reference to confidence in their leadership. A majority also support union membership, and the right to strike.²

Kevin Lynch, Vice Chair, BMO Financial Group, provided important context for the discussion, noting the urgent need for a more productive and innovative Canadian economy. As the global economy restructures itself, and once emerging economies become dominant, the very nature of competitiveness will change. Canada, as a prosperous and productive but relatively small economy, must adapt to this change. In fact, we should seek to lead it. Information is rising to become the new global currency and the connections and collaborations which Canada is able to establish will become fundamental to our success as innovators and global competitors. Rising geo-political risks underscore the need for Canada to broaden our pool of potential partners, and to leverage our abilities to sustain world-leading comparative advantages.

Sparked by the opening contextual presentations by Allan Gregg and Kevin Lynch, the assembled leaders commenced their discussion, prompted by three key questions centred on the role of labour in setting the policy course for Canada's future as an innovative, competitive and collaborative country:

1. What are the current top policy priorities for Canadian unions?
2. How is demographic change impacting labour unions in Canada?
3. Is there a unique Canadian multi-sector approach to policy development in the context of increased global competitiveness?

Roundtable Discussion

Productivity: Is Canada in the slow lane?

Canada has long borne an unfortunate reputation for low productivity, particularly when compared to the United States. The source of the gap has been extensively analyzed, and many potential solutions discussed. Innovation is a fundamental component of the recommended approaches is to closing this gap – though increasing innovation in Canada is no simple task.

² See Appendix B for full presentation of public-opinion research

Key elements of productivity and innovation may lie within the workforce. For example, it was suggested that diminishing benefits and incentives for workers, and the continued loss of manufacturing jobs, may be prime obstacles. As the demographic composition of the labour force changes, and growth continues to slow, new mechanisms to define labour force productivity may be necessary. A reconsideration of compensation incentives was suggested as one potential option.

Businesses and labour both recognize the need to increase productivity at the firm and national level. To do so, however, may necessitate a different approach to partnerships between the two sectors. A renewed vision of partnership is required in order to dispel outdated notions of workers and their demands, to support a reorientation around the needs, wants and expectations of both companies and employees. Suggestions put forward during the roundtable discussion included profit-sharing arrangements which share wealth among corporations and unions during profitable years, while neither side benefits during unprofitable years.

There was a consensus that change is needed, and that collaborative dialogue is required to achieve it. Labour unions, as instruments of collective action, play a vital role in aggregating and representing the views of their members. If perspectives of unions (and hence their members) are excluded from the dialogue on change, then competition for ideas and solutions is reduced, and productivity will likely suffer. Dialogue in support of greater productivity should seek to be broadly inclusive. An intergenerational perspective is particularly necessary. Demographic change is bringing significant shifts to the labour market, and the design of any new system must incorporate the views of those who will be required to work within it. Baby-boomers, who designed the current systems, may not always be well-placed to articulate the solutions to challenges which have arisen over the past generation.

As cross-sector collaboration progresses, new business models will follow and the role of labour in productivity will increase. As this process of change begins to create shared-solutions, the benefits of greater productivity must also be shared.

Trust and Shared-Responsibility for Policy-Making

A multi-sector dialogue on important policy issues is key to advancing the productivity and innovation agenda in Canada. The convening of this particular roundtable discussion was noted as a successful application of this principle. However, not all discussions involving unions have been so open and respectful. All sectors are pressured by budget constraints, shifting business models, and ever-changing human capital requirements. In such a tense environment, leaders of different sectors are prone to insular thinking and attributing blame to others. A negative focus, some argue, may have disproportionately fallen on unions.

A trust deficit exists among the sectors often impeding efforts to make progress on important issues, such as productivity. For example, some may misconstrue the role of unions, presuming political intentions, rather than public interest. This lack of

understanding may be due to the absence of labour leaders in policy dialogues. Some participants noted that, beginning in the 1990s, labour has been increasingly excluded from policy development in Canada. The lack of engagement may have calcified into lack of trust.

In order to provide the basis for the collaboration needed to help advance productivity, trust must be re-established. Labour unions are eager to engage as a driver of positive change, and in order to do so they must be involved in the relevant conversations. Confidence in the intentions of all sectors is required. Enhanced interaction through new channels, such as social media, may help to foster transparency and genuine engagement. Such tools can be quite helpful if properly managed. Efforts to recast the multi-sector collaboration process to counter the apparent politicization of labour, as portrayed in the news media, would also be a valuable step. In such efforts, both employers and labour share a responsibility for sustaining an effective collaboration process.

Human Capital Priorities

Labour is a central agent of change and adaptation in the workforce. Demographic shifts place human capital issues at the top of most policy-makers lists as they seek to prepare Canada for the globalized economy in which we now compete. Unions want to be agents of constructive change; they view this as being in the best interest of their members.

The collective bargaining process is of critical importance in the policies which affect individual employees. In this respect, flexibility has become an important factor, both for individual employees and for employers. The ability to build flexibility into employment negotiations, and into the employment safety-net, is critical. Pension coverage (and pension flexibility) is also a prominent feature of human capital discussions. Only 38.8% of all employees are covered by a registered pension plan Canada. Growing an innovative and productive talent pool will require an examination of benefits, pensions included.

Issues of employment security and worker retention are also top priorities for the labour sector, especially given the global economic climate. Attracting and retaining new talent, while economic conditions restrict hiring and delay the retirements of existing workers, is a challenge requiring unions and employers to work together. Seeking such opportunities for sector-specific, action-centred collaborations among employers and unions may be a promising place to begin addressing productivity and innovation issues. Suggestions, such as ending short-term contract work in favour of longer-term skills development, will help employees achieve job security, also allowing for greater productivity and returns on investment for employers.

There are some issues on which labour may need to make adjustments, such as amending the terms of short-term contracts, incentive compensation, flexible works hours and training/apprenticeship programs. Some noted that efforts to address such issues within unions have been reactive, rather than proactive.

In addition, it is recognized that unions can improve their role in terms of workplace democracy, particularly in the representation of women and youth. Generational issues also arise in discussions of job security. Younger union members, often those with the least security owing to agreements negotiated long before they joined the workforce, are sometimes hesitant to speak out on issues.

Communication, be it within the labour sector, or between labour and employers, is of the utmost importance. For younger workers, communication is a key element of job satisfaction, and a determinant of their willingness to trust and collaborate on key challenges. On certain labour force issues, such as immigration, unions can serve as valuable points of expertise and experience, provided an appropriate channel exists through which to communicate the ideas of their members. An effort towards greater candor among labour, employers and governments may be necessary to help define human capital priorities on which all parties can contribute to common objectives.

A Forward Agenda

Our workforce, our population, and our economy will always be changing. Our institutions must continually adapt to these changes and help lead the country to sustained prosperity. In order to do so, policy-makers in all sectors must seek out new avenues of partnership to remain at the forefront of change. All stakeholders have a role to play in these ever-shifting realities. We can learn from new ideas and best practices as we strive to meet the demands placed upon our economy. International comparators, such as Scandinavia, may be a good place to start. We should also be mindful of emerging good practices within Canada, such as the multi-sector collaboration which took place during the establishment of the Asia-Pacific Gateway in British Columbia.

As the dialogue on the role of labour in Canada's future prosperity continues, there are several key points to keep in mind. As human capital remains a key focus of discussion, an intergenerational component will be necessary, in order to capture the views of current and future union members. There may also be a need for a "fourth sector" organization to help facilitate ongoing discussions. This would help to ease communication issues and re-establish the trust necessary for sustained and trusting partnerships.

The objective of continued dialogue should be to achieve common purpose and shared values on which all sectors (labour, business and government) can partner to foster innovation, productivity and prosperity in Canada. This goal should be pursued with a sense of urgency. Multi-sector dialogue, such as this roundtable discussion, is important and a good start.

APPENDICES

APPENDIX A: List of participants

APPENDIX B: Public opinion research presented by Allan Gregg, Chair of Harris/Decima

APPENDIX C: *The Canadian Way?: Some “inconvenient facts” and a pertinent question* by Kevin Lynch, Vice-Chair, BMO Financial Group

Appendix A

List of Participants – May 13th Roundtable

Yaprak Baltacioglu
Secretary of the Treasury Board
Treasury Board of Canada Secretariat

Julie Cafley
Vice-President
Public Policy Forum

Ken Delaney
Partner
Prism Economics and Analysis

Kenneth Georgetti
President
Canadian Labour Congress

Allan Gregg
Chairman
Harris/Decima

Shelly Jamieson
Chief Executive Officer
Canadian Partnership Against Cancer

Ken Lewenza
President
Canadian Auto Workers Canada

Kevin Lynch
Vice Chair
BMO Financial Group

Rory McAlpine
Vice-President, Government and Industry
Relations
Maple Leaf Consumer Foods

David Mitchell
President and Chief Executive Officer
Public Policy Forum

Paul Moist
National President
Canadian Union of Public Employees
(CUPE)

Scott Morey
Vice-President, Labour Relations
Air Canada

Jayson Myers
President & CEO
Canadian Manufacturers & Exporters

Ken Neumann
National Director for Canada
United Steelworkers of America

Susan Scotti
Senior Vice President, Planning and
Operations
Canadian Council of Chief Executives

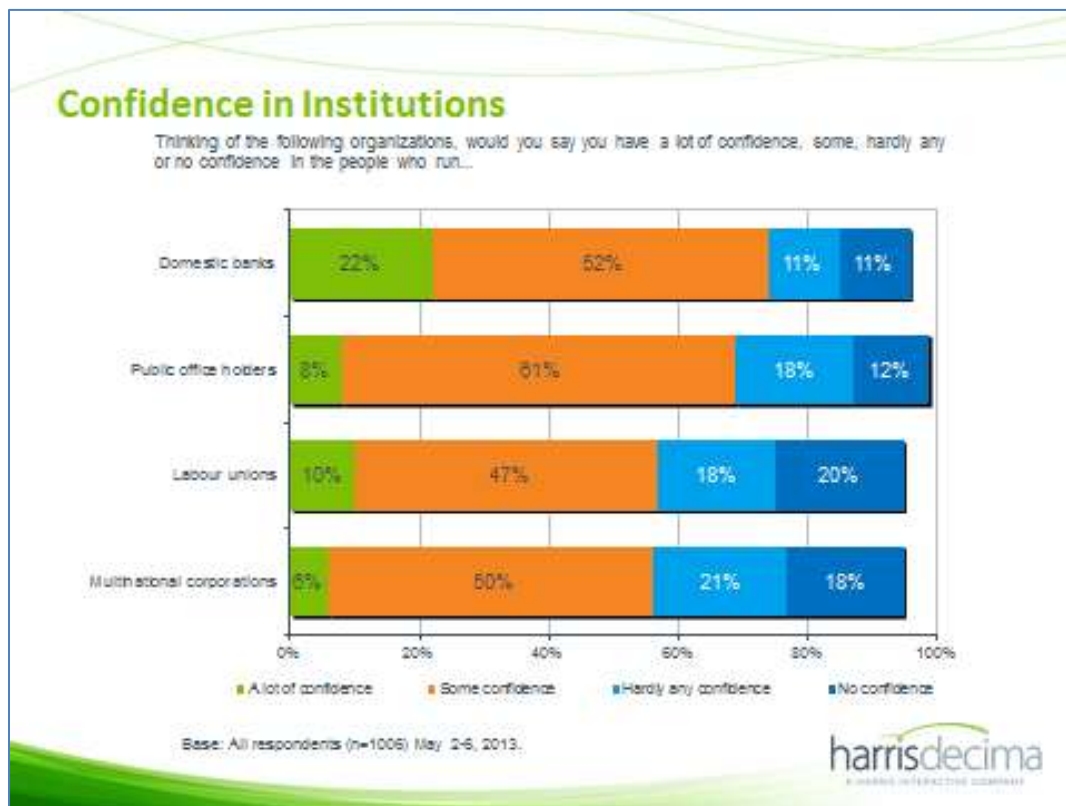
Carol Stephenson
Dean, Richard Ivey School of Business
University of Western Ontario

Daniel Watson
Chief Human Resources Officer
Treasury Board of Canada, Secretariat

Charlotte Yates
Dean, Faculty of Social Sciences
McMaster University

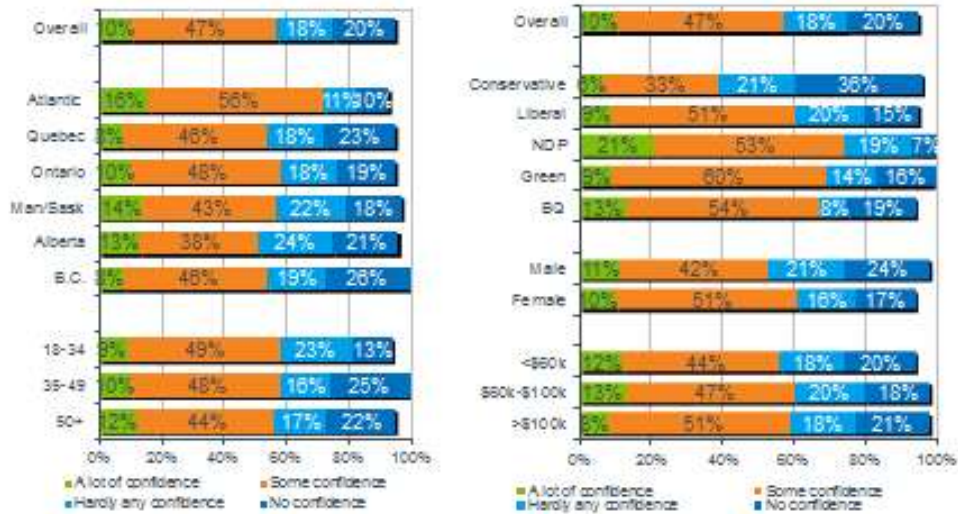
Appendix B

Public opinion research presented by Allan Gregg, Chair of Harris/Decima



Confidence in Unions

Thinking of the following organizations, would you say you have a lot of confidence, some, hardly any or no confidence in the people who run...Labour unions

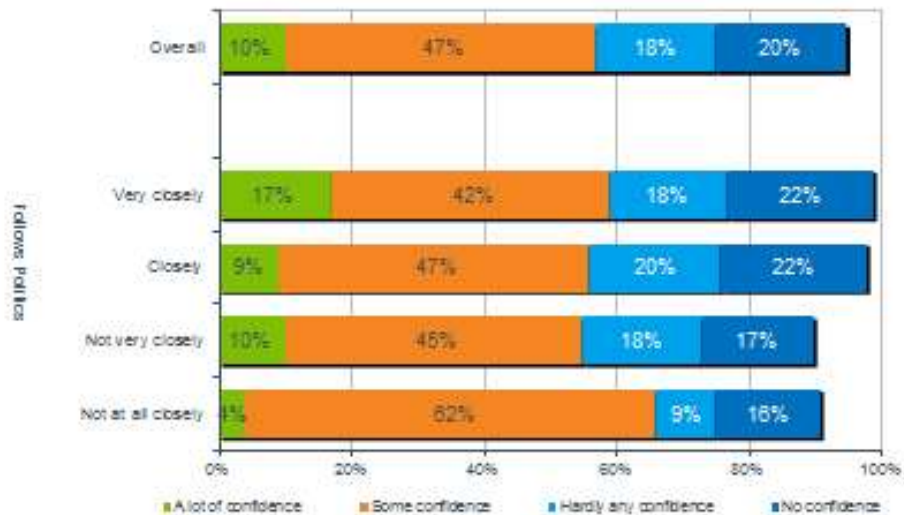


Base: All respondents (n=1006) May 2-6, 2013.

harrisdecima
A HARRIS INTERACTIVE COMPANY

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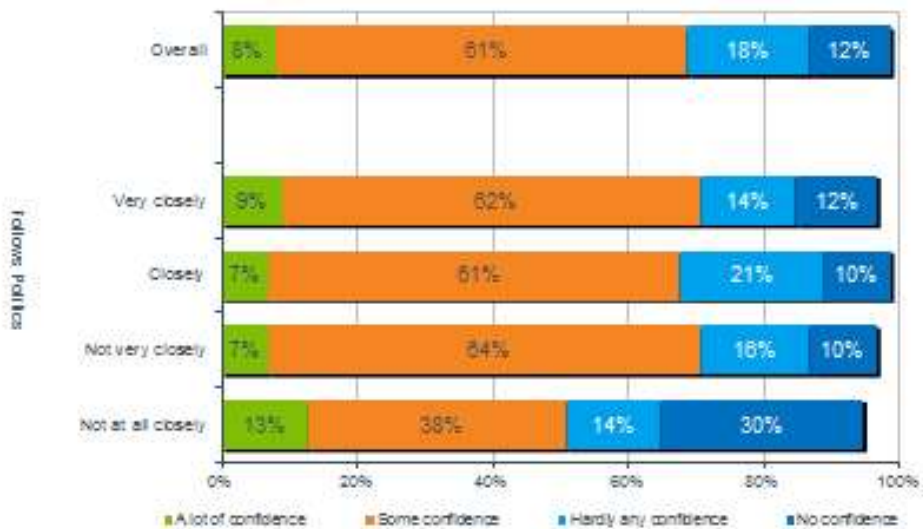


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Confidence in Public Office Holders

Thinking of the following organizations, would you say you have a lot of confidence, some, hardly any or no confidence in the people who run... Public Office Holders.

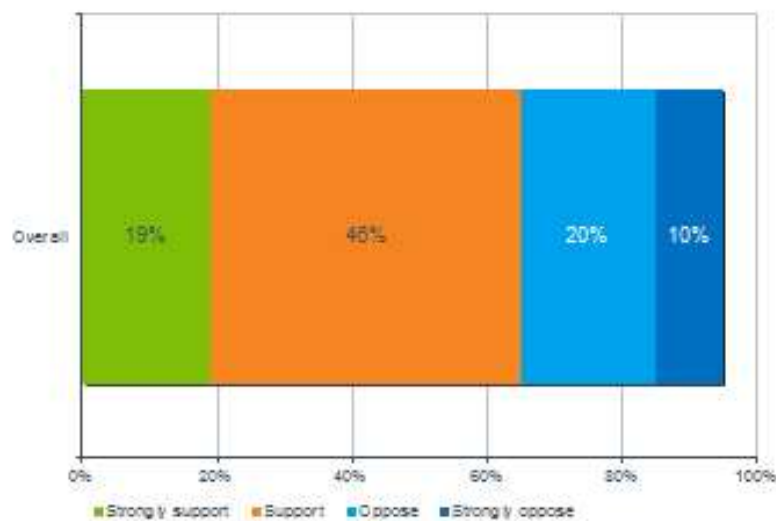


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harrisdecima
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Supporting the Right to Strike

On balance, would you say you strongly support, support, oppose or strongly oppose labour union's right to strike?

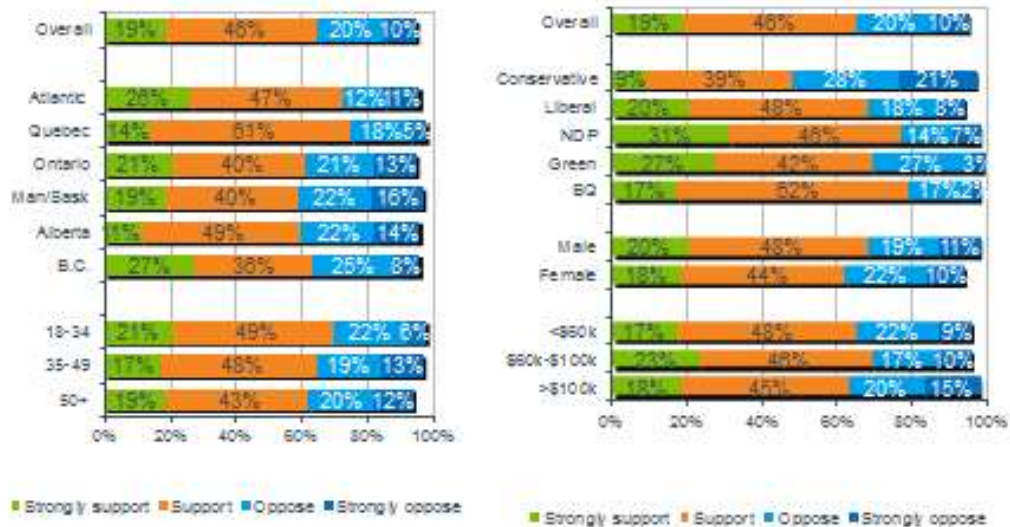


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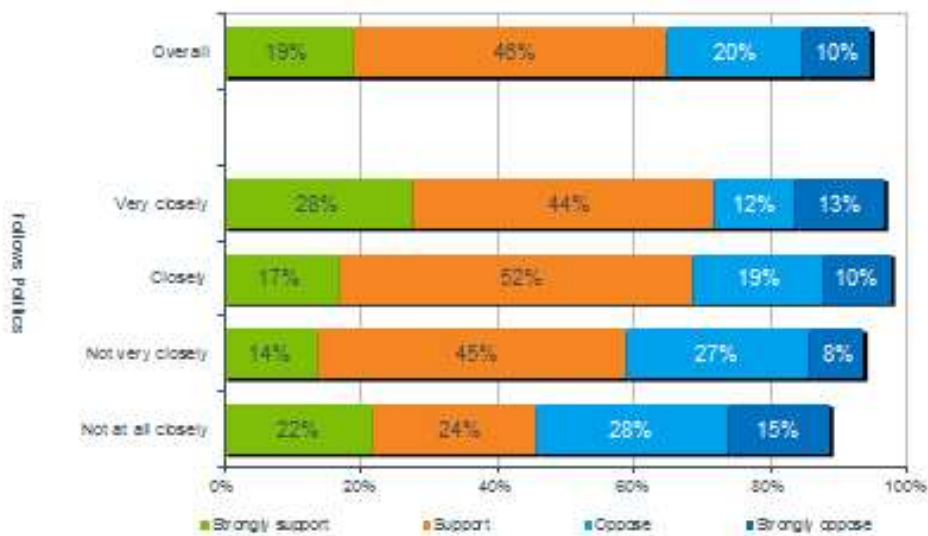


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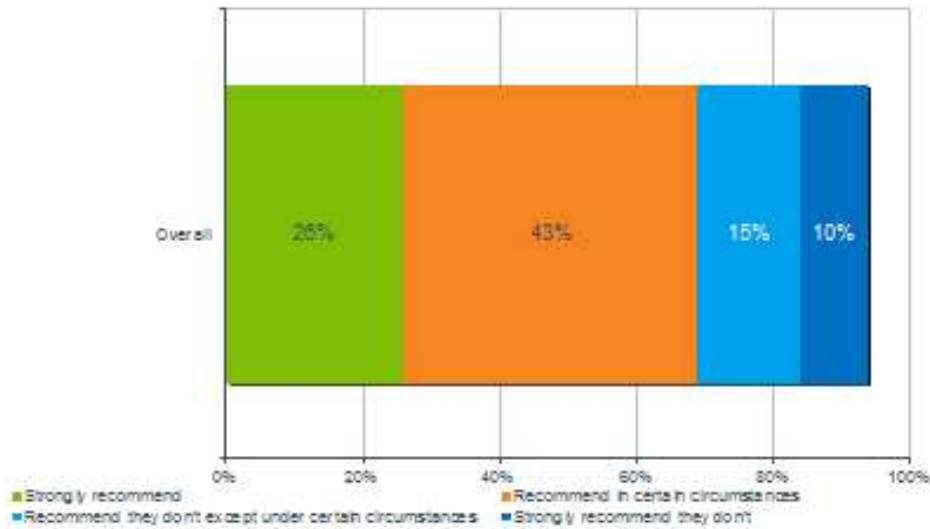


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Joining a Labour Union

And if you had to advise a young person on whether or not they should become a member of a labour union, would you strongly recommend they do, recommend they do but with qualifications, recommend they don't but with qualifications or strongly recommend that they don't?

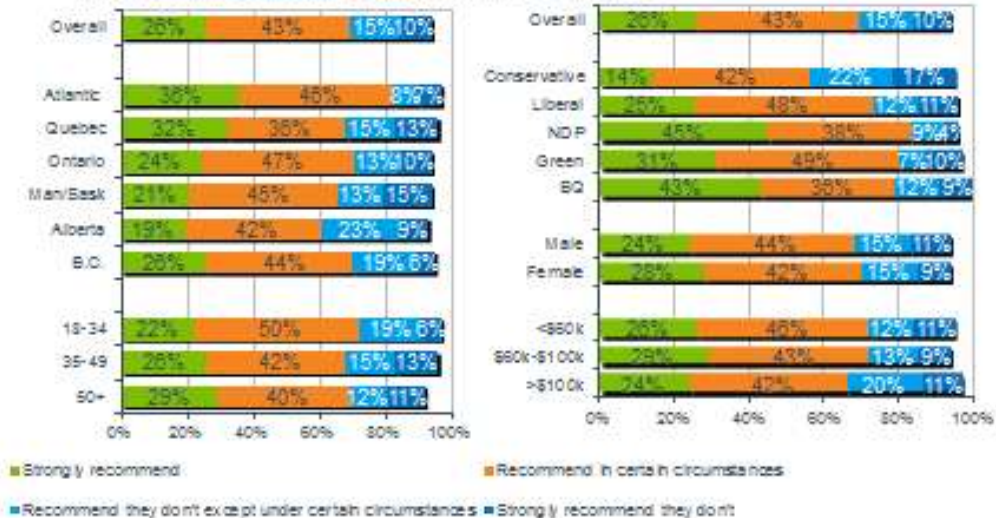


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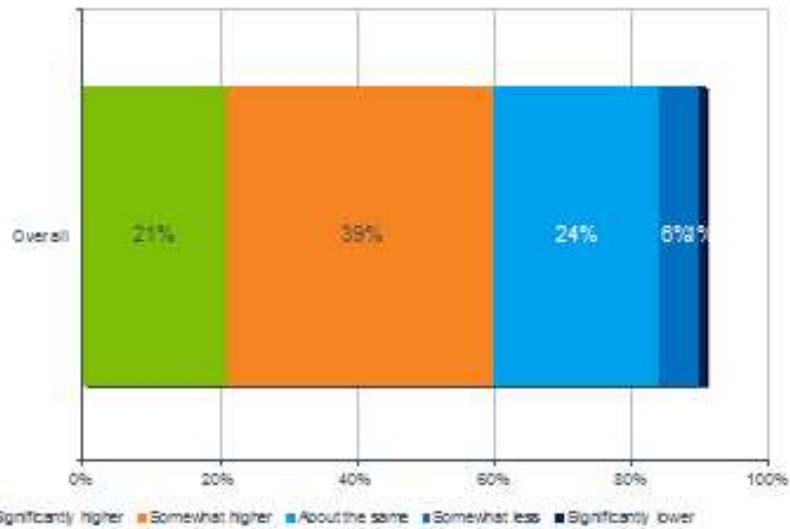


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Average Benefits of Union Membership

Generally speaking do you think wages and benefits of members of labour unions have been significantly higher, somewhat higher, about the same, somewhat lower or significantly lower than the wages and benefits of the average Canadian or American over the last few years?

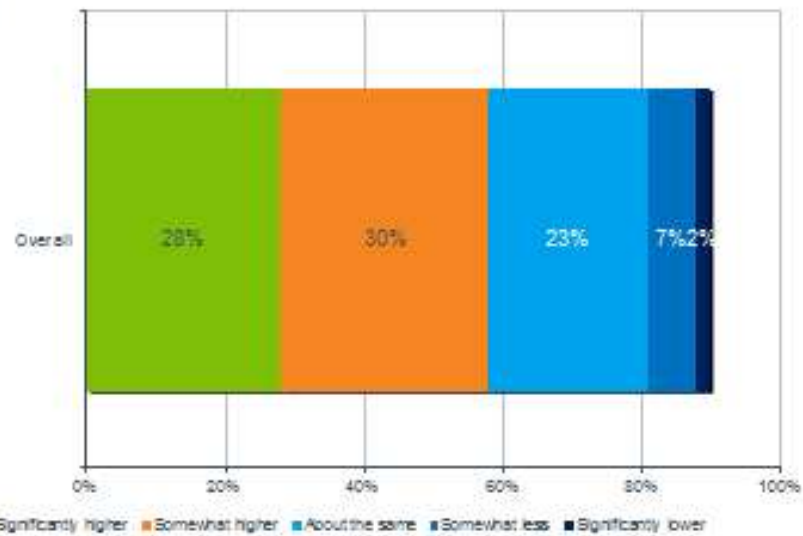


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Average Benefits of Working for Multinationals

What about people employed in multinational corporations? Do you think their wages and benefits have been significantly higher, somewhat higher, about the same, somewhat lower or significantly lower than the wages and benefits of the average Canadian or American over the last few years?

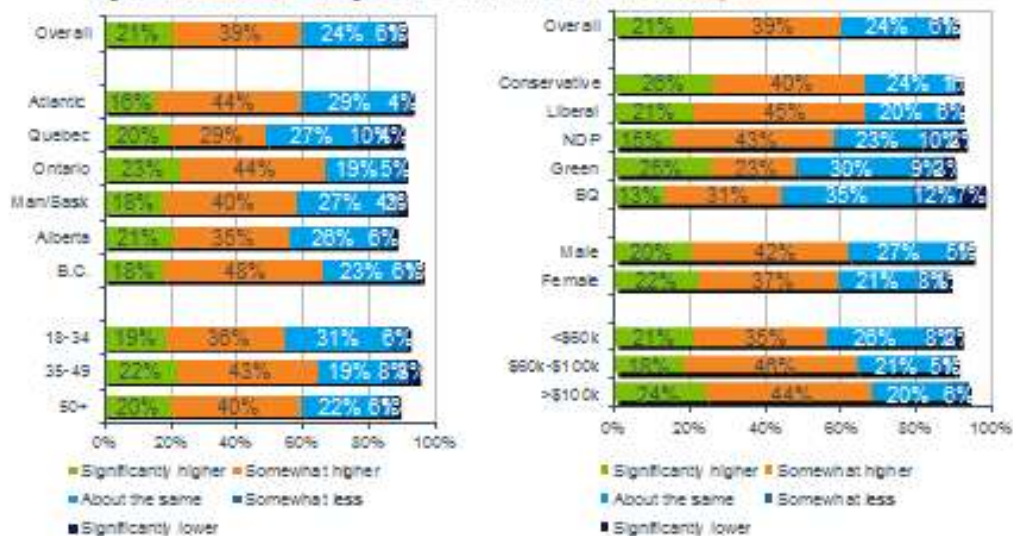


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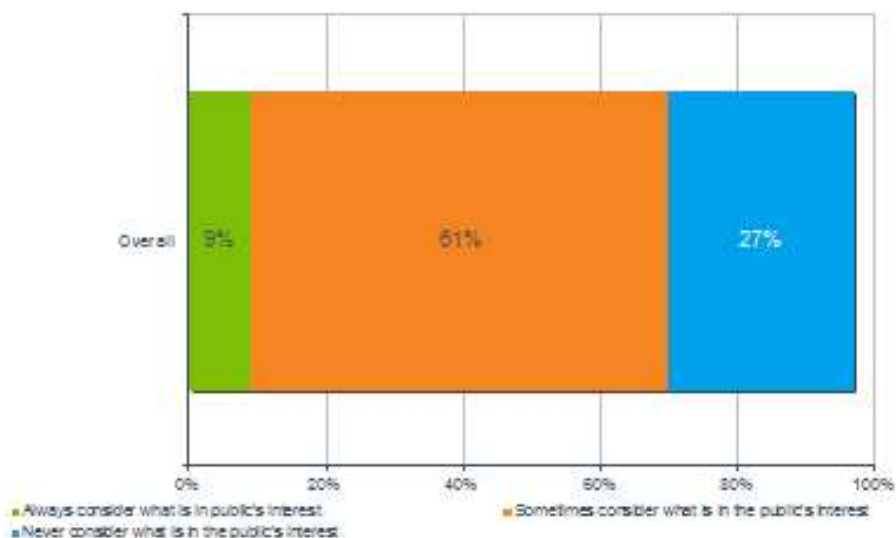


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Advancing Interests of Union Members

Thinking again about the people who run labour unions: when they try to advance their member's interests, would you say they always consider what is in the public's interest as well, sometimes consider or never consider what is in the public's interests?

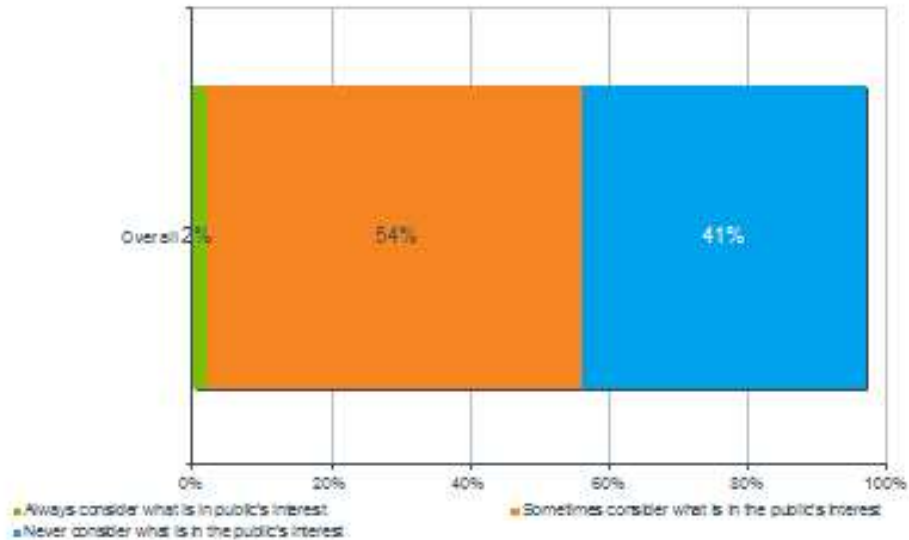


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Advancing Interests of Multinationals

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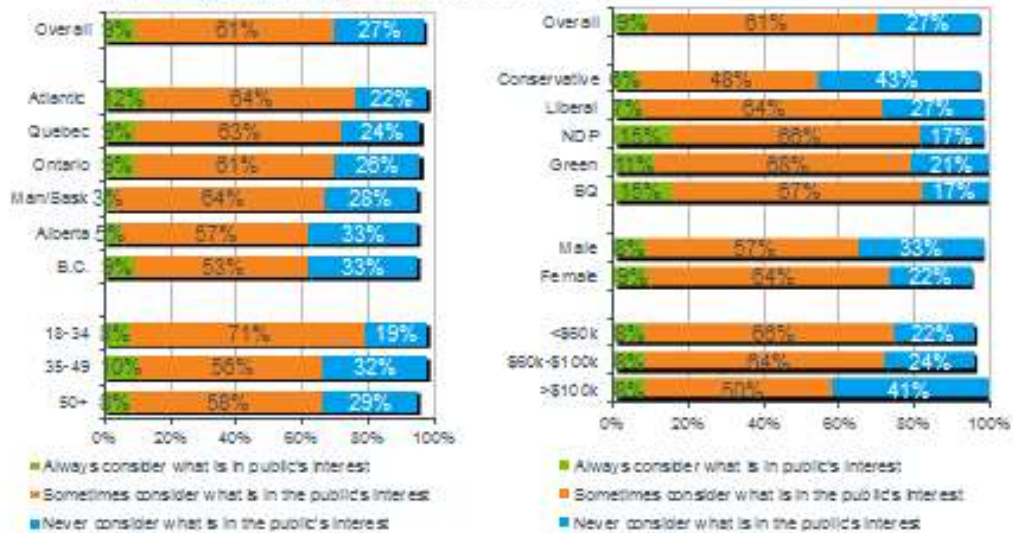


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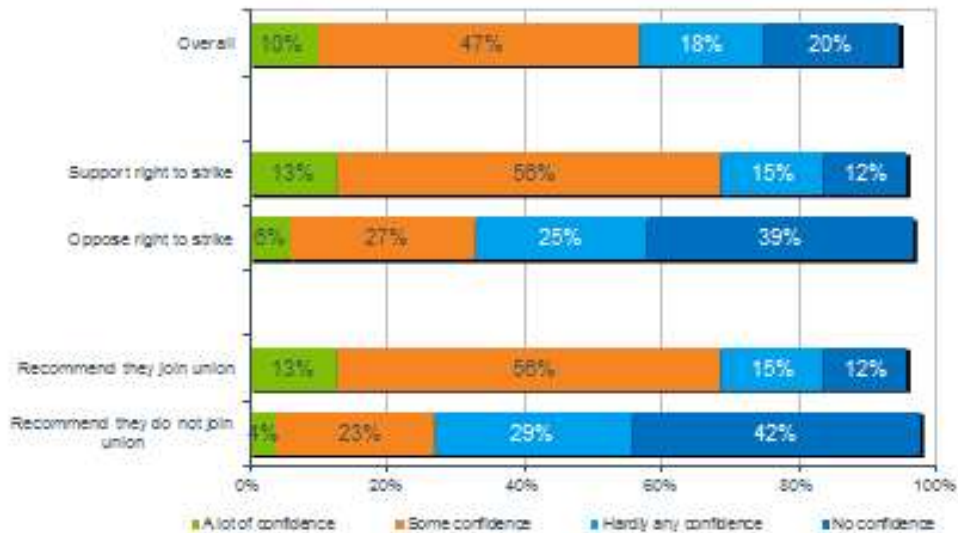


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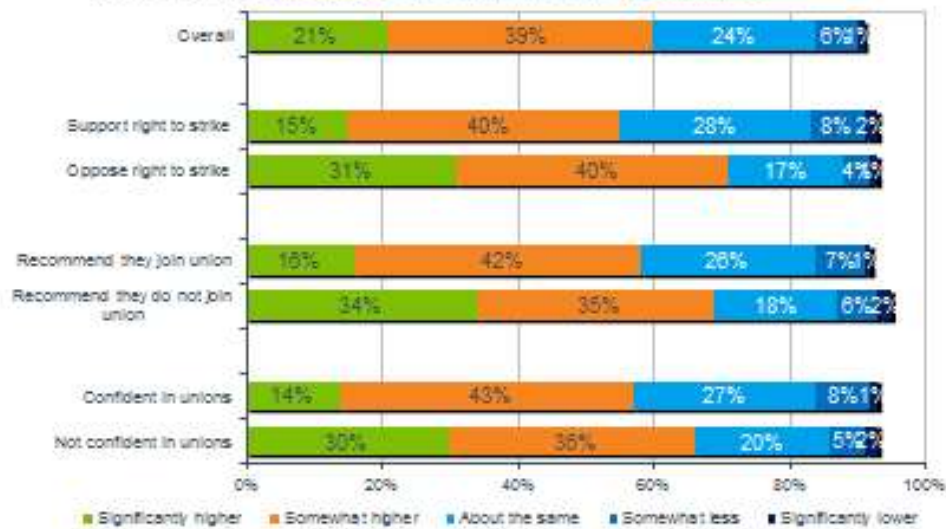


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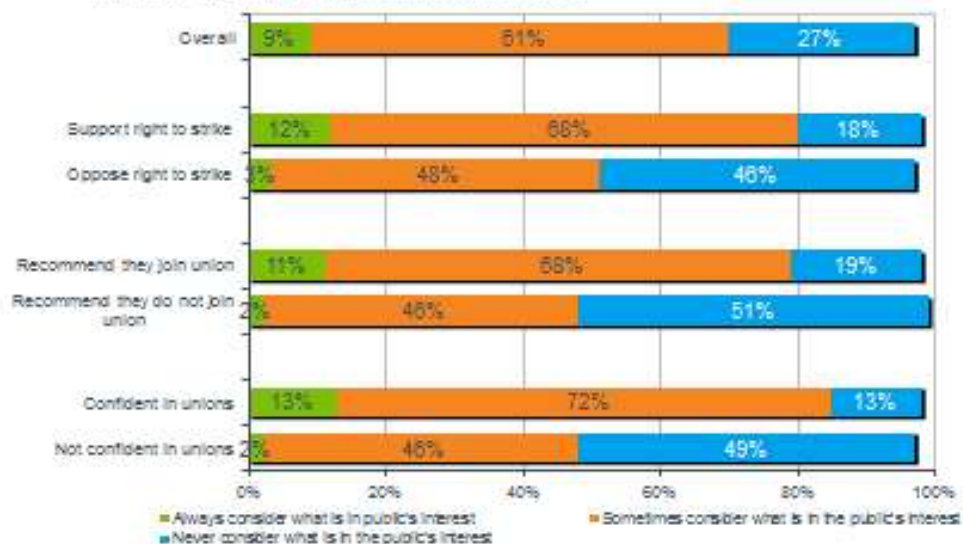


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Appendix C

The Canadian Way?: Some “inconvenient facts” and a pertinent question
by Kevin Lynch, Vice-Chair , BMO Financial Group



THE CANADIAN WAY?: SOME “INCONVENIENT FACTS” AND A PERTINENT QUESTION

By:

Dr. Kevin Lynch
Vice-Chair, BMO Financial Group

To:

Public Policy Forum: The Canadian Way?: The Role of Labour in Canada's Prosperity

Toronto, Ontario
May 13, 2013

Fact 1: The world is changing, profoundly and rapidly; structural trends and seismic events are reshaping economies, societies, politics, and power in today's hyper-connected world ... and this means uncertainty, volatility and change are the order of the day, and the status quo is not a viable long term strategy.

- 1. Globe is Restructuring** ⇒ From a bi-polar world (cold war) to a new multi-polar world (today): the re-emergence of Asia, soon 50% of global GDP; the great global financial crisis, with lasting consequences; the demographics of aging in Western societies, puts premium on immigration and talent; the Information Revolution, and the hyper-connected world.
- 2. Competitiveness is Changing** ⇒ Nature of competitiveness changing: how to create dynamic, flexible and innovative economy to compete with low cost-large scale standardized product competitors; "New competitiveness" puts premium on intellectual capital (innovation) and human capital (talent) --- serendipity is not an innovation strategy.
- 3. Information is New Global Currency** ⇒ The 24/7 global digital universe is reshaping the value of information and the nature of doing business, of doing government, of doing social interactions, of doing education, of doing crime. It has helped create the hyper-connected world.
- 4. Geo-political Risks Rising** ⇒ Search for security in an increasingly insecure and multi-polar world: geo-political tensions/risks are rising, economic uncertainty/volatility is high; trade tensions are increasing, and virtual tensions (cyber attacks, privacy) on the rise.

Fact 2: The new global reality is a "two-speed world" ... with a low growth, low interest rates, high volatility recovery in Western economies and a much more rapid expansion in dynamic emerging economies: a "1-2% growth world" versus a "5-8% growth world" --- this creates an export diversification imperative for Canada.

2-Speed World: The Facts

Growth Prospects (IMF, April 2013)

	2012	2013	2014
Adv. Econ.	1.2	1.2	2.2
U.S.	2.2	1.9	3.0
Euro Area	-0.6	-0.3	1.1
Japan	2.0	1.6	1.4
U.K.	0.2	0.7	1.5
Canada	1.8	1.5	2.4
China	7.8	8.0	8.2
India	4.0	5.7	6.2
Brazil	0.9	3.0	4.0
Russia	3.4	3.4	3.8

2-Speed World: the Visual

Fiscally Unbalanced World: Net-Debt-to-GDP

Canada	37%
Germany	55%
France	88%
U.K.	90%
U.S.	90%
Italy	100%
Japan	147%
G-7 average	93%
G-20 average	87%

Fact 3: In this changing global environment, the world of energy is being reshaped by an "unconventional energy revolution" ... and this is a potential game changer affecting us all.



Toronto, May 13, 2013

BMO Financial Group

PPF: The Canadian Way?: The Role of Labour in Canada's Prosperity 3

Fact 4: Relatively speaking, Canada has fared well due to a number of strengths. But, to continue to do so, we need to adapt to the new global reality, because our potential growth is slowing.

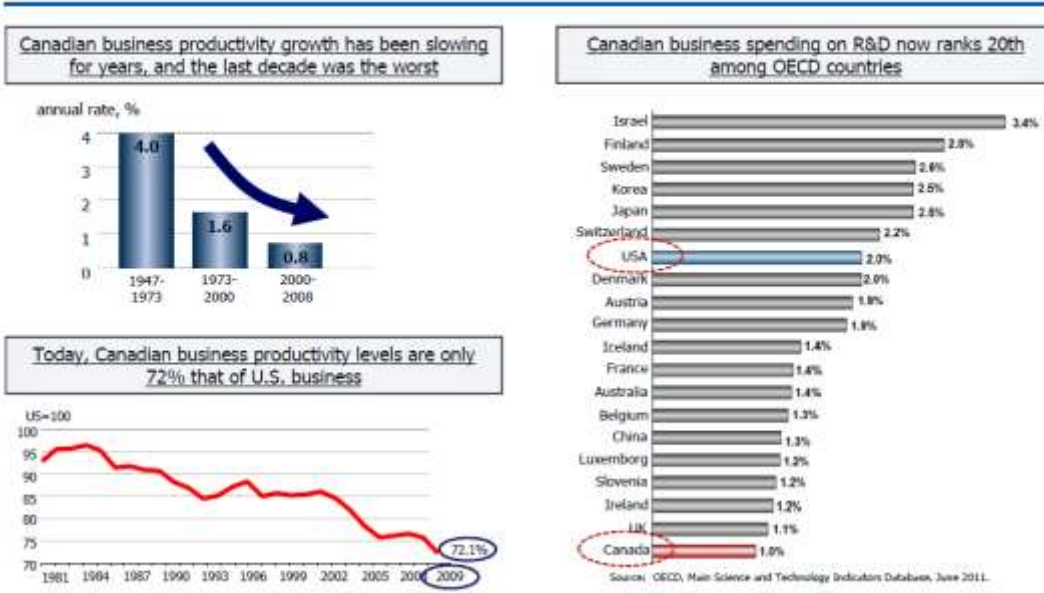


Toronto, May 13, 2013

BMO Financial Group

PPF: The Canadian Way?: The Role of Labour in Canada's Prosperity 4

Fact 5: Canada has a number of strengths but productivity and innovation are not among them ... and this creates an imperative for market diversification, productivity and innovation, and talent.



Toronto, May 13, 2013



PDF: The Canadian Way?: The Role of Labour in Canada's Prosperity 5

Fact 6: What exactly determines competitiveness? There is no single factor, or measure, but there are a number of different, and useful, perspectives on what builds sustainable competitiveness in today's profoundly changing global economy ...

Rankings	Global Competitiveness Index (WEF)	Global Opportunity Index (FDI) (Milken)	Soundness of Financial Systems (WEF)	Net-Debt-to-GDP, 2013 (IMF)	Tertiary Education, % of Population (OECD)	K-12 Pisa Results: Math (OECD)	Innovation Capacity (WEF)	Income per Capita (PPP) (OECD)
#1	Switzerland	Hong Kong	Canada	Norway	Canada	China (Shanghai)	Switzerland	Norway
#2	Singapore	Singapore	New Zealand	Finland	Japan	Singapore	Japan	United States
#3	Finland	Denmark	Australia	Sweden	United States	Hong Kong	Finland	Switzerland
#4	Sweden	Canada	Finland	Denmark	New Zealand	Korea	Netherlands	Australia
#5	Netherlands	United Kingdom	Norway	Australia	Finland	Taipei	Sweden	Ireland
Canada	14 th	4 th	1 st	10 th	1 st	9 th	21 st	8 th
United States	7 th	22 nd	>40 th	19 th	3 rd	31 st	7 th	2 nd

*Lowest to highest, advanced countries

Toronto, May 13, 2013



PDF: The Canadian Way?: The Role of Labour in Canada's Prosperity 6

Hypothesis: In this profoundly changing world, the “drivers of success” are also shifting, fundamentally. The nature of what is required for a sustainably competitive economy includes a global mindset, an innovation/productivity focus, great talent and trusted institutions.

- ✓ A global economic perspective, and the ability to serve markets beyond one’s traditional boundaries
 - ✓ Sound economic and policy fundamentals that build confidence, resilience and flexibility
 - ✓ An ability to attract, welcome and retain global talent
 - ✓ A capacity for inherent flexibility, for continual innovation and sustained productivity growth in every business sector
- +
- ✓ A strong public education system and excellent research-intensive universities
 - ✓ Good public services, a healthy environment and attractive communities
 - ✓ Respected institutions and the rule of law to attract international investment



Question: In this profoundly changing global environment, from which no economy, big or small, or segment of society can isolate themselves, how are labour unions in Canada adjusting to this new global reality? How do they see their role in helping to make Canadian firms, workers and the economy more competitive? How do they view a world where ...

- Strong government balance sheets are a form of “national fiscal insurance” particularly with “fiscal walls” looming in Europe, U.S. and Japan
- Geopolitical uncertainties are on the rise, with indirect trade barriers increasing, fiscal and banking pressures in Europe, growth volatility, and regional political tensions
- Trade and investment diversification into non-traditional markets are essential in today’s new global reality as emerging markets are where the growth is
- The “new competitiveness” is more than low cost, high scale, standardized products --- innovation is now a key “differentiator”, and productivity gaps need to be closed
- Energy (oil and gas) linkages between Asia Pacific and Canada offer much promise, and could be vanguard of broader Canadian trade diversification towards Asian markets
- Respected institutions, rule of law, attractive communities, and a great public education system are all part of the “infrastructure” for the “new competitiveness”

