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SPEECH FROM THE THRONE

Motion for Address in Reply—
Debate Continued

Speech by:

The Honourable Diane Bellemare

Tuesday, January 26, 2016

THE SENATE

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[Translation]

SPEECH FROM THE THRONE

MOTION FOR ADDRESS IN REPLY—
DEBATE CONTINUED

On the Order:

Resuming debate on the motion of the Honourable Senator Jaffer, seconded by the Honourable Senator Cordy:

That the following Address be presented to His Excellency the Governor General of Canada:

To His Excellency the Right Honourable David Johnston, Chancellor and Principal Companion of the Order of Canada, Chancellor and Commander of the Order of Military Merit, Chancellor and Commander of the Order of Merit of the Police Forces, Governor General and Commander-in-Chief of Canada.

MAY IT PLEASE YOUR EXCELLENCY:

We, Her Majesty's most loyal and dutiful subjects, the Senate of Canada in Parliament assembled, beg leave to offer our humble thanks to Your Excellency for the gracious Speech which Your Excellency has addressed to both Houses of Parliament.

Hon. Diane Bellemare: Honourable senators, on December 4, 2015, His Excellency Governor General David Johnston delivered the Speech from the Throne entitled: *Making Real Change Happen*, thereby presenting to Members of Parliament and to all Canadians the major challenges that the new government plans to address over the next few years.

That speech was very different from previous speeches. Not only was it shorter, but it seemed to present a vision and intentions, rather than a specific action plan.

Real change will only happen if Canada's performance improves in many areas. This means doing better in terms of the economy, doing things differently within the government, restoring Canadians' trust in their democratic institutions, doing more to promote the basic principle of social justice, including the principle of equal opportunity, all while creating opportunities in a safe, sustainable environment.

What a plan for the next four years.

What I take from the throne speech, more specifically, is that the government wants to help grow the middle class, open up a dialogue with the provinces and the Canadian public, and stimulate the economy by means of infrastructure projects focused on the use of clean technology.

I have a lot to say about this speech, but since my time is limited, I will focus on a central theme of the speech: growth for the middle class.

I will quote the throne speech, as follows:

First and foremost, the Government believes that all Canadians should have a real and fair chance to succeed. Central to that success is a strong and growing middle class.

To do so, the government will change the tax system and personal transfer payments programs, such as family benefits, employment insurance and retirement plans. It will stimulate the economy through infrastructure projects and will help fund post-secondary education, as well as health care.

Dear colleagues, this strategy takes a Keynesian approach to the economy and is reminiscent of the economic strategy that was so successful in the 30 golden years following the Second World War, known as the *Trente Glorieuses*. Is this approach compatible with the 21st century, when an information- and knowledge-based economy plays such a central role? Is it compatible with the current labour market, in which employees constantly have to adapt to new jobs and ever-evolving technologies? Is it compatible with a world economy characterized by increased interdependence and integration? Is it the best approach to help us shift towards a green economy?

In my speech, I will explain what is fundamentally missing from this approach. I am talking about employment policy or a focus on promoting decent jobs across the country.

In other words, the primary objective of the throne speech, which is to grow the middle class, can only be achieved through a concerted effort by all governments in Canada to promote job creation and skills development in the provinces and territories.

[English]

While there is no consensus about what exactly constitutes the middle class, we can agree that it includes individuals and families who are employed or, if they are retired, who can maintain their standard of living due to income earned while they were working. Those who do not have a job and who depend on meagre public income transfers to live often have very low incomes, and, unfortunately, these people are not who we think of when we talk about the middle class. So if we take this reasoning to increase the middle class, we have to increase employment.

Economists tend to define the middle class based on income. The Organisation for Economic Co-operation and Development, the OECD, defines the middle class as those households whose income is between 75 and 150 per cent of the median income.

[Translation]

Based on that criterion, economists at Université de Sherbrooke calculated that in 2011, the Canadian middle class was made up of families of two or more people with an income between \$51,000 and \$102,000; in Quebec, however, this bracket ranged from \$40,000 to \$90,000.

For other social sciences experts, the middle class cannot be measured just by income relative to median income. The middle class is defined more by lifestyle, consumer behaviour,

professional status or social class. The middle class is also a notion that is closely linked to the evolution of income inequality. Growth in income inequality can erode the middle class by making it harder to maintain its standard of living relative to that of families considered to be wealthy.

[English]

To keep up with the Joneses, as we say, the middle class will borrow and get strangled.

[Translation]

That being said, is the middle class in jeopardy?

Here are some facts taken from national and international studies on the matter.

First of all, there is no consensus on whether the middle class is eroding. That depends on the dates used and the income brackets studied.

However, there is consensus that the middle class, as defined by income, differs significantly from the middle class prior to the 1980s. In other words, its demographic profile has changed.

People also agree that middle-class incomes are not rising as fast as upper-class incomes. All of the experts agree that income inequality has grown significantly.

Although it is unclear that the middle class is shrinking, the rich are richer than before, and the incomes of the poor, like those of the middle class, are not going up as much as those of the rich.

However, and this is an extremely important point, international studies show that the middle class is much larger in Scandinavian countries, which are social democracies, than in liberal countries such as the United States, the United Kingdom and Australia.

This is worth taking a closer look at. What are those countries doing differently from the others? Some economists suggest that the middle class is larger in those countries than elsewhere mainly because taxes are higher and social programs broader. They theorize that those countries are successful because they are welfare states.

[English]

I studied this issue when I was a university professor, and I carried out research using comparative analysis that was then published in a number of scientific reviews. Comparative analysis of Sweden, Germany, Norway, Austria and Canada revealed the fundamental difference between Canada and these other four countries. Each country used unique methods and strategy, but they all experienced better long-term growth than Canada because their policies targeted employment. In their cases, making full use of their human resources is a fundamental objective shared by the governments and by society as a whole. These countries prospered and kept the middle class strong by focusing on employment for everyone who wanted to work.

• (1450)

[Translation]

We know that these countries provide a wide range of social services to their citizens, such as very affordable post-secondary education and social insurance programs. However, what sets them apart from other countries is the fact that they maintain their focus on job creation, even in their educational programs and especially in skills development. Their social policy exists within the broader context of a job creation strategy. Public transfers are often associated with insurance programs linked to holding a job and not public transfers linked to citizenship, for example.

Their welfare state is not as simple as we make it out to be. It does not merely target the redistribution of income. In addition to rights and privileges, the citizens of these countries also have responsibilities that include participating in the collective production effort, which makes it possible to fund public services and a good standard of living for the entire population.

It is in Canada's interest to learn from these models. Otherwise, it is quite likely that the strategy for growth of the middle class outlined in the Speech from the Throne will not succeed and will perpetuate the significant development gaps in the country as a whole. Furthermore, the proposed measures for stimulating the growth of the middle class could result in large deficits without stimulating the economy and generating the revenue required to restore fiscal balance. The multiplier effects on economic growth will be optimal if we give priority to the impact that the measures, programs and strategies adopted will have on job creation.

In other words, social measures and economic strategies interact with one another and must converge on shared prosperity. That is the condition that will ensure that budget deficits posted during a downturn will be temporary and that the growth generated will cover the deficits.

Here are some examples of what it means to target job creation and adopt an employment strategy.

[English]

For the federal government, it means that one objective of its monetary policy must include the pursuit of full employment, as is the case in these countries and in the United States. Actually, the goal of monetary policy is only to achieve an inflation rate of around 2 per cent. At the moment, monetary policy is not impeding the pursuit of full employment but it could happen, as was the case in the 1980s and 1990s where it created a lot of problems in many regions in Canada.

[Translation]

This government wants to review the employment insurance program, and such a review must include promoting employment rather than just income support for the unemployed. To this end, the government could do as Germany does and broadly use employment insurance to promote work sharing instead of layoffs in companies.

[English]

In addition, Employment Insurance funds could be used to promote job-related skills and to support the adaptation process for companies that need investments in training. In other words,

the EI fund could be used more actively instead of passively. According to OECD data, compared with the Scandinavian countries and Germany, Canada is one of the countries that invests the least, with the United States, in active measures through its Employment Insurance program.

[Translation]

Taxation could also be used more effectively. For instance, it could be used to supplement the incomes of families that work full time in low-paying jobs. Today's labour market is creating some good jobs, but also minimum-wage jobs. However, those jobs are necessary to the creation of jobs further up the pay scale. We will always need handlers so that engineers can create new products to be handled. If, because of increased global competition, businesses can no longer pay decent wages for some jobs, income support through taxation for people who work in those jobs should be a collective responsibility. This strategy is fairer than paying people to do nothing through modest social assistance programs.

Stimulus programs targeting private investments should also target job creation and proper use of human resources. For instance, if the Minister of Finance decides to stimulate the economy in the short term, particularly through home renovation projects, he could announce subsidies for labour expenditures, but not necessarily the hardware. That's what Sweden did when it adopted an ambitious home renovation program to deal with the financial crisis. This program also had a positive side effect: it reduced work done under the table.

Similarly, subsidies to encourage foreign businesses to invest in Canada must put an emphasis on training the workforce instead of on concrete and physical investments. If these companies ever decide to leave the country, we would at least be left with a skilled workforce.

[English]

What can we say about the infrastructure investment plan? The economic action plan introduced in 2009 by the previous government succeeded in protecting the Canadian economy from a crisis much more serious than the one we experienced. The current slowdown is, however, different from the crisis of 2008-09, and Canada needs to move to a more diversified and greener economy that can create jobs in all provinces and territories.

To this effect, the billions of dollars that the government plans to invest must be part of an overall strategy that will maximize our use of human resources in the short, medium and long term. If there is one area of public spending where the impact on employment must be taken into consideration, it is public infrastructure. I repeat: by taking into account the effect of this expense on employment, the government will create prosperity.

[Translation]

I would like to ask for five more minutes.

The Hon. the Speaker: Is more time granted for the honourable senator?

Hon. Senators: Agreed.

Senator Bellemare: To add to the examples I gave, I want to talk about what can happen if we do not make a concerted effort to focus on jobs.

For example, in Canada, governments have tended to focus on unemployment instead of jobs, by providing income support instead of developing jobs at the local level.

That is why for years, and until very recently, provinces like Saskatchewan and Alberta have experienced full employment, while Quebec and the Maritimes posted two-digit unemployment rates.

The main consequence of this approach is that communities accepted living with high unemployment rates. A culture of unemployment developed and became institutionalized in social practices and in human resource management within businesses. That is difficult to change.

Another direct consequence was that provinces adopted an accounting approach to managing employment insurance and social assistance. For example, for years, and this is still seen today, provincial governments sought to make individuals on social assistance eligible to receive employment insurance, or else they used employment insurance funds set aside for active measures to fund provincial programs or social assistance programs instead of continuing to invest in training programs.

Esteemed colleagues, wouldn't it be better if governments worked together to promote job creation and adopt economic behaviours that benefit everyone? I think that working together to promote job creation would unite governments so they can focus on the middle class.

When a society doesn't prioritize job creation, those with jobs resist change because they fear losing their job and being unable to find another. If the federal government wants to stimulate a green revolution, it will have to clearly demonstrate its commitment to promoting full employment in order to bring about that revolution.

• (1500)

Finally, when we don't care about job creation and we invest haphazardly, our choices can result in labour shortages, as was the case in Alberta, Saskatchewan and even southern Ontario in the 1980s. At that time, governments had simply stopped stimulating the economy.

Esteemed colleagues, I would like to end my speech with the hope that my words will inspire the Prime Minister, the Minister of Finance and all of government to make job creation a real priority, particularly when preparing the budget. I would like to add that making job creation a priority is key, and it will promote lasting cooperation between the federal and provincial governments, because it is a winning strategy for everyone. If all governments work together to make job creation a priority, then it becomes a strategy for economic growth and growth for the middle class. It becomes a positive-sum game, rather than a zero-sum or even negative-sum game.

Thank you for listening.