



## **News Release**

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For Immediate Release

### **Sharing the Wealth in Newfoundland and Labrador: Changing the frame and broadening the debate!**

As the global Occupy Movement shines a bright light on growing inequality and corporate greed, the Newfoundland and Labrador Federation of Labour (NLFL) today released an economic paper that examines how lopsided wealth sharing is in our province.

A political economist with the University of Laval, in a policy brief submitted to the Federation of Labour examining the province's prosperity, outlines what he calls "an unprecedented economic imbalance" between corporate share of GDP and the share paid to workers.

Professor Travis William Fast notes that while a page has been turned in the history of the province's economic development, there remain a number of critical challenges going forward. Professor Fast's policy brief is part of a larger project being undertaken by the NLFL examining our economy, sharing the wealth and meeting the challenges of the future, including those facing the province's labour force.

With corporate profits as a share of Newfoundland and Labrador's GDP at around two times the national average in the last decade and with wages and salaries (or the share of GDP paid to workers) at the lowest in the country, it's time to rethink how our wealth gets divided, says Newfoundland and Labrador Federation of Labour (NLFL) President Lana Payne.

"When you examine how GDP wealth is shared, our province sticks out like a sore thumb among other jurisdictions. Corporations are cleaning up in Newfoundland and Labrador and the last thing they need is more tax cuts," said the labour leader, who stressed that it is also time to broaden the conversation when discussing prosperity in our province.

While our province has experienced more economic wealth than at any time in our history, how that wealth is shared and who is benefiting, or not benefiting, should be of concern to every Newfoundlander and Labradorian, she said. It should also be part of a fuller debate with respect to our economic prosperity. "This reality cannot be dismissed. These factors cannot be ignored in discussions about the future economic diversification of the province, how we pay for the kind of society we all want, and how we ensure we get our fair share from our natural resources," said Ms. Payne.



The Federation of Labour has for several years now been working to broaden the frame in which prosperity is discussed in our province. With that in mind, the Federation engaged professor, Travis William Fast, a political economist in the Department of Industrial Relations at the University of Laval, to examine wealth and income distribution in our province and as part of a larger project to examine a vision of a NL economy that is more diversified, that invests heavily in skills and the infrastructure supports needed to attract and recruit young people.

Ms. Payne said: "Professor Fast's policy brief raises serious concerns about the staggering amount of our province's wealth that is siphoned off into corporate profits and leaves our province." She further added: "We have to stand back and make sure the full economic picture is being considered when we talk about prosperity; and when we do that the conclusion is clear: our province and its citizens are not benefiting the way we should be from our collective wealth and this must change."

In his report, Professor Fast examined income distribution in our province: the distribution of wages versus profits and the distribution of income among all income earners.

He found that profits between 2000 and 2009 averaged over 25% of Newfoundland and Labrador's GDP, or economic wealth. The national average during that time was 13% - which was a historic high.

On the flip side, the share of Newfoundland and Labrador's GDP going into wages and salaries continues to be the lowest in the country. The Canadian average for the last decade of wages as a share of GDP was 51% compared to just 38% in our province.

"These comparisons make a stunning statement about who is really benefitting from our wealth. Corporations are the big, big winners." She noted that new oil agreements, such as the Hebron development, attempt to ensure a better share of the pie for the province, including an equity share and a super-royalty structure.

As Professor Fast points out, one of the "sharpest ways" to examine income distribution is to calculate profits as a percent of wages. In the last decade in our province, profits as a percent of wages averaged over 70%. The national average was 25%. In 2008, at the height of the last economic cycle, profits as a percent of wages were at the unprecedented level of 125%, whereas the Canadian average was just 27%.

Professor Fast called this "an unprecedented economic imbalance."

It is time to examine ways to right this imbalance, said Ms Payne. The Federation will be doing that as part of its work with Professor Fast, who will be presenting at the NLFL's convention November 6-8, 2011 in Gander.

"It is in all our best interests to put the building blocks in place for a prosperous economic future for our province, and most importantly for the people of our province, how we do that depends on the decisions we make today. It depends on how we share our wealth, what investments we make in people, and making sure workers get their fair share," said Ms. Payne.



Professor Fast also examines the province's debt, compares it to other jurisdictions and challenges the debt phobia or hysteria that can sometimes dominate public debate. Professor Fast notes that "any CEO who based their whole business strategy on "eliminating corporate debt" would be ousted by the shareholders within a year because that's not the goal. The real questions are: What is a sustainable level of public debt? And how should the debt financing and repayment burden be distributed?"

He notes that by national and international standards, Newfoundland and Labrador's debt is not high and at 27% of GDP is also overstated as it includes such things as public loan guarantees.

Finally, Professor Fast briefly looks at economic diversification which will be examined more fully in his next report for the Federation of Labour. While he notes that the province is too reliant on oil and gas revenues, he says austerity as a solution today assumes nothing comes after oil, or even that there is no more oil – which is highly unlikely. One clear strategy is to diversify the provincial economy, thereby reducing the overall importance of natural resources in the economy of tomorrow. Professor Fast points out that renewable and non-renewable resources will continue to play an exceedingly important role in the future economy.

One of the key drivers for any diversification strategy is both the growth of the province's population and changing the demographic profile of our population. In other words, we need to increase our population and decrease our median age. That means making the province an attractive place to live with world-class services and amenities.

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A fact sheet summarizing some of Professor Fast's key points and a copy of his report are attached.