

## Living in the `real world'

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David Goutor

Assistant professor of labour studies at McMaster University

Among all of the complaints about the CUPE locals currently on strike in Toronto, probably the most common is that the public sector workers are not living in the "real world."

In particular, strikers have been assailed for the "delusional" expectations they have developed while cocooned in the public sector, safely away from the hard realities of the private sector.

Whatever your views on the strike, let there be no illusions that the public sector and the free market are such neatly separated worlds. To be sure, there are important differences as public sector jobs are funded through taxes, mostly less movable than private sector jobs and less vulnerable to economic slumps.

But as the current strike shows, public sector unions are far from immune to recessions. Indeed, the City of Toronto's demands for concessions and the resulting turbulence are in keeping with a well-established pattern in bad times. The downturn in the early 1990s brought the Social Contract and Rae Days in Ontario, with all of the ensuing bitterness within the NDP.

During the slump in the early 1980s, the previously labour friendly Parti Québécois made major cutbacks despite serious union resistance, while the British Columbia government launched such a sweeping attack on public sector workers that the result was a general strike.

On the whole, public sector workers have been facing no shortage of hard reality in the form of cutbacks, wage freezes and attacks on job security for the better part of two decades. City of Toronto workers, for instance, had their wages frozen for much of the 1990s, and the average unionized city worker earns less than \$40,000 annually.

The more basic issue is that the public and private sectors mix together far more than most commentators seem willing to admit. On the labour side, the major private sector unions such as the Canadian Auto Workers have moved decisively into the public sector. According to CAW economist Jim Stanford, the union now counts more than 30,000 public sector members, including workers in nursing homes, hospitals and air-traffic control.

Industrial unions have even penetrated the ivory tower, as the administrative staff at McMaster University, where I teach, is represented by the CAW, while the staff at the University of Toronto, where I did my studies, is represented by the United Steelworkers of America.

In the overall economy, much of the private sector is heavily dependent on the public. Governments and business leaders have been eager to deny this in the last few decades – and trying to shrink many areas of government activity, especially in providing social programs.

But the current economic crisis and the responses to it should leave little doubt that major parts of the free market cannot survive on their own – they require the help of the public sector.

Indeed, how can the public sector be denounced as not part of the real world when governments are bailing out central parts of the economy, or when the CAW had to bargain new collective agreements with the federal and provincial governments more than with the actual employers, General Motors and Chrysler?

Free market advocates may object that these bailouts were only needed for old and tired auto giants, chronically troubled airlines or reckless financial gamblers. But this analysis ignores the broader government stimulus packages that have been needed to rescue the economy.

More important, when you examine the industries that are supposed to be the future of our economy, it does not take long to find a massive role for government. The main sectors of the "knowledge economy," such as high-tech or biotechnology, look to government for not only direct investments in research but also essential infrastructure and,

above all, advanced education and training for their workforces.

Indeed, it is no accident that key centres of these industries tend to develop near leading universities. The high-tech boom around Waterloo, home to one of the best universities in computing sciences, is just one example. Another from the U.S. medical field is the "research triangle," which takes its name from the area's three universities – University of North Carolina at Chapel Hill, North Carolina State and Duke.

Taking the broader perspective, the Task Force on the Future of American Innovation, representing academics and high-tech heavyweights such as IBM, Intel, Google and Microsoft, put it succinctly in 2005: "Federal support of science and engineering research in universities and national laboratories has been key to America's prosperity for more than half a century."

When hard times hit, job losses mount and the media become obsessed with sick banks and other worker benefits, it is tempting to fall back on stereotypes about "pampered" public servants. And in the current climate, there is clearly a sizable contingent of the public who won't be swayed from the position that daycare workers, public health nurses and garbage collectors should not expect decent wages or benefit perks. Moreover, free market purists will oppose any role for government, even if it means the financial system collapses, key industries disappear and a prolonged depression sets in.

But for those who truly want to deal with "hard reality," it is time to accept that a self-sustaining free market is, to a very great extent, also a delusion.

Indeed, more and more of the economy is effectively in bargaining with government in one way or another – it's just that some players, such as bankers, are proving able to get much better terms than others, such as unions.

*David Goutor is the author of Guarding the Gates: The Canadian Labour Movement and Immigration, 1872-1934.*