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[BETTING ON THE LONG RUN]

Newfoundland and Labrador's private sector has proven itself to be remarkably resilient in hard economic times. There is little reason to believe our current troubles are different. With this in mind, the private sector should continue strengthening its long-run potential by adopting certain best practices.

With oil prices low, investment in major projects slowing, and our provincial government without sufficient fiscal room to fully soften the consequent economic downturn, it is all too easy for commentators to conclude that Newfoundland and Labrador's recent prosperity is withering at last. Although such a diagnosis may be popular, it overlooks our history and the very nature of our economy.

Indeed, the global oil price shock is not the first economic difficulty our province has faced. Primary industries play a prominent role in Newfoundland and Labrador's economy, which makes our short-term fortunes subject to volatile resource prices, exchange rates, and resource stocks. This, in turn, makes our province vulnerable to passing distresses. Yet through bad times, like the collapse of the cod stocks and the financial crisis of 2008, our province's private sector has proved remarkably resilient, in part explaining Newfoundland and Labrador's long-term successes.

Today, as doubts mount about our province's growth capacity, Newfoundlanders and Labradorians should look to our private sector and carefully contemplate how firms can promote growth. In discussing our thoughts, we should realize that short-run troubles come and go, but that private sector efforts to strengthen our economy's fundamentals may improve our living standards for many years to come.

First, companies can proactively encourage older people, when they are willing, to remain in the workforce. Perhaps the greatest long-run threat to living standards in our province is population aging and decline. Over 34 per cent of our province's population is of 55 years of age or older, compared to 21 per cent in 2000; the Newfoundland and Labrador Statistics Agency expects this trend to continue.¹ This is problematic because the labour force participation rate for people of 55 years of age and older in Newfoundland and Labrador is about 33 per cent compared to 61 per cent for all people of age 15 years or older.² Without an increase older people's participation, Newfoundland and Labrador will have fewer workers building tomorrow's infrastructure, paying taxes to fund public services, and earning incomes to support our seniors.

Options abound for keeping older people who want to work in their jobs. Employers can let prospective retirees work reduced or flexible hours. They can implement physical accommodations for older people whose health conditions make working difficult. And they can offer pension arrangements that do not strongly incentivise retirement at a certain age.

Second, businesses should take a long-term view in making decisions on hiring and firing. When demand conditions weaken, companies often see fit to downsize their workforces. But letting a worker go in tough times can ultimately hurt both the business and the laid-off employee. An employee acquires firm-specific expertise in their jobs that accumulates over time, and this expertise cannot be easily reclaimed by the company once good times return. Laid-off employees, too, has presumably invested much of their time in mastering their job and would likely be less productive in other positions.

¹ Statistics Canada, CANSIM Table 051-0001; Newfoundland and Labrador Statistics Agency (<http://www.economics.gov.nl.ca/POP-about.asp>)

² Statistics Canada, CANSIM Table 282-0087

There are also collective harms to the private sector when individual firms lay off workers too liberally. When demand falls and firms lay off workers, demand sinks even lower as newly unemployed workers cut back their spending, further hurting our private sector. Lay-offs may also have longer-term economic effects. Newfoundland and Labrador's workforce is aging, and older workers who lose their jobs often never re-join the workforce. Other laid-off workers may leave the province in pursuit of work, shrinking the pool of labour available to businesses in the future.

Business leaders can also promote long-run economic growth by recommending policies based on their intimate knowledge of our economy. By speaking directly to the public, the private sector can spark constructive province-wide discussions on the interplay between policy and business activity. Upon hearing these discussions, voters will demand answers on policies affecting businesses from political parties and perhaps even think of innovative policy solutions to problems faced by businesses.

Although low oil prices may harm many local industries, they have also weakened the Canadian dollar and made many of our exports more competitive in global and Canadian markets. Additionally, with new and upcoming trade deals like Canada's Comprehensive Economic and Trade Agreement with the European Union, the Canada-Korea Free Trade Agreement, and the Trans-Pacific Partnership, there will be fewer barriers than ever for Newfoundland and Labrador companies to conduct business abroad.

These sorts of recent events have opened up many opportunities for many industries in Newfoundland and Labrador. I will give two examples. First, our fishery will benefit from a weak dollar and new trade opportunities. The weak dollar has also made American manufactured goods more expensive, leading domestic consumers and firms to seek alternatives. This is a boon for our own manufacturers. By learning about the changing opportunities presented by our unpredictable economy, businesses can begin creating prosperity even in what seems to be the trough of a downturn.

The private sector can also strengthen its connections to Newfoundland and Labrador's postsecondary education systems. After all, the leadership of Newfoundland and Labrador companies and human resource managers surely have a host of insights on which skills required by workers in the province. The private sector is also a necessary partner in co-operative education, which provides powerful opportunities for young people to enhance their productivity. Co-operative programmes also create connections between local industry and individual students deciding where to begin their career.

My specific ideas are by no means exhaustive or even correct. After all, my purpose is not to argue with great conviction for specific proposals, but rather to call for Newfoundlanders and Labradorians to join in brainstorming ways for our private sector to improve our province's long-term growth potential. We must reject apocalyptic proclamations that good times are over forever. In the place of this idle talk, let's have a constructive discussion on how to ensure our businesses survive and thrive as they have through even worse economic turbulence than we see today.

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