



# Worse Than the Recession?

How government budget cuts could kill more Alberta jobs than the recession

**Alberta Federation of Labour**

JANUARY 2010



Prepared by the Alberta Federation of Labour for the Join Together, Alberta campaign

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of our communities.

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# Executive Summary

Just as the recession appears to be lifting, the Alberta government is moving toward spending cuts. Instead of maintaining its spending over the recession and adding stimulus, as leading economic commentators recommend, it is going backward to the Klein-style cuts of the 1990s.

The recession has taught everyone some important lessons. First off, the ideological dogma that government should not own businesses has fallen apart. Governments in Canada and around the world have purchased equity shares in companies that were teetering on the brink — saving business from capitalism. Another piece of ideological dogma — that governments should never run deficits, in good times or bad — has also been laid aside in favour of pragmatic economics. Governments across Canada and around the world have abandoned that unrealistic notion and have launched massive stimulus programs, funded by deficits.

And while the economic indicators are positive at the moment, we are not out of the woods yet. We will only be out of the woods when unemployment has subsided. Right now, the unemployment

numbers in Alberta are terrible: there are 44,700 fewer jobs than in October 2008, and 78,100 fewer full-time jobs. Young people and men have fared the worst. On a per capita basis, with the sole exception of B.C., Alberta has been hit with job losses worse than any other province in Canada.

The only bright spot in Alberta's employment picture has been the public sector. Indeed, as in other parts of the world, the public sector has been propping up the rest of the economy.

However, the government appears to be ready to kick out that support. And if it does so, the rest of the economy will feel it. When public spending gets cut, it's not only government workers who get directly laid off. The industries that provide inputs to the public sector lose sales, lose revenues, and



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lay off workers. These are called *indirect* job losses. And those workers laid off from government and other industries aren't spending money anymore. This results in a further round of lost sales, lost revenues, and layoffs in other industries. These are called *induced* job losses.

The Alberta government knows that these indirect and induced job losses will follow its spending cuts. Indeed, its own economic input-output model and its economic multiplier tables tell it how many jobs will be lost and in what industries.

The number of jobs lost will depend on what sectors receive the cuts. New investment in some industries creates more jobs than new investment in others. For instance, oil and gas extraction creates the fewest jobs per dollar invested — just 3 person-years employment per million dollars. Health care creates more than 5 times as many jobs for the same investment. And education creates even more.

Likewise, when these job-creating sectors receive spending cuts, the employment impacts across the



economy are greater. And generally, the indirect and induced job losses are bigger than the direct government job losses.

For example, if the government proceeds to cut \$1.3 billion in health spending, in order to eliminate the so-called “deficit” facing Alberta Health Services, it could result in 9,000 direct government employee layoffs, and a further 13,000 layoffs in other industries in Alberta.

If it cuts \$420 million in education spending, as predicted, this could result in about 3,000 to 5,500 direct job losses of education workers, and another 4,000 to 8,000 layoffs in other industries in the province.

Indeed, if the government cuts \$2 billion of spending, as it has indicated, then this could mean about 13,000 direct government layoffs, and another 22,000 layoffs in other industries. If the \$2 billion is on top of the health and education cuts noted above, the toll could reach 18,000 in direct government layoffs, and another 39,000 layoffs in other industries — more than the recession wiped out.

For Calgary, these scenarios could mean 11,000 to 18,000 layoffs. For a city the size of Red Deer, it could mean 500 to 1,000 layoffs. For a town of 40,000, it could mean 400 to 650 layoffs.

Clearly, government spending cuts will be felt across the economy — by government workers, and also by workers in the private sector. Cuts would also send the wrong signal to the private sector, suggesting that the government has lost its nerve, and is no longer going to manage the recession.

We have been down this road before, and we know where it leads — poor public services, and a need to play catch-up during the next boom, when costs are high.

Contrary to the myth spun in the Klein era, cuts are not the answer to a recession; it’s time to cast aside that bit of ideology. The government should stop the cuts, maintain program spending, and provide economic stimulus to save and create good jobs for Albertans.



# Introduction

Cuts to public spending don't just hurt the laid-off government workers and their families and communities. The economic losses reverberate through the economy, and cause job losses in other sectors. Will Alberta now face a further round of economy-wide job losses?

Just as the recession appears to be lifting, the Alberta government seems to have lost its nerve. Instead of maintaining its spending until we are out of the woods, as recommended by leading economic commentators, it seems to be retrenching to the Klein-style cuts of the 1990s.

These spending cuts could put tens of thousands of Albertans out of work. And it's not just for government employees. Workers in other industries will also lose their jobs. Indeed compared to the direct government layoffs, more workers in other industries will lose their jobs. And the cuts will send the wrong signal to the private sector, just at the time that it needs to step up to the plate.

These cuts are not necessary. Alberta has the

resources to weather the storm. If our government maintains its spending, Alberta can come out of the recession sooner and avoid the disastrous slash and catch-up cycle that characterized our last downturn and boom.

This first section of this paper examines the context for the government's proposed spending cuts — the recession and the global response to it.

It then outlines the reasons that the government should avoid spending cuts. First and foremost are the jobs that would be destroyed if the government proceeds with significant spending cuts — jobs that would be destroyed across the economy. It tallies up the job losses that could be expected in a number of different population centres in Alberta.

It then quickly reviews the government's financial position, and how it is more than adequate to cover spending needs during the recession — without going into debt.

Finally, it concludes with some recommendations for how the government should proceed to manage its finances and the Alberta economy as the recession lifts. Staying the course, rather than succumbing to a knee-jerk reaction, will save jobs across the economy and help lift Alberta out of the recession sooner.

WORK  
FOOD





# Context: The Financial Crisis & The Recession

The global credit crunch that grew in 2007 became a full-blown financial sector crisis by fall 2008. Major financial institutions that were considered “too big to fail” nonetheless failed. Corporate bankruptcies and massive government bailout packages became commonplace.

Bailouts gave way to government equity purchases in those and other industries. And thus the ideological dogma that governments should not own businesses was rapidly abandoned, worldwide, in favour of pragmatic economics. It became clear to everyone that government was the only thing that could save business from capitalism. And it did so.

The financial sector crisis turned into a global recession. More firms were purchased by governments. Early on, the Alberta and federal conservative governments asserted that Canada and Alberta would be immune from the recession. They were wrong. And indeed it soon began to appear that Alberta would experience a worse recession than other parts of Canada, largely because of its enormous dependence on fossil fuel exports to the United States, especially natural gas.

At the same time, another ideological position fell apart. The dogma that governments should always balance their books — in booms and busts — was rapidly abandoned in the face of pragmatic economics. Governments of all political stripes, across Canada and around the world, launched into massive stimulus spending. Canada’s federal conservative government wrote a deficit budget and forecast multi-year deficits in the tens of billions of dollars. As they had rescued companies on the edge, governments rescued the global economy.

The crisis and recession were accompanied by drops in fossil fuel prices. Given the Alberta government’s fiscal dependence on these volatile (and unsustainable) revenue streams, this resulted in significant provincial revenue losses. Furthermore the government, like other investors, suffered

losses in its investment portfolio, reducing the value of funds like the Heritage Fund and the Sustainability Fund. A part of the government's stated deficit figures relates to Heritage Fund and endowment losses, even though general revenues aren't actually reduced by the loss.<sup>1</sup> This accounting trick has allowed the government to exaggerate the magnitude of its deficit, thereby bolstering its argument for spending cuts. In recent months, the value of these investments has increased.

The prognosis for the recession shifts weekly, and sometimes daily. In recent months, optimism seems to be overtaking pessimism. However, one thing is clear: we won't know we're out of the woods until unemployment subsides. And in Alberta, the unemployment picture is bad:<sup>2</sup>

- Since December 2008, the number of Albertans with jobs has dropped by 28,600, despite more than a 70,000-person increase in population. The number of Albertans with jobs has fallen even more dramatically when you use October 2008 as your point of comparison (44,700).
- The number of Albertans with full-time jobs has fallen even more precipitously. There are 52,400 fewer Albertans with full-time jobs today than there were in December 2008 — and 78,100 fewer than there were in October 2008.
- Young Albertans have been particularly hard hit by the recession. Employment for Albertans between the ages of 15 and 24 is down 22,400 since December 2008 and 34,800 since October 2008.
- Male, core-age workers (aged 25 and over) have experienced a disproportionate share of job losses. 17,500 fewer men in this category are employed in Alberta today compared to December 2008 — and 23,600 fewer compared to October 2008.

- Over the course of the past year, Alberta is second only to B.C. in the number of jobs lost as a proportion of its provincial labour force. On a per capita basis, Alberta has lost more jobs than Ontario, Quebec, Saskatchewan, Manitoba, Nova Scotia, New Brunswick, Newfoundland and P.E.I.

## Alberta — A Failure of Nerve?

As noted earlier, governments across Canada and around the world have accepted wise advice and have maintained their program spending and created new stimulus spending initiatives. This course has resulted in reducing the impact of the recession.

Naturally, there has been speculation about when the recession might end, and governments are looking ahead to winding down their stimulus efforts. Of course, stimulus spending is only needed during a recession, and it is best to plan for the withdrawal of that stimulus, rather than simply make cuts.

However, the stimulus must not be withdrawn too soon. The leading economists, bankers, and international financial institutions have provided consistent advice to governments. The facts are clear; the health of the global economy is still fragile, and public spending is propping it up. If stimulus spending is withdrawn too soon, the recession could enter a second dip.<sup>3</sup> As the International Monetary Fund (IMF) stated,

**“...IT IS ESSENTIAL IN OUR VIEW THAT PUBLIC SECTOR AUTHORITIES PLAY THEIR APPROPRIATE ROLE IN PREVENTING A COLLAPSE OF CONFIDENCE IN THE PRIVATE SECTOR THAT MIGHT LEAD TO A VICIOUS DOWNWARD SPIRAL.”<sup>4</sup>**

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Apart from the risk of a second dip, there are additional reasons to maintain spending levels during the recession:

- Private sector job losses tend to accelerate toward the end of a recession and continue even after it is over.<sup>5</sup> We won't be out of the woods until unemployment subsides.
- Cutting spending sends the wrong signal to the private sector — that government fears the recession will get worse, and is not up to the task of managing the risks. This is why the Conference Board of Canada strongly advised that government should “avoid mention of belt-tightening, which sends the wrong signal at a time when economic stimulus is needed.”<sup>6</sup>

Canada's federal finance minister has concluded that stimulus is still vital to an economic recovery, expressly contradicting the right-wing Fraser Institute.<sup>7</sup> He notes that while it is rational to plan ahead for the wind-down of stimulus, we are not near to implementing that wind down yet.<sup>8</sup> At the G20 in November, national governments announced they would maintain their stimulus, to which the stock markets reacted favourably.<sup>9</sup> And recently, the Bank of Canada and other forecasters have noted that the recovery continues to rely on government monetary stimulus and spending.<sup>10</sup>

As in the rest of the world, public spending in Alberta has been propping up the economy. The Alberta government's own employment figures confirm this. For instance, within both goods-production and services, the only industries to show declining employment are private sector industries. In services, the majority of industries with stable or growing employment are public sector. In goods, the only industry with employment growth has been utilities. Agriculture, resource industries, construction and manufacturing are all down.<sup>11</sup>

Despite the economic harm that can be caused by spending cuts at this delicate stage of the business cycle, the provincial government has its head down and is walking in that direction. At the beginning of 2009, the government's messaging focussed on maintaining program spending and using economic stimulus,<sup>12</sup> like all other governments around the world (though it didn't significantly increase its spending). Its 2009–2010 budget indicated an intention to employ the Sustainability Fund to offset future deficits.<sup>13</sup> However, with the fawning media coverage of Danielle Smith and her right-wing Wildrose Alliance Party of Alberta, the government's messaging has drifted back toward the deficit-fighting mantra of the 1990s.



# Current Government Direction: Prolonging the Downturn

The government's new emphasis on spending cuts is going to hurt Alberta in a number of ways. However, the most immediate and personal pain will be when it puts Albertans out of work — across the economy, across the province, and in the public and private sectors.

**HOW MANY JOBS WILL BE LOST IF THE GOVERNMENT CUTS SPENDING?** THE NUMBER WILL DEPEND PARTLY ON THE SIZE OF THE CUTS.

The government has often used the figure \$2 billion when it discusses the cuts (a figure that matches the “carbon capture and storage” industry subsidies it announced outside of the budget in 2008). However, it has also provided a range of more- and less-pessimistic general comments on the future of the economy. And it has been unclear on whether Alberta Health Service's \$1.3-billion “deficit” is in addition to that \$2 billion, or part of it. Thus it is useful to consider a range of scenarios — possible cuts of \$1 billion, \$2 billion, or \$3 billion. This of course will result in order-of-magnitude estimates of the job cuts that these spending cuts will cause.

The number of jobs destroyed will also depend on which sectors the government chooses to cut. If it makes cuts in some sectors, the number of job losses will be lower; if it makes cuts in other sectors, the job losses will be higher.

However, one thing is certain; when the government cuts public spending, the job losses won't be confined to the public sector. Government cuts in public spending will result in financial losses and job cuts in the private sector.

When public sector spending is cut, there is a two-fold impact on the private sector and private sector jobs. First, the industries supplying the inputs for the shrinking public sector experience reduced orders for those inputs; sales go down and jobs are cut in those private sector industries. The private sector supplier losses are termed the *indirect* losses.

Second, those workers laid off in the public sector, combined with those private sector employees suffering indirect layoffs, are no longer spending employment earnings in their communities and across the province. Thus the industries that relied on that spending experience reduced sales; again financial losses are incurred, and jobs are cut in this second layer of private sector industries. These private sector losses are termed the *induced* losses.

Together, the indirect and induced losses can result in a significant number of jobs lost in the private sector. *How many? Again, it depends on the places where the government makes the cuts.*

Certainly, the government knows where it is going to make the cuts, and so it knows which private sector industries will be hurt and which private sector employees will lose their jobs. The government uses a sophisticated computer model of the Alberta economy to predict where spending cuts (or spending increases) will affect the economy. This “input-output” model takes an input (such as spending cuts or increases) and predicts what that input will do to corporate and individual earnings as it works its way through the economy, like ripples on a pond. The outputs are the gains and losses from an input.

This is the model that enables a company to say “our new factory investment will create 100 jobs in Smalltown and 350 more jobs in firms across Alberta.”

The same applies to disinvestment. However, instead of creating jobs, public spending cuts destroys them. In the case where government makes a spending cut, the equivalent news story would be “our spending cut will destroy 100 jobs in Smalltown, and another 350 jobs in firms across Alberta.”

However, as we will see, the kind of cuts the government is preparing won't result in hundreds of jobs being destroyed. It will result in tens of thousands of Alberta jobs being destroyed, across the public and private sectors.

## Which Jobs Will Be Destroyed When the Government Cuts Spending?

Alberta's input-output economic model is used to generate tables termed “economic multipliers.” The Alberta economic multipliers consist of 9 pages of tables, plus explanatory notes. Copies can be purchased by any and all Albertans, in the democratic spirit, provided they can afford the \$150 cost (workers facing potential layoffs can be forgiven for concluding that the tables are intended to be purchased by industry, not workers).

### JOBS VS PERSON-YEARS OF EMPLOYMENT

Often when corporations or governments announce new initiatives that will create employment, they announce something like “this project will create 400 new jobs.” Most such announcements use the term “jobs” loosely to refer to *person-years of employment*. A person-year of employment is the employment of one person for a period of one year. In contrast, a job is regarded, by most people, as lasting more than one year.

Sometimes these announcements specify person-years of employment. And sometimes they break out short-term construction jobs on the one hand, from long term employment, e.g., “this project will create 400 construction jobs [which are really person-years of employment] and 15 permanent jobs”.

This distinction between jobs and person-years of employment is very important to discussions of spending cuts, as will be seen later in this report.

When an economic stimulus project is undertaken, a rule-of-thumb is often applied to estimate the number of jobs created per dollar of investment. Typically, such projects claim that roughly 11,000 person-years of employment are created for every billion dollars invested, or 11 person-years per million dollars invested. This rule-of-thumb is based on the multiplier tables.<sup>14</sup>

This rule of thumb figure is based on construction projects, which are the stereotypical economic stimulus projects. However, they are not the only type of investment that can be made. When other types of work are considered, the employment figure would change because different sectors create more (or fewer) jobs. The economic multiplier tables provide different figures (“intensity ratios”) for different industries.

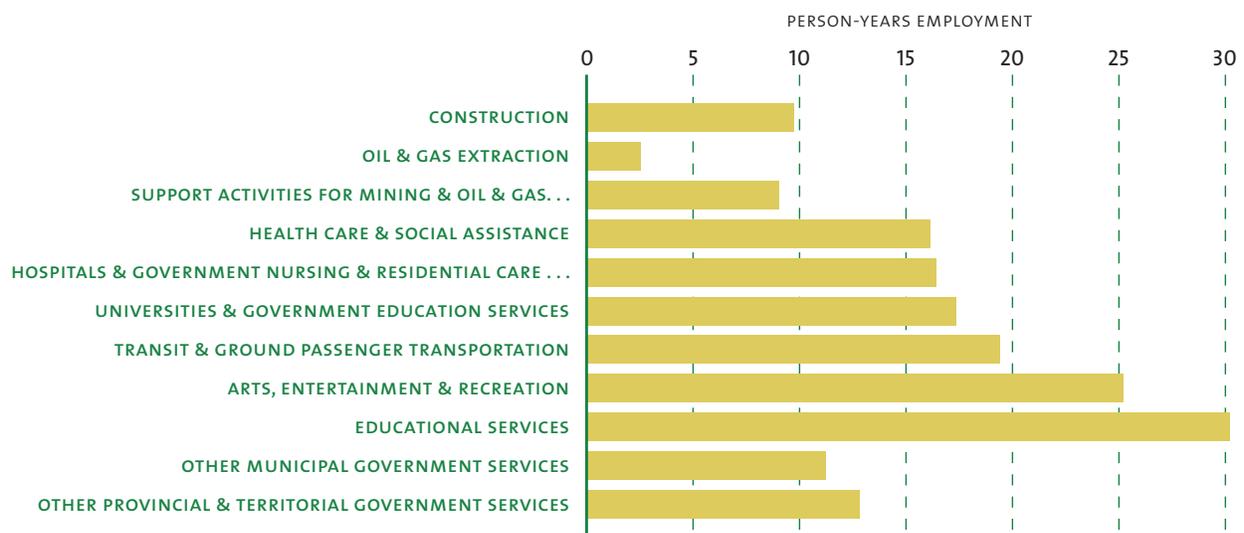
**WHAT ARE THE INTENSITY RATIOS FOR KEY ALBERTA INDUSTRIES?** FIGURE 1 BELOW PROVIDES PERSON-YEARS EMPLOYMENT PER BILLION DOLLARS FOR A FEW KEY ALBERTA INDUSTRIES. ✓

At the top of the list, the construction industry yields about 10 person-years employment per million dollars invested. Individual construction projects would yield slightly higher numbers (close to the rule of thumb of 11 jobs per million dollars), because they directly include other industries.

The oil and gas extraction sector, on which the government has relied almost exclusively to provide jobs for Albertans, actually provides far fewer jobs per dollar of investment than any other industry in the province — just 3 person-years employment per million dollars invested. Support activities for that industry provide more jobs, but not as many as other sectors.

Health care and social assistance, and hospitals and government nursing and residential care facilities provide far more jobs per dollar than either construction or oil and gas extraction and support industries. Universities and government education and other educational services<sup>15</sup> provide even more jobs per dollar.

FIGURE ONE | PERSON-YEARS EMPLOYMENT LOST PER \$ MILLION SPENDING CUT\*



\*Includes direct, indirect and induced employment



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Transit and ground passenger transportation provides about twice as many jobs per dollar as construction, and six times as many as oil and gas extraction. In this light, it is unfortunate for Alberta workers that the government has indefinitely postponed or eliminated \$2 billion in planned transit investments it had announced in 2008.

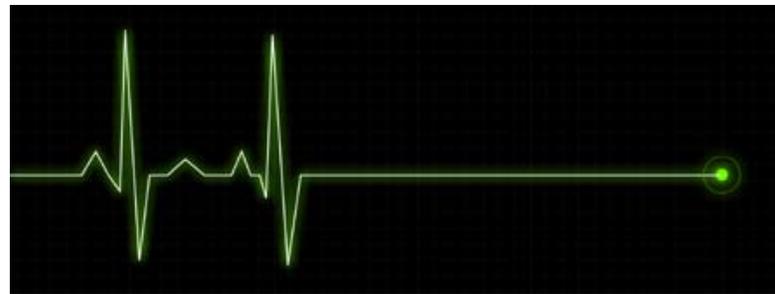
The arts sector, which is a common target for cuts, is another area where each dollar spent creates a lot of employment — more than double that of construction and eight times that of oil and gas extraction.

Other provincial and municipal government services provide fewer jobs per dollar than the above-noted public sector areas, but still significantly more than construction or oil and gas extraction and its support industries.

#### **WHAT DOES THIS LOOK AT THE KEY INDUSTRIES MEAN FOR ALBERTANS?**

It means that government is likely going to be killing significantly more than 11,000 jobs for each billion dollars in spending cuts. The multipliers for all major public sector industries are higher than those for construction. When governments spend money on government services, they put more people to work than they do with construction projects, or oil and gas extraction subsidies. Likewise, when government cuts spending on government services, it puts far more people out of work.

And note here that we are talking about losses of jobs — real jobs — not person-years of employment (see earlier text box). When government cuts spending, it generally doesn't make the cut for just one year. The spending cut is intended to be permanent.



## **Health Spending Cuts — and Impacts on Other Sectors**

*Where is government going to cut? We don't know. However, the government has allocated to Alberta Health Services a \$1.3 billion deficit. Assuming that the government wants the AHS budget to be balanced, it will need to cut \$1.3 billion in health spending.*

Based on its own multiplier tables, if the government proceeds with \$1.3 billion in spending cuts for Alberta Health Services, this will result in around 22,000 jobs being cut across Alberta.<sup>16</sup>

Not all of those jobs destroyed will belong to civil servants or “middle managers.” Of course the distribution of job losses will depend on exactly how the government makes these cuts. However, cuts of that enormous magnitude clearly indicate that front-line health staff positions will be cut. And there will likely be thousands of private sector jobs destroyed as well.

One of the multiplier tables tells us that for every job in health care created (or destroyed) more than 1.5 jobs are created (or destroyed) in other industries. So the total of 22,000 jobs destroyed would be comprised of about 9,000 direct government employee layoffs, and 13,000 jobs destroyed in other industries in the province.

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## Education Spending Cuts — and Impacts on Other Sectors

With another potentially \$340 million in cuts<sup>17</sup> to come on top of the \$80 million already announced, education could face a total of \$420 million in cuts. This would result in roughly 7,500 to 12,500 jobs lost. Again, some of these will likely be front-line education workers. And within these numbers, for every one direct education employee laid off, another 1.3 to 1.6 will be laid off in other industries. Education workers directly laid off could be roughly 3,000 to 5,500, with those laid off as a result in other industries roughly 4,000 to 8,000.

## Overall Cuts and Allocation Around Alberta

As noted earlier, the size and allocation of the government’s cuts is currently unknown. If the \$1.3 billion in health cuts and \$420 million in education cuts are included in the \$2 billion overall cut, the remainder of cuts could be relatively small — \$280 million. However, the health and/or education cuts may be in addition to the \$2 billion. Or the government could reduce or eliminate the cuts in one or more areas.

With this uncertainty in mind, we consider three scenarios for overall cuts:

1. \$2 billion total, including the above cuts to health (\$1.3 billion) and education (\$420 million)
2. \$1 billion plus the above cuts to health and education
3. \$2 billion plus the above cuts to health and education

**BASED ON THE GOVERNMENT’S MULTIPLIER TABLES, THIS WOULD RESULT IN JOB LOSSES ACROSS ALBERTA AS SHOWN IN TABLE 1. ✓**

**TABLE ONE | ECONOMY-WIDE JOB LOSSES DUE TO ALBERTA GOVERNMENT SPENDING CUTS**

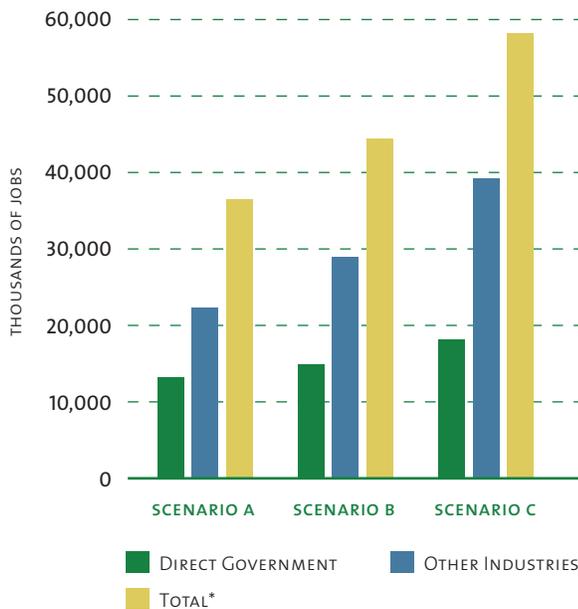
	HEALTH	EDUCATION	OTHER	TOTAL (low – high)
SCENARIO A	22,000	8,000 – 13,000	3,500	33,500 – 38,500
SCENARIO B	22,000	8,000 – 13,000	12,500	42,500 – 47,500
SCENARIO C	22,000	8,000 – 13,000	25,000	55,000 – 60,000

It appears that the range of spending cuts that the government has been hinting at would result in Alberta-wide job cuts ranging from 33,500 to 60,000 workers — possibly more than the recession has wiped out. These losses would come in both government employee job losses, and job losses in other industries. *Figure 2* breaks out these two categories of job losses, again using the scenarios defined in Table 1.

As can be seen in *Figure 2*, job losses in “other industries” outweigh the direct government job losses arising from the cuts.

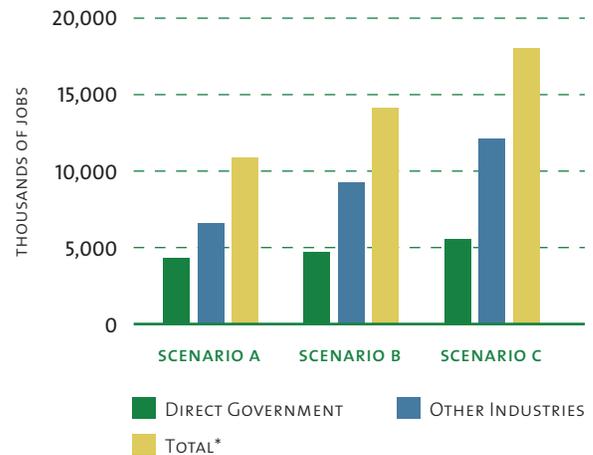
These job losses can be estimated for population centres around the province, e.g., Calgary below. For estimates for other population centres, see the table in Appendix A.<sup>18</sup>

**FIGURE TWO | ALBERTA-WIDE DIRECT GOVERNMENT JOB LOSSES, & LOSSES IN OTHER INDUSTRIES**



\* mean between low and high in Table 1

**FIGURE THREE | CALGARY DIRECT GOVERNMENT JOB LOSSES, & LOSSES IN OTHER INDUSTRIES**



\* mean between low and high in Table 1



# Conclusions

The government of Alberta is headed in the wrong direction. Instead of taking the advice of leading economic analysts and sustaining and boosting spending in order to managed the recession, it is headed toward the 1990s Klein-style cuts that damaged public services and infrastructure.

This will result in large-scale job losses — both to government employees and moreover to those in other industries.

Cutting jobs when unemployment is already high sends the wrong signal, and will reduce investor confidence in the government’s ability to manage the recession.

We have been down this road before, and we know where it leads. Spending cuts mean that we will face needs to boost spending later on, to bring outside workers into the province, to repair the damage done by the cuts.

Contrary to the myth spun in the Klein era, cuts are not the answer to a recession; it’s time to cast aside that bit of ideology. The government should stop the cuts, should maintain program spending, and should provide economic stimulus to create good jobs for Albertans.



# Appendix 1: Distribution of Approximate Job Losses by Population Centre

POPULATION CENTRE		SCENARIOS			APPROX POPULATION
		A	B	C	
CALGARY	Direct Government	4,294	4,831	5,576	1,100,000
	Other Industries	6,863	9,156	12,340	
	<b>TOTAL</b>	<b>11,158</b>	<b>13,986</b>	<b>17,916</b>	
EDMONTON	Direct Government	3,045	3,426	3,954	780,000
	Other Industries	4,867	6,492	8,750	
	<b>TOTAL</b>	<b>7,912</b>	<b>9,918</b>	<b>12,704</b>	
RED DEER, RM WOOD BUFFALO, LETHBRIDGE, STRATHCONA COUNTY	Direct Government	340	382	441	87,000
	Other Industries	543	724	976	
	<b>TOTAL</b>	<b>882</b>	<b>1,106</b>	<b>1,417</b>	
MEDICINE HAT, ST. ALBERT	Direct Government	234	264	304	60,000
	Other Industries	374	499	673	
	<b>TOTAL</b>	<b>609</b>	<b>763</b>	<b>977</b>	
TOWN / COUNTY	Direct Government	156	176	203	40,000
	Other Industries	250	333	449	
	<b>TOTAL</b>	<b>406</b>	<b>509</b>	<b>651</b>	
TOWN / COUNTY	Direct Government	78	88	101	20,000
	Other Industries	125	166	224	
	<b>TOTAL</b>	<b>203</b>	<b>254</b>	<b>326</b>	
TOWN / COUNTY	Direct Government	39	44	51	10,000
	Other Industries	62	83	112	
	<b>TOTAL</b>	<b>101</b>	<b>127</b>	<b>163</b>	
TOWN / COUNTY	Direct Government	20	22	25	5,000
	Other Industries	31	42	56	
	<b>TOTAL</b>	<b>51</b>	<b>64</b>	<b>81</b>	



# Appendix 2: Endnotes

## Context: The Financial Crisis and The Recession

**1** “The deficit is a direct result of losses to the Heritage Fund and endowments totalling \$3 billion... However, because the Heritage Fund/ endowments are absorbing the loss, no actual cash is drawn from the General Revenue Fund, meaning that \$3 billion remains available for allocation to other priorities.” — *Province’s commitments on track despite market-induced deficit* (Government of Alberta News Release, February 26, 2009) <http://alberta.ca/home/NewsFrame.cfm?ReleaseID=/acn/200902/25372B3B945FA-C44A-46C9-E232B9D704AADB8F.html>.

**2** Statistics Canada, *The Daily — Latest Release from the Labour Force Survey* (Jan 8, 2010) <http://www.statcan.gc.ca/subjects-sujets/labour-travail/lfs-epa/lfs-epa-eng.htm>.

**3** E.g. H. Schoffield, “Green shoots? How about a ‘double dip’” (Globe and Mail, June 9, 2009) <http://www.theglobeandmail.com/report-on-business/green-shoots-how-about-a-double-dip/article1172629/>. Also, Nouriel Roubini, one of the few economists who accurately predicted the magnitude of the world’s recent financial troubles, sees a “big risk” of a double-dip. See “Roubini warns of double-dip recession: report” in Reuters, Sun Aug 23, 2009. <http://www.reuters.com/article/ousiv/idUSTRE57M29R20090823>.

4 IMF op cit. P. 18.

5 “Moving Beyond the Crisis: Global Outlook and Policy Challenges,” Keynote address of John Lipsky, First Deputy Managing Director, IMF To Turkish Industrialists’ and Businessmen’s Association (TÜSIAD) Bodrum, June 19, 2009. <http://www.imf.org/external/np/speeches/2009/061909.htm>. Alia McMullen, “Job market to lag behind recovery: Double digit unemployment expected” (Financial Post, July 23, 2009) <http://www.edmontonjournal.com/business/fp/market+recovery/1821880/story.html>. Patricia Croft, Chief Economist at RBC Global Management in “Canada on the rebound, recession over: Boca,” (CTV mobile edition, July 23, 2009) [http://www.ctv.ca/servlet/ArticleNews/mobile/CTVNews/20090723/boc\\_economy\\_090723/20090723?pr=0](http://www.ctv.ca/servlet/ArticleNews/mobile/CTVNews/20090723/boc_economy_090723/20090723?pr=0); Sheryl King, Chief Canadian Economist for Bank of America Securities-Merrill Lynch, in Paul Vieira, “King swells ranks of Bay St.’s female chief economists,” (Financial Post, May 1, 2009). See also N. Menon, “UPDATE: Canada Fin Min Sees Econ Grow In 2nd Half” (Dow Jones Newswire, June 8, 2009) <http://www.nasdaq.com/asp/stock-market-news-story.aspx?storyid=20090608174&dowjonesdjonline000626&title=update-canada-fin-min-sees-econ-grow-in-2nd-half>.

6 G. Hodgson, “Fending Off a Canadian Recession — What More Can Be Done?” (Conference Board of Canada, November 2008) [http://www.conferenceboard.ca/press/speech\\_oped/op-ed-2670992656.aspx](http://www.conferenceboard.ca/press/speech_oped/op-ed-2670992656.aspx).

7 J. Flaherty, “Jim Flaherty: Federal stimulus still vital to recovery — FP Comment,” (Financial Post (October 15, 2009) <http://network.nationalpost.com/np/blogs/fpcomment/archive/2009/10/15/jim-flaherty-federal-stimulus-still-vital-to-recovery.aspx>.

8 “Canada Finance Minister: G20 Must Coordinate Planning Exit Strategies” (Nov. 5, 2009) Wall Street Journal <http://online.wsj.com/article/BT-CO-20091105-725395.html>.

9 “Asian Stocks Rise On G-20 Stimulus Efforts” (AHN, November 9, 2009) <http://www.allheadlinenews.com/articles/7016940124?Asian%20Stocks%20Rise%20On%20G-20%20Stimulus%20Efforts>.

10 J. Morrissy, “Slow recovery from recession forecast: BoC” (Edmonton Journal, Jan 20, 2010) F3 <http://www.edmontonjournal.com/business/Slow+recovery+from+recession+forecast/2461859/story.html>.

## Current Government Direction: Prolonging the Downturn

11 Government of Alberta, Employment and Immigration, *Alberta Labour Force Statistics, December 2009*, Employment by Industry [http://employment.alberta.ca/documents/LMI/LMI-LFS\\_1209\\_public\\_package.pdf](http://employment.alberta.ca/documents/LMI/LMI-LFS_1209_public_package.pdf).

12 See, for example, “Investing in health care and education remains a top priority in Budget 2009” (Government of Alberta News Release, April 7, 2009)

13 “By 2012-13 a return to surpluses is forecast. The deficits will be offset by transfers from the expanded Alberta Sustainability Fund... As dollars become available, the Sustainability Fund will be replenished with a goal of reaching \$10 billion.” Budget 2009, Fiscal Overview” (Government of Alberta, March 2009) p.10 <http://www.finance.alberta.ca/publications/budget/budget2009/fiscal.pdf>.

14 The tables provide the “intensity ratio” for direct, indirect and induced jobs as 0.097 person-years employment for every \$10,000 invested in

the construction industry, which translates 9,700 jobs per billion dollars invested. However, because construction projects also require other industries to be directly involved (financing, administrative, etc.) and because the intensity ratios for many other such industries are higher, construction projects result in higher numbers of person-years employment per dollar invested — very roughly 11,000 per billion.

**15** The Alberta Economic Multipliers Tables employ two broad education categories, one termed “Universities and government education services” and one termed “Educational services.” Each of these contains further subcategories

**16** This, like all such estimates, is an approximation. Variables include the size of the government’s actual cuts, and their distribution across ministries and within ministries.

**17** S. O’Donnell, “Alberta education groups join forces to fight cuts” (Edmonton Journal, Oct 14, 2010) <http://www.edmontonjournal.com/news/Alberta+education+groups+join+forces+fight+cuts/2103139/story.html>.

**18** Actual job losses will depend on the government’s allocation of cuts. These estimates assume equal sharing of pain according to population.

