Alberta’s NDP government freezes wages, gambles on oil price rise in budget

By Janet Browning
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Alberta’s trade union-backed New Democratic Party (NDP) government has responded to the economic crisis produced by the collapse in oil prices by targeting working people.

In its latest budget, tabled March 21, Rachel Notley’s two year-old NDP government served notice of a coming multi-year wage-freeze for public sector workers, most of whom are low paid, while lavishing additional tax credits and other financial incentives on business. Finance Minister Joe Ceci claimed the incentives would help diversify Alberta’s economy and get off the “oil and gas roller coaster.”

In truth, the NDP’s budget relies heavily on revenues from these resources. The NDP are betting that the West Texas Intermediate oil price, currently just under $49 US a barrel, will hit $68 US a barrel by 2020. This is much lower than the $98 US a barrel such oil averaged in the years prior to 2014, when prices plummeted by more than 60 percent. Even assuming this projection comes to pass, Alberta’s provincial debt is forecast to reach $45 billion by March 31, 2018 and $71.1 billion by March 31, 2020. If oil prices do not increase in line with the NDP’s optimistic predictions over the next three years, the deficit will be higher, potentially much higher.

The NDP plan will see Alberta’s debt to Gross Domestic Product (GDP) ratio rise to 10.5 percent, more than triple what it was in 2015, but still far and away the smallest of any Canadian province. Notley is vowing to balance Alberta’s budget in six years, a goal which will inevitably require the imposition of further austerity measures on Alberta’s already financially squeezed working class.

The NDP’s second full budget reaffirmed the so-called “Alberta advantage”—the ultra-low tax regime for corporations that the Conservatives fashioned during their decades of rule over Alberta. Ceci boasted that Alberta will continue to have a “tax advantage over every other province in Canada.” He added that he expected Alberta to lead the way nationally with a growth rate of 2.6 percent in 2017. This is far less impressive than it sounds when one takes into account the sharp economic contraction since 2014 and the devastation caused by the 2016 Fort McMurray wildfire.

Despite the conservative, pro-big business character of the NDP budget, much of Alberta’s and Canada’s business and political elite denounced it as fiscally “irresponsible,” and demanded the country’s only NDP provincial government cut funding for public and social services much more aggressively. Bond rating agencies Moody’s Investor Services and DBRS Ltd. responded to the budget by saying that they are reviewing the province’s credit rating. A credit rate cut would raise debt servicing costs, adding further pressure on the government to slash spending.

Under the social-democratic NDP, spending on health care and education has been sharply constrained despite continued population growth; public sector wages have been targeted for restraint; and income, fuel, and municipal taxes and government fees have all been hiked. Meanwhile, unemployment has risen sharply.

As of January 1, 2017, a new Carbon Tax must be paid on any carbon-creating good or service that is consumed and this in a province with a very cold winter climate, where most people drive and where everyone must heat their homes most of the year. The Carbon Tax is expected to bring in $1.27 billion over three years. Last month’s budget said the province will spend $1.27 billion over the same period on a Green Infrastructure Fund, which will provide business opportunities for “Green entrepreneurs.”

Also hitting working class Alberta families in the wallet is a 6 percent increase in the provincial education tax portion of municipal tax bills in Edmonton.

Statistics Canada reported unemployment climbed to 8.1 percent in Edmonton and to 9.8 percent in Calgary in January, far higher than the current average Canadian national rate of 6.8 percent. Yet the budget contained no significant job creation measures. Instead the Notley government continues to promote a scheme, copied from the Obama administration, where employers receive short-term subsidies for hiring new workers.

The province committed a paltry $100 million to integrate existing drinking water systems with First Nations’ Reservations, in an effort to reduce the number of boil-water advisories on reservations. Due to unsafe water, thirteen Alberta First Nations Reservations are currently under boil-water advisories issued by Health Canada. Everyone on these reservations must buy clean water to drink, cook and wash. The budget committed a similarly derisory $120 million to building affordable housing for Indigenous people moving “off-reservation” into towns or cities, where they can be exploited as cheap labour.

The Alberta Union of Public Employees’ (AUPE) collective agreement, which covers 87,000 provincial government workers, is up for renegotiation this year. In July 2016, after two years of unsuccessful negotiations, a government-appointed arbitrator imposed a contact on AUPE members employed by Alberta Health Services (AHS). The AHS workers received a minuscule 2 percent wage increase in each of the first two years of the contract and a 1 percent increase in the third year, retroactive to 2014.

Now, with all the public sector contracts set to expire at the same time, the government, by allocating not a penny for increased labour costs in its budget, has all but proclaimed that it intends to freeze its unionized workers’ wages, as it has already done with non-unionized provincial staff. The NDP is counting on its political allies in the trade union bureaucracy to impose this on a recalcitrant membership, obviating the need for the government to impose concession contracts by decree.

The Notley government’s determination to offload the economic crisis onto the backs of working people comes as no surprise. Whenever the NDP has held power at the provincial level, it has launched devastating attacks on public services and workers in order to balance budgets and uphold the interests of big business. In the 1990s, NDP governments in British Columbia, Saskatchewan and Ontario imposed sweeping public-spending cuts and wage- and job-cutting “social contracts.”

At the federal level, the NDP has shifted so far to the right that it is virtually indistinguishable from the big business Liberals. Like social-democratic parties around the world, the NDP places fiscal discipline and austerity measures and support for imperialist military interventions abroad at the centre of its program.

The NDP’s right-wing, anti-working class agenda has been lauded by the Canadian ruling elite. The *Globe and Mail*, the mouthpiece of Bay Street, recently enthused over Notley’s role in working with Alberta big business to secure close relations with Trump administration. At the end of February, Notley became the first Canadian premier to travel to Washington to lobby the Trump Administration and arrange business deals.

On March 24, Notley’s top wish was granted when Trump approved the Keystone XL pipeline. In an interview that day with Global News Edmonton, Notley revealingly showed whose class interests she represents. She said, while also referring to other oil pipeline projects, “We actually can use Keystone XL, Kinder Morgan, and frankly Energy East, and we could use all of them to move our product.” This would make Alberta’s oil and gas economy more “compelling” for “investors,” the NDP premier declared.