



*Canadian Union of Public Employees  
submission to the*

House of Commons Standing Committee on Finance

## **Pre-Budget Consultations 2008**

August 2008

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## Executive Summary

The Canadian Union of Public Employees (CUPE) is Canada's largest and most diverse union, representing more than 570,000 workers in communities all across the country.

We welcome this opportunity to present our recommendations for the next federal budget.

Our first recommendation is that the federal government hold a national summit on the economy. This should include participation by a broad group of stakeholders and involve a re-examination of the economic policies that have been implemented during the past decade.

In addition, the Standing Committee on Finance should hold hearings on this issue.

Canada faces three sets of related economic challenges:

1. Countering an economic slowdown with an immediate economic revival program.
2. Increasing economic security for Canadians and reducing growing levels of inequality and poverty.
3. Investing in the future to protect the environment and improve our economic wellbeing.

There is no one simple magic bullet that will solve all these problems; the solutions are many, but they are related.

An *economic revival program* should include:

- Ramping up federal funding for public infrastructure by reversing the latest GST cut and redirecting these revenues to a public infrastructure fund for communities.
- Strengthening Employment Insurance by increasing benefits and coverage for workers in all forms of employment.
- Reversing privatization, eliminating the P3 fund and federal P3 office and redirecting these funds to community economic development initiatives.
- Initiating a national affordable housing program.
- Restoring and expanding the low income residential energy retrofit program.

*Economic security* for Canadians should be strengthened by:

- Reintroducing the federal minimum wage at a "living wage" level.
- Increasing the Canada Child Tax Benefit to \$5,000.
- Developing a national early learning and child care system by committing to guaranteeing a space in a public or non-profit early learning or child care program for all 3-5 year old children.
- Providing adequate and sustained funding to bring public services for Aboriginal and First Nations communities up to the standards provided that other Canadians receive.
- Strengthening public health by increasing accountability, enforcing the Canada Health Act, creating national pharmacare and long-term care programs, and putting in place public solutions to reduce wait times.
- Restoring federal funding support for diverse communities.

The federal government needs to take a more active approach to *investing in our future* by:

- Increasing funding for R&D and post-secondary education.
- Initiating sectoral development plans for industry and providing investment funds through a value-added development agency.
- Creating Green Industry and Just Transition funds to help with the adjustment to a greener economy.
- Funding for municipalities and public organizations to adapt to climate change and increase their energy efficiency.
- Introducing progressively stronger environmental and energy efficiency standards.
- Increasing support for public transit and energy efficiency.

Our brief explains how these various programs can be financed.

## Introduction

The Canadian Union of Public Employees (CUPE) is Canada's largest and most diverse union, representing more than 570,000 workers in communities all across the country.

We welcome this opportunity to present our recommendations for the next federal budget.

Open and inclusive pre-budget consultations provide the potential for a more democratic and responsive budgetary process, but much more needs to be done to achieve these goals. The Standing Committee on Finance should seek to expand, rather than narrow, the opportunities for this dialogue as part of the pre-budget consultations. Reducing the scope of this exercise to one recommendation from each organization limits the opportunity for considered discussion in this process.

The recommendations we put forward are based on policy that has been discussed, deliberated and voted upon by CUPE members at our bi-annual convention.

These policy priorities are to:

1. Strengthen public services and reverse privatization.
2. Achieve equality and strengthen bargaining power for our members.
3. Meet Canada's global green targets and build global solidarity.

## Economic and Fiscal Challenges

After years of unsustainable growth built on a resource and asset price boom, Canada's economy and the federal government's fiscal situation have now reached a turning point. We are now facing a number of grim economic realities:

Canada's economy has slowed dramatically even though we continue to benefit from high global commodity prices. While important sectors of our economy – such as manufacturing and forestry – have been in recession for years, the national economy is now facing an overall decline.

Job growth has recently turned negative with the largest losses since the 1991 recession. In the absence of sustained real wage growth, the increase in jobs was the main way that working people gained from these years of economic expansion.

Increases in the cost of living now threaten to wipe out any real wage gains achieved by working families in recent years.

With a slowing economy, the federal government's fiscal ability to act has been undermined due to billions in tax cuts.

Canada's productivity growth, which underpins the ability to increase our standard of living, has been stagnant despite years of deregulation, tax cuts and other policies that were supposed to boost our productivity and competitiveness.

The serious economic and fiscal challenges we face will be aggravated by the same old business-as-usual neo-conservative economic policies.

Our first recommendation is that the federal government hold a national summit on the economy. This should include participation by a broad group of stakeholders and involve a re-examination of the economic policies that have been implemented during the past decade. In addition, the Standing Committee on Finance should hold hearings on this issue.

Canada faces three sets of related economic challenges:

1. Countering an economic slowdown with an immediate economic revival program.
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## Economic Revival Program

The federal government does not appear to have a clear plan to address the economic slowdown. It could in fact make it worse if it cuts program spending in order to balance the budget.

One of the first rules of economics is that governments should stabilize economic cycles by moderating growth in boom times and stimulating the economy during a slowdown.

Deep cuts to income, business and sales taxes have all failed to improve the fundamentals of Canada's economy and avert a slowdown. More of the same won't help. We also can't continue to rely solely on monetary stimulus to keep the economy growing. This seemed to work in the past because it was accompanied with lax regulation of the financial industry but we are all paying the price for that now.

The federal government needs to implement an immediate economic revival program based on maintaining and expanding public investment and services. This should include:

*Ramping up infrastructure investment funding*  
Canada's municipalities are suffering from an infrastructure deficit of over \$120 billion, with a similar amount needed to improve water, sewer, transportation and other forms of community infrastructure. Federal and provincial transfers to municipalities are still 40% lower than they were a decade ago in real dollars per person. Current plans from the federal government are for its infrastructure funding to only grow by an average of 1.1% a year from 2009/10 on.

Increased support is urgently needed to relieve financial pressure on cash-strapped local governments and residents. Public infrastructure investment would provide an immediate boost to the economy. It also provides substantial productivity gains, with cost savings estimated at an average of 17% per year for businesses.

There is strong public support for reversing the latest GST cut and redirecting those revenues to a public infrastructure fund for communities. If this involves core environmental criteria, then it could yield environmental and energy savings benefits and help Canada to meet its greenhouse gas reduction commitments.

### *Strengthening Employment Insurance*

Employment Insurance now provides coverage for less than half of Canada's unemployed, with even less coverage for women, immigrants and others in precarious employment. Continued economic restructuring and an economic slowdown will soon expose these weaknesses in the program. The EI system needs to be reformed to increase benefits and coverage and protect workers in all forms of employment. It should also be expanded to provide training benefits for employed and unemployed workers. These improvements to the program can be self-funded by increases to the maximum insurable earnings threshold.

### *Reversing privatization and renewing public assets*

The federal government has embarked on an aggressive privatization program, selling off valuable assets owned by the Canadian public, contracting-out and commercializing public services, and pushing expensive public-private partnership (P3s) schemes on provinces and local governments. These lucrative deals for private developers and financiers cost the public more, provide less accountability and divert private investment from where it should go: to productive investments in private businesses. The federal government should reverse these forms of privatization; eliminate the \$1.25 billion P3 Fund and the requirement for infrastructure projects to consider P3s. The expensive federal P3 office also needs to be eliminated. These funds should be redirected to community economic development initiatives and a Public Assets Office tasked to work with local communities to identify their needs and maximize the benefits of public services.

### *National affordable housing program*

Housing affordability in Canada has now deteriorated to its worst level since 1990. At current housing prices, the cost of paying for a standard 2-storey home now eats up almost half of an average household's income. A national affordable housing program would help to create jobs, boost the economy and make an additional 30,000 units of quality housing available each year to Canadian families at an affordable cost.

### *Low income housing retrofit program*

Assistance for low income households to retrofit their homes is an effective way to reduce their energy costs, improve the environment and create jobs. Federal funding for this program should be restored and expanded.

## Strengthen Economic Security

The benefits of Canada's economic growth during the past two decades have not been shared equally. The majority of Canadians are working longer hours for wages that haven't kept up with the cost of living.

Compared to our neighbours to the south, Canadians benefit from relatively efficient public services and particularly from a decent public health care system. These public services are a major contributor to our lower rates of poverty, inequality and social problems than the U.S. But our public services are threatened by underfunding, higher costs to the public and increasing privatization.

Strengthened and expanded public services are necessary to reduce poverty and inequality, improve economic security, develop sustainable communities, and to ensure equality of opportunity for all.

The federal government should take the following steps to strengthen economic security:

### *Re-introduce federal minimum wage*

The federal government should take steps to ensure that all workers receive a living wage. The federal minimum wage should be reintroduced at a rate of at least \$10 an hour (in 2006) and indexed to the cost of living. This would restore the real value of the federal minimum wage to what it was three decades ago and provide a benchmark for provincial minimum wage rates. It would provide stronger incentives to work for those at low incomes and reduce working poverty. This should be a core element of a national anti-poverty action plan.

### *Increase child tax benefit*

The Canada Child Tax Benefit should be increased to \$5,000 a year. This would help to bring many more children out of poverty and would provide greater benefits for most Canadian families.

### *Early Learning and Child Care*

High quality public early learning and childcare programs ensure that all families have access to quality care and a good start in life for their children at an affordable cost. It can also provide decent employment as well as the opportunity for parents to join the labour force. As a first step, the federal government should commit to guaranteeing a space in a public or non-profit early learning or child care program for all 3-5 year old children.

### *Fairness for Aboriginal Canadians and First Nations*

Many Aboriginal Canadians continue to suffer from third world conditions in one of the wealthiest countries in the world. Aboriginal communities will not be able to bring their people out of poverty unless they have access to better public services. The federal government must provide adequate and sustained funding to bring public water, health, education and housing for Aboriginal communities up to the standards that other Canadians receive.

### *Strengthen public health care*

Canada's public Medicare system is an example of how universal and accessible public services can be provided much more efficiently and equitably than a privatized system. It not only results in better health outcomes, but also forms a pillar of economic and social security for Canadian families. Instead of being undermined, it needs to be strengthened by:

- Increasing accountability, enforcing the Canada Health Act and stopping the creeping privatization of health care.
- Creating a national pharmacare program to ensure all Canadians have access to the medicine they need at a reasonable cost.
- Establishing a national long-term care program to ensure affordable and safe care for the elderly with national standards.
- Developing public solutions to reduce wait times and expand preventative primary health care.

### *Support for Diverse Communities*

Funding support should be restored for organizations providing services to women, immigrants, Aboriginal Canadians; and for cultural, environmental and community service organizations.

These measures can be fully paid for with two sets of tax fairness measures:

- eliminating the preferential tax treatment of capital gains and stock options to ensure that the wealthy pay at least the same tax rate as hardworking Canadians (revenue of about \$10 billion a year).
- reversing recent corporate tax cuts (revenue of over \$5 billion in 2009, rising to \$11 billion in 2012).

## Investing in our future

Canada has experienced strong economic growth in recent years, but it has left few lasting benefits for most Canadian families in terms of higher living standards, investment in our future, or a cleaner environment.

Canada's productivity growth has been dismal since 2000, when broad-based income and corporate tax cuts were first introduced. We were told that these tax cuts would stimulate investment and make Canadian businesses more innovative, productive and competitive internationally.

In fact the opposite has occurred:

- Business investment in machinery and equipment has been sluggish and increased at half the rate of profit growth.
- Canada's productivity has grown at less than 1% a year. This is much lower than the post war average and only a third the rate of the U.S. during the same period. We've had no productivity increase since the start of 2006.
- Canada's ranking on the global competitiveness index has plummeted from 3<sup>rd</sup> in 2001 down to 13<sup>th</sup> in 2007.

These policies have not only led to insufficient public and private investments; the federal government's emphasis on resource exploitation is creating an enormous environmental debt that is being left for future generations.

The most consistently top ranked competitive nations in the world are Nordic countries. These combine higher tax rates with significant social investments in public services and activist industrial policies. They provide high standards of living, innovation and quality education with good progress on the environment.

By continually cutting taxes and reducing regulations, the federal government has provided an easy way for businesses to reduce their costs, reducing the need for productivity improvements to increase profits. Privatizing public services through P3s provides private operators and financiers with another opportunity to make lucrative profits off the public purse without growing the economy.

Struggling sectors, such as manufacturing and forestry, need support to help innovate instead of corporate tax cuts, which provide no benefit for firms that are not generating profits.

Businesses and other organizations need the certainty of a strong and internationally compatible climate change regime so they can invest in cleaner technology with confidence in the future. This will also reduce energy costs and yield productivity benefits.

Without thriving industries that provide decent and well-paying jobs, our communities will suffer and lack revenues for public services. The federal government needs to take a much more active approach to investing in our future. This should include:

- Greater federal investments in research and development and science and technology and a reversal of the privatization and commercialization in these areas.
- Increased transfers for post-secondary education to provinces as part of a separate transfer, together with accountability guarantees that funding will only go to public institutions to increase access and improve conditions on campus.
- Comprehensive sectoral development plans for industry, developed together with labour and affected local communities.
- A value-added development agency with funding to make manufacturing, forestry and other industries more efficient, environmentally-friendly and competitive.
- A *Green Investment Fund* to help industry adapt and create more green jobs.
- A *Just Transition fund* with support for education and training to help workers and communities adjust to a greener economy.
- Funding to help municipalities and public organizations adapt and increase their energy efficiency.
- Progressively stronger environmental and energy efficiency standards.
- Increased support for public transit and energy efficiency programs.

These programs can be funded in part by the billions that would be raised by putting a price on greenhouse gas pollution.