

# Pre Budget Submission

To:

The Select Standing Committee on Finance  
and Government Services



From:

The Canadian Union of Public Employees

Barry O'Neill, President

October 15, 2010

## Summary of Recommendations

1. Steps must be taken to improve the situation for people at the bottom of the income scale. Increases in social assistance rates and the minimum wage are both necessary and overdue. It is an embarrassment to us all to live in Canada's most expensive province and to have Canada's lowest minimum wage. Minister Coell told the Union of BC Municipalities, "we are getting close to, I would say, running out of levers that we can use, so it's something we're definitely going to have a look at in the future."<sup>1</sup> The time to act is now.
2. Corporate Income Taxes should be increased to the mid level of taxes in Canada. We do not always need to lead in the race to the bottom.
3. The Carbon Tax should be revised by restoring progressivity to the tax and by using a portion of tax revenues to support low and middle income earners in making changes to their lifestyles to protect the environment.
4. The Provincial Government should eliminate its wage freeze for provincially funded sectors and engage in good faith bargaining with unions who represent people in provincially funded sectors employees.
5. That in order to permit democratically elected local governments to set tax rates to provide services for their citizens, under no circumstance should the Provincial Government impose a cap on any property categories.
6. The Provincial Government continues to work with local governments to identify new sources of revenue to meet local needs.
7. We recommend a significant increase in funding for primary and secondary education sufficient to eliminate the structural deficit we have identified.
8. We recommend an independent review of the funding formula for school boards. This should be conducted by a panel independent of government and to which school districts, education workers and parents, as well as the province, should be permitted to appointed commissioners.
9. Restore post-secondary funding to 2001 levels (in current dollars) and eliminate the present shortfall. Increase the 2011/12 and 2012/13 transfers to colleges and universities to cover the impact of inflation.

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<sup>1</sup> [http://www.bclocalnews.com/vancouver\\_island\\_south/peninsulanewsreview/news/104113384.html](http://www.bclocalnews.com/vancouver_island_south/peninsulanewsreview/news/104113384.html)

10. Lower tuition fees and boost operating grants to post-secondary institutions to make up for reduced tuition revenues.
11. Reinststate the monies cut from student support programs, bring back student grants to reduce student indebtedness, and lower interest rates on student loans to the provincial government's borrowing rates.
12. Graduate more BC students by increasing student spaces in BC colleges and universities, and by stopping the "brain gain" from other jurisdictions, particularly developing countries.
13. Provide an infusion of at least \$150 million to address the 3,000 plus developmentally disabled adults currently on waitlists.
14. Earmark a further \$50 million to begin to align the wage and benefits of community social services workers to comparable employees in the health and education sectors.
15. Prevent the ill-advised transfer of funds and group home residents to family home providers.

## **Introduction**

The Canadian Union of Public Employees (CUPE) appreciates the opportunity to present our views on the needs of our members and our communities to aid in the development of the Province's Budget which will be presented in February 2011.

We feel that we are uniquely situated to comment on the delivery of services to the citizens of British Columbia because we deliver so many of those services. It would perhaps be helpful to begin with a short description of who we are.

### **CUPE: Who We Are**

The BC Division of CUPE represents approximately 85,000 workers in the province. Roughly one third of these people work in each of the school board and local government sectors. In school boards, among other things, we provide clerical and custodial services. We work directly with children in the class rooms beside teachers as Education Assistants. In our municipalities we provide a very broad range of services covering everything from information technology to waste management.

CUPE represents about 14,000 support workers, instructors and teaching assistants in British Columbia post-secondary institutions. Our members support students and educators by providing important services at colleges and universities across the province, including maintenance, administrative support, custodial work, food services, horticulture, child care, teaching and lab assistance, sessional and English language instruction, IT services/technical support and library services. They also staff print shops and book stores on campuses

CUPE represents approximately 2,500 workers in B.C.'s Community Social Services sector who support people with developmental and physical disabilities, children, youth and families, Aboriginal people, immigrants and refugees, women, the homeless and mentally ill, victims of crime and people in conflict with the law.

The professional agencies and group homes where our members work are publicly accountable and accredited, often at substantial cost. They provide developmentally disabled individuals with safe, reliable, high quality services delivered by trained, career employees.

In the health sector we represent paramedics and some people working in Health Boards.

Finally, we represent people working in libraries, boards and commissions and transportation.

Roughly two thirds of our members are women. Approximately one third of our members work part-time, many because of the lack of full-time jobs.

Nearly 70% of our members are over the age of 45. Of these members one third intends to retire within five years, their finances permitting. In short, one in every four CUPE member is considering retiring within five years.

This describes who CUPE members are in their work places, but it is not complete. CUPE members live in every community in this province. Our members are volunteers in our community agencies. We coach local baseball and hockey. We belong to local choirs and theatre companies. Our wages go to support local businesses. We believe that CUPE members are very much a part of the heart of our communities.

### **The current economic situation**

Any decisions with respect to how to use government resources must be made in the context of the current economic situation. We are in a tentative recovery and wrong decisions by government may push us back into recession.

In British Columbia, in the real estate market, “weak demand is forecast to persist into early 2011 and lead to further home price declines.”<sup>2</sup> The Central 1 Credit Union in its economic report suggests that prospects for growth in British Columbia have dimmed and that consumers are reducing spending.<sup>3</sup>

### **The options presented in the Committee’s consultation document**

The Committee’s consultation document asked British Columbians for their priorities for the use of additional government resources. These were:

- Fund new programs and services?
- Reduce the debt?
- Cut personal income tax?

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<sup>2</sup> Central 1 Credit Union, Economic Analysis of British Columbia, September 2010.

<sup>3</sup> Central 1 Credit Union, Economics Weekly Briefing, September 24, 2010

The Canadian Union of Public Employees believes either of the last two options would be irresponsible and would risk pushing the province back into recession.

Tax cuts are a poor source of stimulus compared to government spending. At times of economic uncertainty people are more likely to either save money received in tax cuts or use it to pay down debt. Spending on government services not only will help to stimulate the economy, it will provide needed services for people who have lost their jobs due to the recession.

The International Monetary Fund and the International Labour Organization published a report this year looking at impacts of the recession and discussing how to avoid repeating the mistakes that led to the recession.<sup>4</sup> The report says:

*The most effective way to reduce deficits and debt ratios is likely to be through sustainable growth. A strong and sustained expansion would boost tax revenues and lead to lower expenditure on unemployment benefits and other social protection expenditures. However, a premature fiscal consolidation could damage growth and lead to even larger deficits and debts. After all, it is both the numerator and the denominator that determines the size of debt to GDP ratios. In some countries, very rapid fiscal mobilization efforts have unfortunately become unavoidable because of serious excess spending and lack of tax collection in the past. But in many other countries, securing recovery and transition to a strong, sustainable and balanced growth path will generally require a carefully timed shift in fiscal policy from expansion to consolidation, in step with a pickup in private sector investment and consumption. Abrupt shifts in fiscal policy stances, in many countries at the same time, could destabilize recovery and weaken future growth. A credible and gradual return to fiscal stability over several years is likely to be a more successful strategy, not only for recovery and growth, but also for deficit and debt reduction.*

A decision to further cut taxes at this time will not help either our economy or the people who have been hurt by the recession.

## **Inequality**

Another point made by the IMF/ILO report is the growing belief that one of the causes for the international recession was the increase in economic inequality. The report quotes one writer speaking to the role of inequality in our current crisis:

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<sup>4</sup> International Monetary Fund/International Labour Organization, The Challenges of Growth, Employment and Social Cohesion, Joint ILO-IMF conference in cooperation with the office of the Prime Minister of Norway, <http://www.osloconference2010.org/discussionpaper.pdf>

*To go to the origins of the crisis, one needs to go to rising income inequality within practically all countries in the world, and the United States in particular, over the last thirty years. In the United States, the top 1 per cent of the population doubled its share in national income from around 8 per cent in the mid-1970s to almost 16 per cent in the early 2000s. That eerily replicated the situation that existed just prior to the crash of 1929, when the top 1 per cent share reached its previous high watermark. American income inequality over the last hundred years thus basically charted a gigantic U, going down from its 1929 peak all the way to the late-1970s, and then rising again for thirty years (2009)... So, a huge pool of available financial capital – the product of increased income inequality – went in search of profitable opportunities into which to invest... Overwhelmed with such an amount of funds, and short of good opportunities to invest the capital as well as enticed by large fees attending each transaction, the financial sector became more and more reckless, basically throwing money at anyone who would take it (Milanovic, 2009).*

In British Columbia inequality is a continuing issue. The Canadian Centre for Policy Alternatives examined data from the 2006 census and found:

*Census data reveals that the median earnings of the poorest 20 per cent of individuals who worked full-year, full-time dropped by 20.6 per cent between 1980 and 2005. The poorest 10 per cent of full-time, full-year workers earned less than the abysmally low \$15,375 in 2005. Without government transfers, they'd be in real trouble.*

*Increasingly, the story emerging is about the middle class not being able to move forward. Everyone is working about as hard as they can. They're getting better educated. And yet the bottom is falling behind, the middle class is working more hours just to maintain their incomes, and only the richest among us are getting ahead. Young Canadians and new immigrants – our future workforce – are struggling the most.*

*The situation is even worse in BC, which saw the sharpest decline of median earnings of full-time, full-year workers between 1980 and 2005 – 11.3 per cent – with a 3.4 per cent drop between 2000 and 2005.<sup>5</sup>*

We believe one source of this growing inequality has been the continual reduction in the tax burden paid by corporations. The March 2010 Provincial Budget shows \$835 million less in overall taxation revenue than projected in 2009. There is a 34.6% decline in corporate income tax revenues alone. Reduced revenue from corporate income tax is a natural result of several corporate income tax cuts since the government first came to power in 2001. BC's corporate income tax rate is the second lowest in the country. The

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<sup>5</sup> <http://www.policyalternatives.ca/publications/commentary/denying-income-inequality-won%E2%80%99t-make-it-go-away>

combined federal/provincial corporate tax rate of 25% in BC is amongst the lowest in industrialized countries (10 points lower than the United States by 2012).

Another growing source of inequality is the Carbon Tax. BC's Carbon Tax was originally introduced with a promise of revenue neutrality and tax fairness. Low income tax credits were part of the package used to convince British Columbians of the fairness of the tax.

However, a report from the Canadian Centre for Policy Alternatives has found that the tax is no longer revenue neutral and measures to protect low and middle income earners now do not meet the cost of the tax.

Corporate tax cuts are now absorbing the lion's share of carbon tax revenues. In 2010/11, they will be equivalent to 57% of carbon tax revenues, compared to one-third in 2008/09. The 2010 budget provides for an increase in the low-income credit as of July 2011 to \$115.50 per adult and \$34.50 per child. That will represent an increase of 15.5% in the value of the credit since the carbon tax was introduced in July 2008. Meanwhile the tax itself will be 150% higher as of July 2011. The result is an increasingly regressive carbon tax and revenue recycling regime

The Canadian Union of Public Employees believes there are important measures that should be taken to reduce this income inequality.

1. Steps must be taken to improve the situation for people at the bottom of the income scale. Increases in social assistance rates and the minimum wage are both necessary and overdue. It is an embarrassment to us all to live in Canada's most expensive province and to have Canada's lowest minimum wage. Minister Coell told the Union of BC Municipalities, "we are getting close to, I would say, running out of levers that we can use, so it's something we're definitely going to have a look at in the future."<sup>6</sup> The time to act is now.
2. Corporate Income Taxes should be increased to the mid level of taxes in Canada. We do not always need to lead in the race to the bottom.
3. The Carbon Tax should be revised by restoring progressivity to the tax and by using a portion of tax revenues to support low and middle income earners in making changes to their lifestyles to protect the environment.

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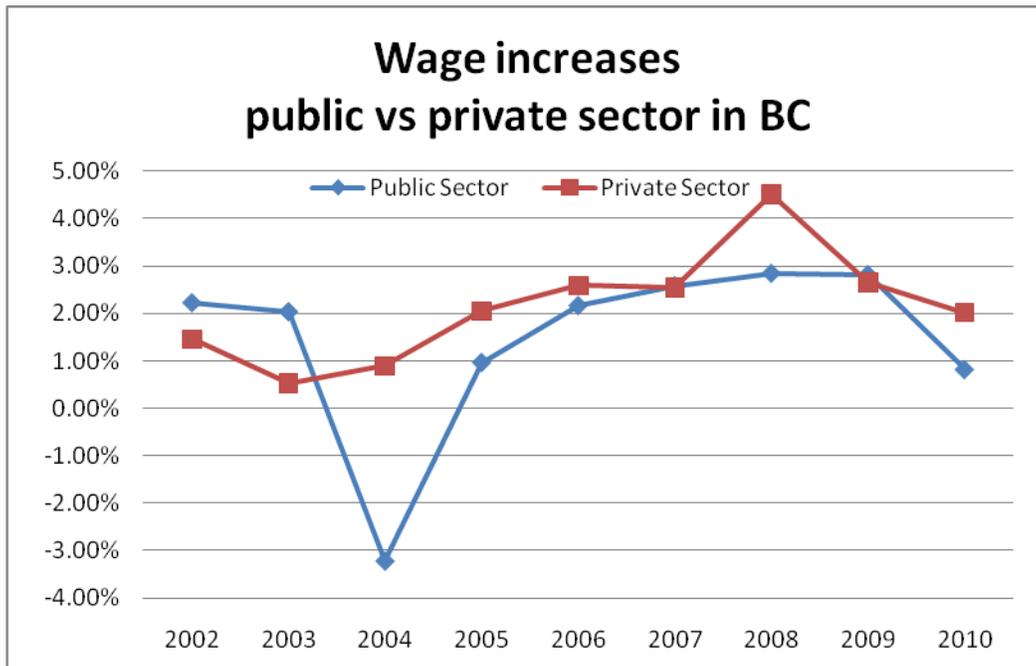
<sup>6</sup> [http://www.bclocalnews.com/vancouver\\_island\\_south/peninsulanewsreview/news/104113384.html](http://www.bclocalnews.com/vancouver_island_south/peninsulanewsreview/news/104113384.html)

## Fairness

The Provincial Government has indicated its intention to freeze wages for employees funded by the province for at least two years. This is neither morally nor economically justified.

In freezing public sector wages and cutting public employees the government is playing to a public perception that somehow the pain of the recession is being shared. However, average wage levels in the province are not falling. In the most recent issue of the BC Stats Infoline publication indicates that in the last year average weekly wages in British Columbia have risen by 3.7%.

The following table is taken from the Business Council of BC's Industrial Relations Bulletin.



Throughout this decade, public employees in British Columbia have been falling behind increases for private sector workers. Since 2002 private sector wage increases on average have been half a percent greater than public sector increases every year. The government in choosing to use its power to impose wage freezes is making the situation worse.

This affects more than public sector workers and their families. For example, looking at the community of Quesnel, 20 per cent of the work force is involved in public administration, Educational Services, or Health Care and Social Assistance. In Creston

the figure is more than 30 per cent. In Port Alberni the figure is 22 per cent. In these and many other communities public employees make up a very important part of the economy, spending their money in local stores to keep the local economy alive. What do imagine happens in those communities when public employees working in those fields are told their wages are being frozen and they might be laid off? These workers will spend as little as possible. The impact is precisely the opposite of what is needed in a recession.

Cutting the wages of public sector workers does nothing to help private sector workers. In fact it takes money out of their pockets.

Those who suffer worst from the recession are most likely to be in need of public services. They are more likely to face health problems; their children are more likely to need assistance in our schools. They and their families are the people most in need of community social services. Cutting those services makes everyone's life worse.

We should also note that this month the federal government signed a collective agreement with the Public Service Alliance of Canada providing wage increases over three years.

We recommend:

4. The Provincial Government should eliminate its wage freeze for provincially funded sectors and engage in good faith bargaining with unions who represent people in provincially funded sectors employees.

### **Municipal Property Taxes**

In the last year we have seen major industrial taxpayers in resource communities undertake a campaign to force those communities to lower their taxes. Companies took four communities to court in an unsuccessful attempt to compel those communities to cut their taxes.

Rather than support the communities, the Provincial Government has done little except set up a Task Force to review the industrial property tax issue. The Task Force they chose has municipal representation but is stacked with representatives of the companies and the BC Business Council. In 2006, then Forests Minister Rich Coleman summarized the views of the Campbell government when he accused municipalities of "dining out" on the industrial property tax.

The companies argue they should only pay taxes for the specific services that they use. This is a dangerous concept fundamentally at odds with Canadian values. Catalyst and the other companies want to decide which services they pay for and which they don't. But taxes are meant to provide for services of benefit to the whole community and the priorities for such spending are determined by citizens who are elected to office democratically.

As the Supreme Court Justice who ruled on the case brought by the companies said:

*“The weight or significance given to such consumption data is a matter for Council alone. It is up to Council to fit and weigh such information, together with other categories of relevant information, into its decision-making matrix in the way that it considers appropriate.”*

Industrial operators have long benefitted from the public services, infrastructure and reliable trained workforce in the communities in which they operate. It has been a long time social contract in BC that mills pay their fair share of industrial taxes in exchange for these benefits. That social contract is now badly in need of repair.

We recommend

5. That in order to permit democratically elected local governments to set tax rates to provide services for their citizens, under no circumstance should the Provincial Government impose a cap on any property categories.
6. The Provincial Government continues to work with local governments to identify new sources of revenue to meet local needs.

### **Elementary and Secondary Education**

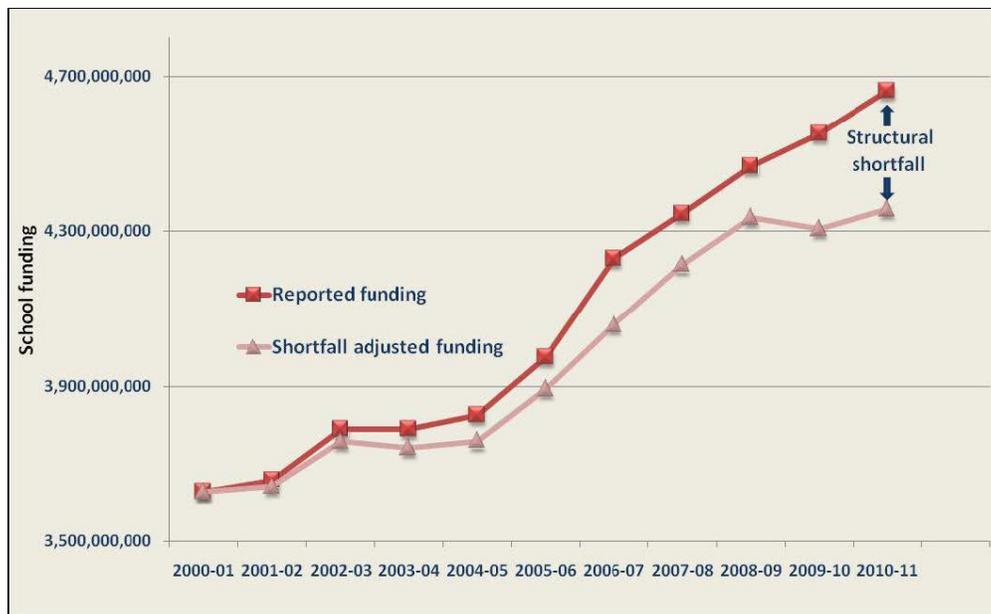
The Canadian Union of Public Employees believes current spending for elementary and secondary education is not sufficient for the mandates placed on school boards. We believe suggestions that schools now have the highest level of funding in history are, in fact, misleading.

School districts were promised a \$112 million increase in funding for 2010-11, along with a partial restoration of annual facilities grant. While the increase does provide partial and selective financial relief to districts, it is not sufficient to overcome the impact of a mounting structural funding shortfall set in motion earlier this decade. By next year,

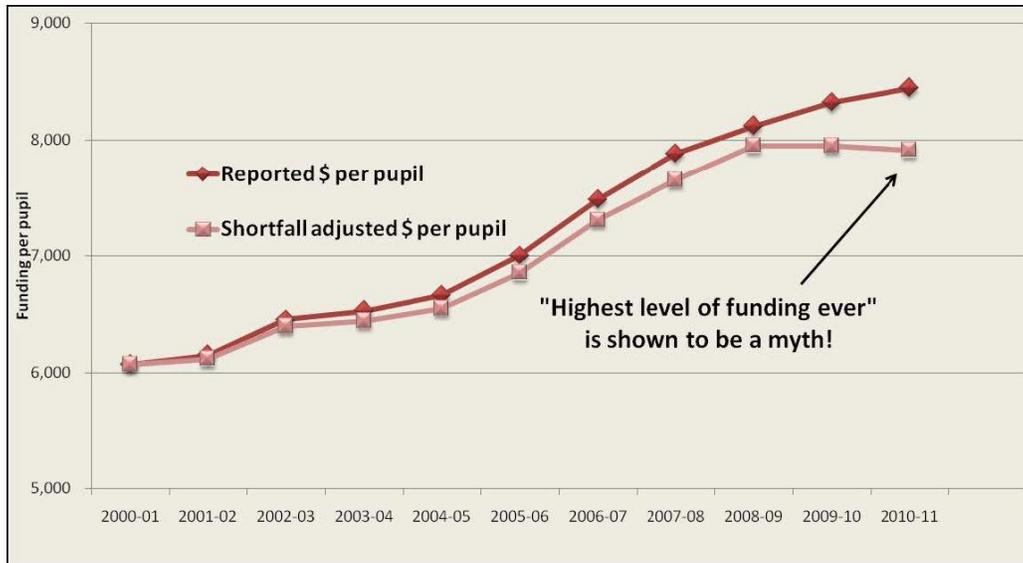
this shortfall will surpass \$300 million and will increasingly curtail options available to boards attempting to bring their budgets into balance. The result will likely be increased pressure to cut programs, staff and services across-the-board.

Any increases in funding provided for 2010-11 are linked directly to new district costs related to salary increases or all day K. As such, this funding does little to reverse a slide into district funding shortfall that has taken place in recent years. In addition, the impact of continued enrolment decline for Grades 1 to 12 next year will likely offset much of the new funding announced.

More than half of districts actually received no new money because of the impact of continued falling enrolment. So, even with the increases in funding announced for 2010-11, the structural shortfalls experienced by boards will continue largely unabated into the coming year. How big are these shortfalls? The following chart indicates a growing gap between resources provided and mandated responsibilities for school districts.



On a per student level, the loss of funding support is even more dramatic.



The above graph shows that per student funding has been stagnant since 2008-09 and has in fact tapered somewhat over the next two years. For 2010-11 and based on the March 15 figures, “shortfall-adjusted” funding is \$532 per student below the figure reported by the Ministry of Education, and is \$38 below where it was back in 2008-09..

#### Recommendation

7. We recommend a significant increase in funding for primary and secondary education sufficient to eliminate the structural deficit we have identified.
8. We recommend an independent review of the funding formula for school boards. This should be conducted by a panel independent of government and to which school districts, education workers and parents, as well as the province, should be permitted to appointed commissioners.

### Post-Secondary Education

#### Importance of Post-Secondary Education in a Knowledge-Based Economy

Besides the intrinsic value of completing a post-secondary program, there are compelling economic reasons to invest significant resources in advanced education.

Post-secondary graduates tend to be employed for longer periods of time. As a group, they earn significantly more over a lifetime than those with a high school education, and these higher incomes result in additional tax revenues for the provincial government.

As British Columbia shifts toward a knowledge-based economy – where the role of knowledge, information and a higher skilled workforce takes on much greater importance – there is an ever increasing demand for post-secondary graduates. The most recent Ministry of Advanced Education and Labour Market Development (AVED) Service Plan estimates that about 75 per cent of BC jobs will require a trades certificate, college diploma or university degree over the next few years.”<sup>7</sup> Unfortunately, this government’s fiscal policies have not addressed the growing need for highly skilled workers.

### **Chronic Provincial Underfunding Since 2001/02**

Each year since 2002, the provincial government has increasingly distanced itself – at least fiscally – from its “#1 Great Goal – To make BC the most literate, best educated jurisdiction on the continent.”

As CUPE BC has said in previous pre-budget consultations, chronic underfunding has been the key issue for this sector since 2001/02. Provincial per student operating grants are core revenues for colleges and universities. In British Columbia, real per student funding (after accounting for inflation) has fallen by almost eight per cent since 2001.<sup>8</sup> According to BC Budget 2010, per student operating grants will fall by about 0.6 per cent in 2011. With BC’s inflation rate expected to rise by at least 2 per cent next year,<sup>9</sup> the real funding shortfall will be closer to 3 per cent.

What this means is that provincial transfers will not fully cover cost of living increases, higher enrollment, escalating operating and repair costs of buildings, equipment and library resources.

When operating grants are reduced, there is a tendency to postpone expenditures associated with the repair and maintenance of older buildings. While the Knowledge Infrastructure Program is a positive first step to address the infrastructure deficit on many BC colleges and universities, it is simply not sufficient. For example, the \$64

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<sup>7</sup> BC Ministry of Advanced Education and Labour Market Development (AVED), 2010/11 – 2012/13 Service Plan, March 2010 p. 8.

<sup>8</sup> Federation of Post Secondary Educators, “Invest in education to get BC back on track say Post-Secondary Educators”, September 16, 2010.

<sup>9</sup> RBC PROVINCIAL OUTLOOK (BC), September 2010.  
<http://www.rbc.com/economics/market/pdf/provcst.pdf>

million project to revamp UBC's Biological Sciences building and create advanced research and teaching facilities will hardly make a dent the university's growing accumulation of deferred maintenance costs that now stands in the \$570 million range.<sup>10</sup>

## **Student Spaces Not Increased**

To date, only 60 per cent of BC's population has completed post secondary studies – well below the 75-per-cent target needed for a vibrant knowledge economy. Dr. Moira Stillwell, the Minister of Advanced Education and Labour Market Development, says, “It is clear that our post-secondary system will be under increasing pressure to provide the student spaces to produce the skilled workforce required for economic growth.”<sup>11</sup>

CUPE BC agrees the province needs to produce more post-secondary graduates. That is why we are mystified by the government's decision to implement a virtual freeze on operating grants and to limit funded student spaces essentially to 2010/11 levels for three years in a row.<sup>12</sup> This makes no sense because many colleges and universities are experiencing very high enrollments – up to eight per cent above their funded seats we are told.

The province, it seems, has forfeited a golden opportunity to expand investments in higher education during an economic downturn when unemployed workers and recent high school graduates are more inclined to pursue post-secondary studies. With BC's unemployment rate forecasted to hover at 7.2 % mark<sup>13</sup> between now and the end of 2011, many of our students may turn to provinces like Ontario, for example, which announced a \$310 million funding increase in its last budget to create 20,000 new post-secondary spaces this fall.<sup>14</sup>

## **Affordability**

Affordability is one of the hallmarks of an accessible post-secondary education. However, this government has repeatedly penalized BC college and university students since 2002 by:

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<sup>10</sup> UBC Facilities Infrastructure Management Plan “Our Campus Buildings Need Renewal,” <http://fimp.lbs.ubc.ca/>.

<sup>11</sup> AVED, 2010/11 – 2012/13 Service Plan, March 2010 p. 8.

<sup>12</sup> AVED, 2010/11 – 2012/13 Service Plan, March 2010 p. 11

<sup>13</sup> Central 1 Credit Union, “Economics B.C. Weekly Briefing”, September 10, 2010, p.1.

<sup>14</sup> 2010 Ontario Budget: Backgrounder Creating Jobs Through New Investments in Postsecondary Education and Northern Ontario, March 2010, p. 1. Accessed Sept. 30, 2010 at: <[http://www.fin.gov.on.ca/en/budget/ontariobudgets/2010/bk\\_northern.pdf](http://www.fin.gov.on.ca/en/budget/ontariobudgets/2010/bk_northern.pdf)>

- Deregulating tuition fees and permitting them to double at many institutions between 2001/02 and 2006/07;
- Making dramatic cuts to student assistance programs; and
- Charging high interest rates on student loans.

The combination of high cost loans, reduced non-repayable grants and bursaries and skyrocketing tuition fees has pushed parents and students across Canada to the financial brink. Almost two-thirds of Canadians (64%) consider post-secondary education too costly, according to recent poll conducted for the BMO financial group. Looking into the future, only a small minority of parents (21%) with children under 18 felt they could afford university tuitions which currently average about \$60,000 for a four-year program.<sup>15</sup>

With parents unable to cover the escalating costs of a university education, a majority of students are forced to work during the school year. And this appears to be taking an academic toll. Seventy-seven per cent of Canadian students surveyed by the RBC say they believe working part-time during school will affect their grades and 66 per cent say worrying about money will have an impact on their marks.<sup>16</sup>

### **Tuition Fees in Other Jurisdictions**

Though slightly lower than some provinces, BC's average undergraduate tuition fee stands at \$4,802 in 2010/11 – almost twice the amount paid by students in Quebec (\$2,415), and thousands more than that paid by students in Manitoba (\$3,588) and Newfoundland/Labrador (\$2,624).<sup>17</sup>

But, higher education is free or a minor cost in many European countries, such as the Czech Republic, Denmark, Finland, Ireland, Iceland, Norway and Sweden<sup>18</sup> which is why students across Canada, including BC, have called for an end to all tuition fees.

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<sup>15</sup> Bank of Montreal (BMO) "Majority of Canadians Believe The Cost Of A Post-Secondary Education Is More Than They Can Afford," News Release, September 23, 2010. Accessed September 25, 2010 at: [http://www2.bmo.com/news/article/0.1083.contentCode-10390\\_divId-4\\_langId-1\\_navCode-112.00.html](http://www2.bmo.com/news/article/0.1083.contentCode-10390_divId-4_langId-1_navCode-112.00.html).

<sup>16</sup> Royal Bank of Canada (RBC), "Stressed university students say working part time affects grades: RBC poll," August 10, 2010.

<sup>17</sup> Statistics Canada, "University tuition fees 2010/2011", The Daily, September 16, 2010.

<sup>18</sup> Organisation for Economic Co-operation and Development (OECD), Highlights from Education at a Glance 2010, (OECD: 2010), p.19.

## **Accessibility and Student Indebtedness**

Is a university education still accessible to low- and middle-income families?

Accessibility is not just about scraping together money for fees and living expenses in the first couple of years. It's about ensuring students have the wherewithal to graduate successfully. As a whole, Canada fell below the OECD average in 2008 with only a 35 per cent post-secondary graduation rate. In Australia, 50 per cent of its students completed their studies, while Finland topped the 60-per-cent mark.<sup>19</sup>

It's difficult to imagine how BC students are expected to finish their degrees when tuition fees have more than doubled since 2002— increasing at about 6 times the rate of inflation.

The average BC student debt load is upwards of \$27,000 upon graduation – an increase of \$10,000 since 2001 – and is the second highest rate in Canada. Soaring tuitions are not the only reason student debts have risen. Compared to other provinces, BC ranks among the lowest in student loan forgiveness and last in non-repayable student aid, such as grants and bursaries. Despite a 2009 election promise to maintain student aid funding, this government actually reduced student support programs in the 2010 provincial budget. The student aid budget went from \$116 million to \$84 million since the election, amounting to a whopping 28 per cent cut.<sup>20</sup>

Further, the province administers and disburses high interest student loans – on which it profits – often adding several thousand dollars in financing costs over a 10-year repayment period. This speaks directly to access. It is no wonder that low- and middle-income students are choosing to abandon their post-secondary education rather than incur greater debt.<sup>21</sup>

## **Active Recruitment of Skilled Immigrants and International Students**

With post-secondary education underfunded, how does the government plan to reach a 75 per cent post-secondary graduation rate? Perhaps, by aggressively recruiting skilled immigrants and out-of-province graduates. While CUPE BC welcomes new immigrants and other Canadian residents to this province, we are concerned about the impact of poaching graduates from other jurisdictions, particularly from developing countries.

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<sup>19</sup> OECD, p.19..

<sup>20</sup> Canadian of Federation of Students – BC at: <http://debtsentence.ca/section/20/page/2>.

<sup>21</sup> Canada Millennium Scholarship Foundation, "The Impact of Bursaries: Debt and Student Persistence in Post-Secondary Education," Millennium Research Note #4, p. 2006, p.1.

The “brain drain” is having disastrous effects on developing nations and on whole continents, like Africa, that have lost hundreds of thousands of graduates, including much needed health care professionals over the last two decades. Canada – along with the US, UK and Australia– are among the main beneficiaries of this “brain gain”, according to the International Development Research Centre.<sup>22</sup>

The government actively pursues graduates through the Provincial Immigrant Nominee Program and international student recruitment. The idea is to lure international graduate students to our province, not only so that universities will benefit from the exorbitant international student fees, but also to entice them to become permanent residents with a fast-tracking program. The Ministry doesn’t deny it. In fact, one of its plans is to “(e)xpand the Provincial Immigrant Nominee Program to increase the province’s ability to attract and retain international students, skilled workers and entrepreneurial immigrants.”<sup>23</sup>

Immigrants play an enormous role in our province. Many of CUPE’s members were born in other countries and have made Canada their home. However, CUPE believes that while we should continue to welcome international students, this is not a sufficient or sustainable strategy to meet our needs for post-secondary graduates. In order to best serve the families of this province, the government should be properly resourcing our post-secondary institutions and providing substantial support to low- and middle-income students.

### **Recommendations:**

9. Restore post-secondary funding to 2001 levels (in current dollars) and eliminate the present shortfall. Increase the 2011/12 and 2012/13 transfers to colleges and universities to cover the impact of inflation.
10. Lower tuition fees and boost operating grants to post-secondary institutions to make up for reduced tuition revenues.
11. Reinstate the monies cut from student support programs, bring back student grants to reduce student indebtedness, and lower interest rates on student loans to the provincial government’s borrowing rates.
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<sup>22</sup> International Development Research Centre, “The Brain Drain”. [http://www.idrc.ca/en/ev-67849-201-1-DO\\_TOPIC.html](http://www.idrc.ca/en/ev-67849-201-1-DO_TOPIC.html)

<sup>23</sup> AVED, 2010/11 – 2012/13 Service Plan, March 2010 p.

## Community Social Services

### New Budget Cuts and Group Home Closures

Following years of sacrifice and huge budgetary cuts, CUPE BC hoped the government would finally provide adequate and stable funding to the community social service sector. The government's endless, and often painful, restructuring of the community social services has created tremendous instability for clients needing services and the workers in this sector.

However, last spring Community Living BC (CLBC) began looking for ways to cut \$22 million out of its meagre budget -- much of it by closing group homes, according to advocates for the disabled. Despite denials to the contrary by Housing and Social Development Minister Rich Coleman in the legislature on April 13,<sup>24</sup> there will be "forced moves." Reduced funding is forcing several group homes to close and those left without a home will be shuttled into private home care where transparency and accountability are mere relics of the past.

What's behind this? Apparently, the long waiting list of persons with developmental disabilities who need more services than the government has provided. By robbing Peter to pay Paul, the Ministry and CLBC are working to reduce services to existing clients and put them into peoples' homes where often untrained individuals with inadequate facilities will be caring for persons with specialized needs.

Yes, money can be saved for each person moved into a private home, and possibly applied to others on the waitlist, but at what cost to these at-risk individuals and their families? Surely, the government can find other ways to come up with \$22 million, particularly in light of higher than expected tax revenues this year.

This model of "individualized care" has failed BC's vulnerable adults before. There's the case of a 51-year-old developmentally disabled man with a heart condition, living in a Powell River group home, who is being expelled from the group home where he has lived for years. The last time he resided in one of these private care homes, he had to leave because of domestic violence.<sup>25</sup>

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<sup>24</sup> BC Hansard, "Debates of the Legislative Assembly," April 13, 2010.

<sup>25</sup> Lindsay Kines, "Disabled being uprooted, care reduced; B.C. government agency accused of duping public about group homes", Times Colonist (Victoria), June 25, 2010, p.A4.

The government is wielding a big stick this time because the carrot never worked. Previous attempts in 2006-07 to move group home residents voluntarily into private homes or independent living arrangements failed because the overwhelming majority of developmentally disabled adults and their families – 95 per cent of those interviewed – refused the offer. They never wanted to leave their homes, their friends and the staff who had become their extended family members.

Adults with developmental disabilities – some of whom have serious physical disabilities, such as blindness and deafness – live fragile existences. And many family members are taking this issue to the public to explain why these “forced moves” into private homes leaves their loved ones in precarious situations.

### **Bargaining 2010: A Fair Deal for Community Social Service Workers**

CUPE has been in negotiations for more than a year on behalf of our provincial community social service members. Their contract expired March 31<sup>st</sup>, but progress appears to be stalled once again.

The first talks initiated by the Community Social Services Employers’ Association (CSSEA) last December, aimed at reaching an early settlement, ended without a deal. That’s because the employer came to the table with a set of proposals that did not address any of the key issues identified by the Community Social Services Bargaining Association (CSSBA). CSSBA is the bargaining group, representing the 10 unions in the sector of which CUPE is the second largest.

CSSEA did not agree to any improvements to wages, sick leave, transportation allowance (mileage) or any other identified priorities, and they refused to continue current language on employment security.

While all CUPE BC members deserve wage increases in this round of bargaining, none is more deserving than community social service workers. Wages and benefits in this sector have fallen way below those paid to comparable workers in health care, education and other areas of the public sector. The upshot is that most agencies are now facing critical recruitment and retention problems because care workers can find higher paying jobs elsewhere.

Morale has reached an all-time low and CUPE members wonder why the employers’ association refuses to discuss our members’ needs for healthy and safe workplaces, fair practices and employment security. Several issues would not cost the employers one penny to resolve.

## Recommendations:

13. Provide an infusion of at least \$150 million to address the 3,000 plus developmentally disabled adults currently on waitlists.
14. Earmark a further \$50 million to begin to align the wage and benefits of community social services workers to comparable employees in the health and education sectors.
15. Prevent the ill-advised transfer of funds and group home residents to family home providers.

## **Privatization**

We continue to believe the Provincial Government's focus on public private partnerships (P3s) is developing projects that are far more costly than traditional procurement and which impose high levels of what is in reality long term debt on future generations. The Provincial Government proudly points to its management of provincial debt, however, long term non-debt financial commitments have increased dramatically.

The preferred model for P3s in British Columbia is the Design/Build/Finance/Operate (DBFM) model which sees the private sector providing all or a substantial portion of capital costs upfront through a combination of borrowing and investment. The money is then paid back over 30-40 years.

In 2009 forensic auditors Ron Parks Rosanne Terhart analyzed four P3 projects and concluded the projects were more costly than traditional delivery of the projects. Since that time the investment environment declined because of the credit crisis. The gap between the cost of public and private borrowing expanded enormously.

When private capital became too expensive to keep a string of projects moving forward Partnerships BC responded by dramatically reducing the amount of private capital required.

In the case of the Fort St. John Hospital the actual private capital contribution amounts to just over 10% of the projects Net Present Value. Partnerships BC argues this is actually an increased amount of "equity" (hence the term "wide equity model"), however

the funding agreement makes clear this investment can also be provided through borrowing.

Despite the much reduced investment the private partner is still rewarded with a multi-decade contract. The cost of the minimal (compared to the project cost) investment by the private sector also remains much higher than if the money had been borrowed publicly.

We suggest:

16. The Committee recommend an end to the use of public private partnerships in British Columbia.

### **Trade agreements undermining local economies**

In recent years the Provincial Government has signed or supported trade agreements that undermine the autonomy of local governments. These include the Trade, Investment and Labour Mobility Agreement, The Agreement on Internal Trade and the Canada/US Procurement Agreement.

British Columbia has gone further with these agreements than any other Canadian province. Alone amongst the provinces, B.C. failed to exempt even a single municipality or provincial agency from the terms of the agreement.

While we acknowledge the importance of trade for British Columbians, we also believe local governments should have the right to provide some form of preference to local businesses bidding on projects. Local preference or “buy local” policies give a small degree of advantage to local businesses. Despite the fact the United States is governed by the same trade laws we are, many states and American communities do offer such an advantage. For example, the City of San Jose describes its local preference policy as follows:

*The City of San Jose's new local preference policy will encourage local companies to do business with the City and speed the growth of jobs for San Jose residents. The policy builds on the City's ongoing work to improve the City's systems for purchasing goods and services.*

*Bids for goods and services from businesses located in Santa Clara County will now be viewed more favorably than non-local competitors while still including factors such as cost and experience. Small businesses with 35 or fewer*

*employees will also benefit. For bids on goods, local businesses will have a 2.5% cost advantage and small, local companies a 5% cost advantage. In reviewing services provided through a request for proposal process local businesses will*

*receive a 5% point advantage and small, local companies a 10% point advantage.*

*The new policy will help grow new jobs for residents by keeping more of the City of San Jose's spending within the regional economy. This model is based on successful implementation by other communities with additional local improvements suggested through the public input process.*

*These changes are part of a larger City of San José program to make it easier for businesses to sell products and services to the City through increased outreach and process improvements. This effort, called the [Small Business Opportunity Program](#) (SBOP), has also begun tracking the City's performance in achieving higher rates of small business participation in contracts and purchasing agreements. The San Jose City Council adopted the Local Preference Policy on May 18, 2004 and it became effective on June 18, 2004.<sup>26</sup>*

These local businesses pay taxes in the community and provide jobs in the community. The money paid to these companies and their employees stays in the community to create more wealth.

Recommendation:

17. The Province should support local governments in developing local preference purchasing programs.

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<sup>26</sup> <http://www.sjeconomy.com/businessassistance/localpreference.asp>