Canadian Union of Public Employees

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Précis

Canada's economy has faltered more than any other major nation this year. This shows we can't blame our economic woes on others. But despite all the bad economic news, this also means we should have hope. We can improve our situation with fundamental changes in direction, by introducing progressive policies to strengthen our economy, create good jobs and improve living standards for all Canadians.

In particular, we need:

- More and better quality jobs, with decent wages and benefits
- A more diversified, innovative and sustainable economy
- Stronger public services and social protections
- A fairer tax system

Canada's economic situation

Despite claims to the contrary, this government's economic record is poor and getting worse.

Our economic growth is at least one-third lower than the 1980s and 90s recoveries. Most Canadians still haven't recovered from the last recession and now we are expected to go into recession again, with growth half what the recent budget projected. Downward revisions to Canada's GDP by the International Monetary Fund for this year are worse than for any other advanced country.

Despite the low dollar, which should help stimulate exports and reduce imports, Canada's international trade deficit has worsened to record levels. Although interest rates are close to historic lows, private capital investment is expected to fall by seven percent in 2015, the worst since the Great Recession.

Job growth in Canada has slowed to a crawl, also the worst since 2009. 1.3 million Canadians remain unemployed, with another 1.3 million underemployed and a growing number long-term unemployed. Our jobless rate has increased over the year and remains considerably higher than the U.S. with this gulf widening.

Many of the new jobs created in Canada are of poorer quality, with an increasing share in temporary, contract, term, casual and other forms of precarious employment. According to the CIBC, job quality is now at a record low.

Some have benefitted. Corporate profits have increased by 83 per cent and CEO compensation is up by 40 per cent but little has trickled down as governments have imposed austerity, spending cuts and continue to squeeze wages. Trickle-down economics and tax cuts hasn't worked, nor has gambling our economic future on high oil and mineral prices. That's why our economy is faltering and why even the misguided achievement of a supposedly "balanced budget" is even more of a failure.

Rebuild our economy with diversified sustainable growth and good jobs

We can rebuild our economy in a diversified and sustainable way and generate hundreds of thousands of good jobs, by making increased investments to improve both our physical and our social infrastructure.
With historically low interest rates, a struggling economy and many unmet needs, now is the time to *increase public investment* to address environmental and social goals. Together with increased funding for municipal and community infrastructure, this should include a multi-billion increase in investments for public transit, energy retrofits, affordable housing and public infrastructure to reduce our carbon emissions and make our economy more efficient and sustainable.

As the Ontario Auditor General reported, public-private partnership (P3) projects cost far more than if they were publicly financed and operated. The $1.25 billion P3 Canada Fund and PPP Canada Inc. should be eliminated along with the requirement that municipalities and other engage in P3s to receive federal infrastructure funding, as the Federation of Canadian Municipalities has requested.

We need to *diversify our economy and add value to our natural resources*, instead of becoming increasingly dependent on exports of barely-processed raw materials. This will require a coordinated, proactive and collaborative approach between business, labour, governments and educators and trainers at a sectoral and regional level focused on a common goal: the development of a more diversified and innovative economy that generates good, sustainable jobs for all.

The federal government should *support increasing wages and incomes for workers*, instead of suppressing them. Reintroducing the federal minimum wage and increasing it to $15/hour is an important step. The federal government should also restore fair wage legislation and commit to paying at least a living wage to its employees and those working for it on contract. It must stop interfering in free collective bargaining on the side of employers, and undermining union and workers' rights and benefits through legislation.

Employment Insurance (EI) needs to be reformed. Instead of taking billions out of the EI Fund to "balance the budget" and pay for income splitting, the EI program should be reformed with a uniform requirement of 360 hours work to receive regular benefits, an increase in benefit levels and restoring fairness to the governance, adjudication and appeals process.

We also need *a better national approach to training and labour force development* and better labour market information. The federal government should restore funding for literacy and essential workplace skills, increase funds for training available through labour market development agreements (LMDAs), allow EI funds to be used for unemployed workers in work-related apprenticeship and education programs, and help support the provision of more accurate and reliable labour market information in collaboration with other governments and stakeholders.

Ensure decent pensions for all Canadians

Only one-third of working Canadians have a workplace pension and a declining share of these are secure defined benefit plans. Meanwhile fewer than 25 per cent of Canadians contribute to RRSPs each year, which are an expensive, high risk and inadequate way to save for retirement. About half middle class baby boomers will experience a steep drop in living standards when they retire and this problem will get worse with subsequent generations.

Employer-driven changes to workplace pensions are an increasingly frequent cause of conflicts in bargaining, breakdowns in negotiations and work stoppages. Inadequate universal public pensions also impede mobility, another cost for the economy.

The federal government has made the situation worse by refusing to improve the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) through a gradual and fully-funded phase-in of contributions and by forcing Canadians to work longer to receive Old Age Security (OAS) and the Guaranteed Income Supplement (GIS). Private and voluntary savings options may help enrich the financial industry, but are more expensive, less secure and aren't a solution to the retirement income crisis.

Instead, we urge the federal government to:

- Collaborate with the provinces on an expansion of the CPP and QPP so they, together with the OAS and GIS, provide a decent retirement income for all Canadians.
- Cancel plans to increase the age of eligibility for the OAS and GIS from 65 to 67.
- Increase GIS benefits so no Canadian senior lives in poverty.

Establish a quality affordable public child care program

Finding safe, accessible and affordable quality child care is one of the most stressful challenges for parents of young children. It's very difficult for parents to determine the quality of child care services, especially private care, and its high cost and limited availability put parents in a bind. Almost 80 per cent of Aboriginal children are without affordable care.

Our lack of affordable, quality child care also hurts our economy. Experience demonstrates that investing in child care and early childhood education provides some of the greatest returns of all:

- Quality child care programs return an estimated $2 or more in benefits to society for every dollar invested.
- Quebec's program more than pays for itself in fiscal terms, returning $1.49 in higher revenues and savings to governments for every dollar spent.
- Investing in child care and early learning also provides a strong immediate economic boost and generates more jobs than any other sector.

Even the TD Bank says investing in child care should be a high priority "given the unquestionable number of benefits that early childhood education can provide."

The federal government spends more through child care tax subsidies and credits that have done nothing to create actual child care spaces than it would cost to establish a genuine and affordable national child care program. Baby bonus type payments are no substitute for a real child care and early-learning program.

CUPE urges the federal government to make it a priority to establish a national affordable, high quality, universal, inclusive and public early learning and child care program. This must be developed in collaboration with provinces, territories and Aboriginal communities, supported by predictable long-term federal funding, and enshrined in legislation with targets, benchmarks and public accountability mechanisms.

Improve and expand our public health care system

Better quality public health care is not only important in its own right, but also helps businesses compete, creates jobs and improves productivity. Improved health care is estimated to be responsible for about 25 per cent of productivity growth in recent decades.

Canada's public health care system is threatened by federal funding restrictions, cuts, privatization and the abandonment of federal leadership in improving health care. The federal government used to fund 50 per cent of provincial health care funding; soon it is projected to be less than 20 per cent. Unilateral cuts to the funding formula will reduce funding to provinces for health care by more than $36 billion – or $1,000 per Canadian – over a decade.

The federal government, which will soon have significant surpluses, should provide increased funding for health care to provinces and territories, which are facing the fiscal pressure of rising health care needs. This was a key recommendation of Premiers at their recent Council of the Federation meeting. But increased funding needs to be strictly tied to improvements and expansion of the public health care system – and not used to fund expensive privatized care, P3s, tax cuts or for other purposes.

The federal government should negotiate a new health care funding accord with provinces and territories, providing annual 6 per cent increases in federal funding over a decade, tied to improvements to public health care. This should include:

- Stronger enforcement of national standards for health care and the *Canada Health Act*.
- A national universal prescription plan (Pharmacare), developed in conjunction with the provinces to keep the cost of medicine affordable.
- A significant expansion of public continuing care, including residential long-term care, community and home care, and palliative care for seniors and others who require these services.
- Expanded networks of community and primary health care centres with a greater focus on prevention and healthy living.
- Working with the provinces and territories to develop a national mental health strategy, including workplace mental health, with funding to expand access to these services.

The federal government should also rescind the cuts made to refugee health care and fully restore funding for the Interim Federal Health Program, a cut the Federal Court of Canada declared to be "cruel and unusual."

Increase tax fairness

Tax cuts since 2000 have reduced federal revenues by over $50 billion annually. The federal government's revenues will soon be at a 70-year low as a share of GDP. The major beneficiaries of these tax cuts have been corporations and the top 1 per cent. Allowing top incomes to reduce their taxes further through income splitting and expansion of tax-free savings accounts will make our tax system more regressive, our society increasingly unfair and further undermine the federal government's ability to provide public services.

The federal government could increase revenues by over $30 billion annually with a few fair tax measures and without increasing tax rates on middle and low income Canadians:

- Restore the federal corporate tax rate to 22 per cent: $12 billion
- Eliminate wasteful and regressive tax loopholes, including the stock option deduction, capital gains deductions, corporate meals and entertainment expenses, fossil fuel and mining subsidies: $11 billion
- Increase enforcement of corporate and high income tax evaders and tackle tax havens: over $2 billion.
- Introduce a new top rate of 35 per cent on incomes over $250,000: $2.5 billion.
- Increase taxes on the banking and finance sector: $5 billion.

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