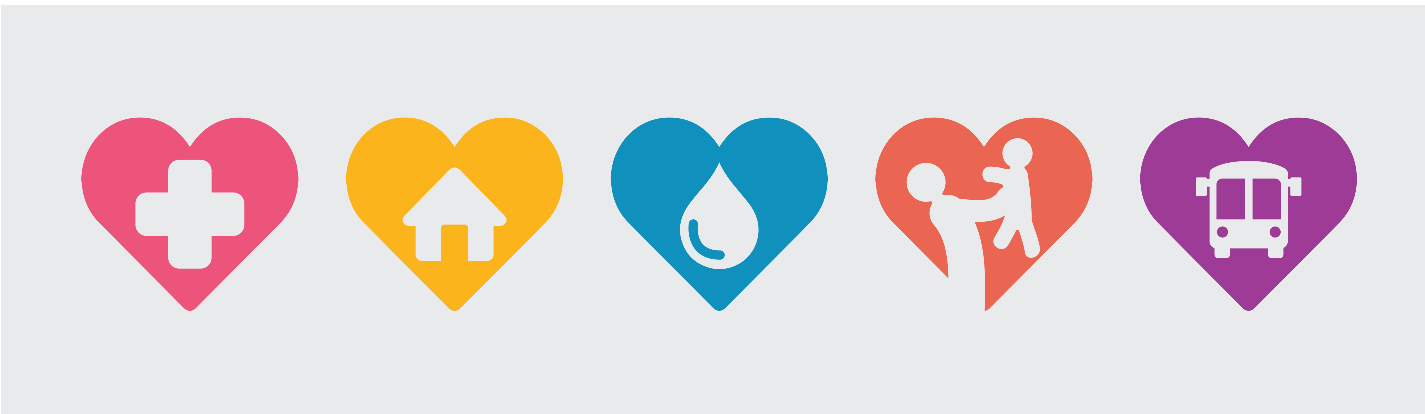
We can have the services we need!



Every election we hear the same old story - it would be great if we could have high quality, universal public services, but how are we going to pay for them? So we end up getting some variation on corporate tax cuts and targeted personal tax cuts or credits “for the middle class.” A few people get a little bit of extra money back at tax time, but the rest of us get short-changed through cuts to services.

The good news is that it doesn’t have to be this way. Affordability isn’t just about “buck-a-beer” – we can think about affordability in terms of the savings we get from public services. For example, a single-payer universal pharmacare program could save families an average of $500 per year. Quebec’s child care program saves families with young children thousands of dollars per year. The NDP plan to retrofit all buildings in Canada by 2050 would save families $900 or more per year.

That’s why CUPE has been encouraging members and locals to get engaged in this election, and focus on issues that matter to working people. We have an opportunity to elect a government that will strengthen our public services and create good-paying jobs for workers, create national universal pharmacare, build more affordable housing, and take the bold action needed to fight climate change.

Making services universal has several advantages – it means that everyone has a stake in the availability and quality of a service, so it’s far harder for governments to make cuts. Also, targeted programs almost always create situations where someone has too much money to qualify for the public option, but not enough money to pay for the private option. This is the case for so many core services right now – access to subsidized medicines, dental care, mental health care, child care, public transit, and housing are only a few examples. Universality reduces the inequality of outcomes, and helps to build strong communities and social solidarity, as Richard Wilkinson and Kate Pickett showed in *The Spirit Level.*

You might not need health care, pharmacare or child care right now, but it’s good to know that help will be there when you do need it. Most of us get far more value from public services than we pay in taxes. Statistics Canada has quantified exactly how much value we receive from public spending on health care, education, and other government services like housing, recreation, and culture – in 2018, it was an average of $12,500 per person. And these numbers hide the most important part of the story – that most of those services would cost far more if you had to replace them with a private sector option.

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CUPE Canadian Union of Public Employees

ECONOMIC BRIEFS

US data explores gaps between CEO and worker compensation

The AFL-CIO has started tracking the compensation of CEOs and the CEO-to-worker pay ratio, and is publishing the data at aflcio.org/paywatch. They have found that the average CEO-to-worker pay ratio in the United States is 287 to 1. The data recently became publicly available because of Obama-era legislation - the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. This act requires that publicly traded companies disclose information about executive compensation and the ratio of CEO pay to the median pay of workers (note: median means middle – half of the people in the company would make more, half would make less.) The AFL-CIO argues that this information is crucial for exposing companies that invest more in their executives than in their workers. This data could also signal positive outcomes - a lower ratio would indicate that a company creates higher-quality jobs and invests more in the long-term success of the company. Canada does not currently have similar legislation - considering the growing wage imbalance here, that might be an option worth exploring.

CCPA study looks at P3 failures in Nova Scotia

A recent Canadian Centre for Policy Alternatives (CCPA) - Nova Scotia study, *Highway Robbery,* outlines the pitfalls of using a P3 model to build highways. One example cited was the Cobequid Pass Toll Highway, which was built in 1996-97 as a P3 project. The study found that, compared to traditional government procurement, the project cost an additional $102 million for financing, $121 million for operations, and $9 million for maintenance. To add to this burden, the quality of maintenance on the highway was so poor that this responsibility was eventually assumed by the province. The lessons of this failure have not been learned, as the provincial government is currently considering bids for another P3 highway near Antigonish. The study estimates that higher financing and construction costs in the P3 model will add at least $119 million in extra costs to the project.

CUPE publishes *Economy at Work* four times a year to provide members and staff with news and analysis on economic issues, and to support our members at the bargaining table.

Find *Economy at Work* online at **cupe.ca/economyatwork** with links to relevant materials. Subscribe to the email edition at **cupe.ca/subscribe**.

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CUPE Canadian Union of Public Employees

ECONOMIC DIRECTIONS

Economic growth	Canada's economic growth was stronger than expected in 2018, but the Bank of Canada (BoC) anticipates slower growth in 2019, citing low commodity prices and global trade conflicts.
Jobs	The unemployment rate hit a 40-year low in 2018, and has stayed at or below six per cent ever since.
Wages	Average wage adjustments in collective agreements came in at 1.4 per cent in the first half of 2019, below the overall average wage growth of 1.9 per cent in the first quarter of 2019.
Inflation	Inflation is expected to remain close to two per cent throughout the rest of 2019 and 2020.
Interest rates	The Bank of Canada continues to hold its key lending rate at 1.75 per cent. Central banks around the world are nervous about the uncertainty created by Trump's trade disputes, which are starting to have an impact on global business investment.

Liberals build bank of privatization

CUPE has been raising concerns about the Canada Infrastructure Bank (CIB) since the federal Liberal government first introduced it in 2017. The investor-driven bank was set up to help corporations profit from privatizing our public infrastructure. The bank is involved in three transit projects, including a huge privatized light rail project in Montreal - the Réseau express métropolitain. Recently, the CIB has moved into the water sector, announcing plans to subsidize the privatization of the Township of Mapleton's water and wastewater facilities.

The "innovation" in this project is that the CIB will lower the cost of borrowing for the private sector partner. What wasn't considered in this project was the possibility of the CIB offering the township a low-cost, long-term loan. Why should we risk putting our water services into private hands where there is an incentive to cut corners for profit, when public options haven't even been considered? The NDP have promised that they would wind down the CIB, and that their proposed Climate Bank would offer public-public partnerships to help municipalities finance important projects. Research and experience have shown that public services (like water and wastewater) are best delivered by the public sector. Our governments should be protecting public services, not delivering them to the private sector for profit!

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How we pay for it – tax

In the long run, high quality universal public services often pay for themselves – for example, economists have shown that subsidized child care in Quebec returned $1.47 for every dollar spent by the government. But in the short term we can pay for them by undoing some of the changes in the tax system that have unfairly put most of the burden on workers.

In 1980 the federal corporate tax rate was at 36 per cent. Since then the rate has been slashed by subsequent Liberal and Conservative governments, and is now at an all-time low of 15 per cent. The justification for cutting corporate tax rates and introducing new loopholes is that corporations will often use the money to create jobs and invest in productivity-enhancing research. But as corporate taxes fell, business investment stayed more or less the same. What increased were corporate profits, executive payouts, and inequality.

Over time, this has resulted in a record amount of hoarding by corporations. Data from Finance Canada shows large corporations withheld about a third of the taxes owed to the Canada Revenue Agency, which added up to $10 billion.

And earlier this year the Parliamentary Budget Officer estimated that up to $25 billion is lost every year to legal loopholes and illegal tax evasion through tax havens.

Canadians for Tax Fairness, the Canadian Centre for Policy Alternatives, and the Broadbent Institute have all identified tax reform as a key challenge for whoever forms the next government. The good news is that the research has been done on which are the biggest loopholes, and how to fix them. We just need a government that will restore balance to our tax system, by addressing both avoidance (using legal loopholes to avoid paying taxes) and evasion (using illegal methods to reduce taxes owing), especially for large corporations.

Fortunately, the federal NDP has made broad-based tax fairness a central part of their election platform for 2019. Their plan includes some new proposals, and rolls back changes that have only benefited the super-rich. For example, the NDP has committed to restoring the corporate tax rate to 18 per cent, increasing the top marginal tax rate for individuals earning more than $210,000, and introducing a wealth tax of one per cent on wealth over $20 million. They also plan to reverse a huge tax cut on capital gains introduced in 2000 by then-Finance Minister Paul Martin. Right now, when you sell an investment, only half of the increase in value counts as taxable income. The NDP proposes to restore this to 75 per cent.

So, the next time someone says we can't afford high-quality public services, tell them that public services make life more affordable and are the best deal for our communities. And if we worry less about balancing the budget at any cost, and instead make the tax system fairer for people than for corporations, we can fund these critical building blocks of a fair and equitable society.