



Reading between the budget lines

It's budget season, when federal and provincial governments set their priorities for the upcoming year. Smiling pictures of happy families and lots of charts and tables illustrate the government's take on the economy, what they've accomplished so far, and what they hope to get done in the future.

Budgets set the financial plan for a government's work, but they are also political documents that reflect political choices. Budgets are normally separated into themes. Each section explains new spending or changes to revenue, followed by a table showing numbers broken out by year. It isn't always straightforward to figure out how the headlines match up with the actual plans. To make sense of it all, we've put together some important questions to ask and key issues to watch for.

Is this new funding?

Sometimes a budget will include funding that has already been announced in a previous budget or fiscal update, or carry forward money that the government promised to spend last year. You may be able to uncover this by comparing the amount to previous budgets and announcements.

Does it rely on matching funding?

Budget headlines may announce a total funding bundle for projects that depend on intergovernmental co-operation. Governments eager for good news may take credit for the full amount instead of being transparent about cost breakdowns and matching funding from other levels of government.

When do funds start to flow?

For how long?

Budgets sometimes make a big fuss about a multi-billion-dollar investment. But a closer look reveals a five, 10, or even 20-year time horizon for the spending, with the annual amount starting small and increasing over time. Sometimes this is called back-end loading. This can be a realistic approach for large infrastructure investments. But it can also be a way to dull the criticism of advocates calling for immediate investment in social infrastructure like a national child care program.

Who really benefits?

Budget documents sometimes feature examples of how changes to taxation or program spending will affect ordinary Canadians.

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ECONOMIC BRIEFS



For-profit care failing BC seniors

A recent report from British Columbia's Seniors Advocate shows stark differences in how resources are directed toward care for seniors in for-profit and not-for-profit long-term care homes. Both receive the same level of public funding.

The report highlights significant problems with privatization. Non-profit facilities spent \$10,000 more on care for each resident annually than their for-profit counterparts. Non-profit homes also exceeded the province's targets for hours of direct care by 80,000 hours, which the homes weren't funded to provide. In contrast, for-profit care homes failed to deliver over 200,000 hours of care for which they received public funding.

Overall, for-profit long-term care homes spent less money on front-line staff, and more of

their revenue went towards building expenses and profits.

The Hospital Employees' Union, CUPE's BC health services division, represents about 20,000 workers in long-term care homes. HEU is calling for significant investments to build public and non-profit long-term care homes, greater oversight of all publicly-funded facilities, a return to standardized wages and caring conditions, and stricter auditing and compliance standards in the sector.

Minority Parliament reviews new NAFTA

Canadian lawmakers have begun their review of the new North American trade deal that has been hammered out, officially called the Canada US Mexico Agreement (CUSMA) in Canada. Pressure from House Democrats in the United

States resulted in important reforms to the deal, particularly changes to the intellectual property chapter that will avoid increased costs to medicines.

Federal New Democrats have taken this opportunity to strike a deal with Deputy Prime Minister Chrystia Freeland, agreeing to support the legislation implementing CUSMA in exchange for more parliamentary transparency in future trade negotiations.

There are several improvements that could still be made to the deal with pressure from Canadians, including regulations on pharmaceutical pricing, labour enforcement, and action on climate change. Parliament's review of the implementing legislation for CUSMA is an excellent opportunity to make our voices heard on these issues.



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ECONOMIC DIRECTIONS

Economic growth	The Chinese economy has slowed significantly because of the coronavirus, and this has disrupted global supply chains and driven down commodity prices. The impact on global and Canadian economic growth remains uncertain. The Bank of Canada (BoC) expects growth to be lower than anticipated in 2020, but to bounce back in 2021.
Jobs	The unemployment rate remains low at 5.5 per cent nationally, but is above historical norms in the oil producing provinces, especially Alberta.
Wages	Average wage adjustments in collective agreements came in at 1.6 per cent for 2019. The private sector average (2.2 per cent) continues to be higher than the public sector average (1.4 per cent).
Inflation	Core measures of inflation are expected to remain close to 2.0 per cent throughout 2020. Political instability drove gas prices up in January, resulting in higher headline inflation, but core inflation measures that exclude temporary extreme movements show that overall price increases are closer to 2.0 per cent.
Interest rates	In early March, the BoC lowered its key lending rate from 1.75 per cent to 1.25 per cent. The move came after a meeting of G7 central banks where representatives committed to work together to combat the economic effects of the coronavirus, and an emergency decision by the US Federal Reserve to cut its key lending rate by 0.5 per cent.

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The benefits described in these scenarios aren't always the average or most common outcomes, and it's useful to ask who's left out.

How important is a deficit or surplus?

Media attention often focuses on whether the government is expecting a deficit or a surplus. Generally, this is the least relevant information. In economic terms, the impact of a small budget surplus is the same as the impact of a small deficit. Both revenue and spending sides of a government budget are estimates and will change throughout the year. This makes any bottom line a somewhat arbitrary prediction that falls within a range of likely outcomes.

The government's actual bottom

line will usually be a bit different, and that's OK. The difference is usually so small it has no broad economic impact. What's more, a focus on year-to-year deficits ignores the long-term cost of underfunding public services, and whether or not the returns on current government spending will be greater than its cost of borrowing.

For transparency, budgets will sometimes include a contingency fund, setting aside an amount of expected revenue to give the government wiggle room in case things don't go as planned. Most budgets also publish their fiscal assumptions along with what they call a sensitivity analysis – how much the bottom line would be affected by changes to

their assumptions about real Gross Domestic Product growth or inflation.

Budgets don't always identify the future savings from investing in public services or environmental stewardship, but it's a useful perspective to bring to interpreting the choices that budgets make. We do have a way to compare the economic returns on various forms of government spending (which includes tax cuts), and investing in public services always out-performs tax cuts.

For an example of a budget that puts people and public services first, check out the Canadian Centre for Policy Alternatives' Alternative Federal Budget.

Anti-scab laws strengthen workers' power



Locked-out Chaleur Regional Service Commission landfill workers, members of CUPE 4193

The federal NDP is calling for leadership that protects workers by introducing anti-scab legislation that will cover union members in federally-regulated industries. If it passes, Canada will join Quebec and British Columbia, which have anti-scab legislation for workers under provincial jurisdiction.

It's a move that will give a much-needed boost to workers' power. One of a union's core functions is supporting workers organizing together to get a better deal from their employer. Bargaining collectively is key to workers' power. Together, we get better wages and working conditions than we could on our own.

Our bargaining power ultimately comes from our ability to stop work by striking. In fact, when the Saskatchewan government made it nearly impossible for provincial public sector workers to strike, the Supreme Court of Canada found that the right to strike was an essential component of collective bargaining and freedom of association.

Most collective bargaining is resolved without work stoppages, but some lockouts or strikes can

stretch into years. Employers use lengthy lockouts to demand pension and benefit concessions, contract out work, or even try and break unions. Using replacement workers, or scabs, reduces the bargaining power of locked out or striking workers, and escalates tension on picket lines.

We're seeing this with the Co-op Refinery lockout in Regina, a workplace under provincial jurisdiction, where the employer is helicoptering in replacement workers to bolster its attack on Unifor members' pensions. In mid-February, the City of Fredericton locked out municipal workers, members of CUPE 508, while at the same time recruiting scabs through an Ontario-based corporation. Fortunately, the lockout ended quickly. As of press time, locked-out CUPE 4193 members, workers at a landfill near Bathurst, NB, were also facing scabs.

A 2015 study suggests the impact of anti-scab legislation will vary depending on union density, broader economic conditions, and other differences in labour legislation, such as card-check certification. Some researchers have found that anti-scab legislation

may lead to fewer long lockouts and slightly higher wage settlements.

People who opposed anti-scab legislation in BC and Quebec predicted there would be more strikes, and that investors would be less likely to set up shop in these provinces. These predictions did not come true.

Analysis shows employers are increasingly contracting out, transferring work, and using scab labour during extended strikes and lockouts across the country, including in the federal jurisdiction. In the 2002-2003 Vidéotron strike in Quebec, the employer used scab labour because the telecommunications sector was under federal jurisdiction. The 10-month strike affected 2,200 Vidéotron workers, members of CUPE locals 1417 and 2815. The use of replacement workers reduced our members' bargaining power and made the employer less willing to reach a deal.

The NDP is showing leadership by supporting anti-scab legislation to level the playing field between workers and employers. It's time the federal government made this the law.