

August, 2014
First Ministers of Canada

Dear Premier:

I write to you today in advance of the Council of the Federation on behalf of 628,000 Canadian workers. Across Canada, Canadian Union of Public Employees (CUPE) members provide vital services in municipalities, school boards, universities and hospitals. CUPE members also provide other health care services and deliver a broad array of social services. The work of our members makes life better for all of us.

Through our 2013 national convention, our provincial division conventions, sector meetings and strategy sessions, CUPE members have prioritized a number of issues for urgent action. Notwithstanding Prime Minister Stephen Harper's refusal to meet with premiers as a group, I urge you and your colleagues to use the upcoming Council of the Federation meeting to challenge the federal government to work with territorial and provincial leaders to build a better and stronger country.

Fiscal imbalance

I know you share our concern that fiscal imbalances are again growing between regions and levels of government. Most CUPE members are feeling the consequences of funding disparities as workers since the vast majority of us work in the broader public sector. But all Canadians feel the direct impact of federal downloading and cost-cutting, as valuable services are cut or reduced.

The federal government is expected to register annual surpluses of \$10 billion or more over the next few years, rising to almost \$50 billion in twenty years. Meanwhile, other levels of government, including provinces, territories and municipalities, have a fiscal gap of a similar or larger size between their revenues and spending. CUPE's research, based on Statistics Canada data, shows that total public spending by all levels of government as a share of the Canadian economy recently dropped to a 30-year low, and federal government spending as a share of the economy will soon hit a 70-year low.

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The problem is that provincial, territorial and local governments do not collect adequate revenues to fund their residents' needs and the federal government has downloaded responsibilities without providing adequate funding to support them. In particular, the federal government's unilateral changes to major transfer payments exacerbate fiscal imbalances between federal and provincial levels of government, and between regions.

Cutting the increase in Canada Health Transfers (CHT) from six per cent annually will reduce federal funding for health care by \$36 billion over the decade from 2017/18 to 2027/28. The shift to a per capita formula for CHT transfers benefits the province already in the best fiscal health, while the application of other arbitrary policies particularly hurt other provinces. The cap on equalization will reduce federal transfers by approximately \$2.4 billion this year, with the shortfall projected to grow to \$6 billion by 2020.

The federal government should sit down with provinces and territories to work out improved formulas for all its major transfers instead of unilaterally and arbitrarily applying policies that result in unequal treatment.

There are other areas in which provincial and territorial governments can collaborate in increasing their revenues, particularly if they can get the federal government's cooperation. As I wrote last year, we were happy to see in recent provincial government budgets a move away from corrosive tax cutting policies, and a start to restoring some income and corporate tax rates, in some cases with the support of the business community. These were positive steps, but they were limited and much more can be achieved to make our tax systems fairer. Canada needs more concerted action to close wasteful and regressive tax loopholes and deductions for stock options, capital gains and in other areas.

In addition to broadening tax bases and closing loopholes, provinces and territories should pressure the federal government to close loopholes that erode provincial and territorial tax bases. Stock options and capital gains deductions already reduce provincial and territorial revenues – your revenues – by over \$2 billion annually. And then there is the federal government's plan to expand the use of tax free shelter accounts, and to introduce family income tax splitting, a regressive tax measure that would cost provinces and territories \$1.7 billion in annual revenues on top of the \$2.7 billion annual cost to the federal government. I strongly urge you to express your concerns about the impacts of these revenue reductions.

There can also be more cooperation between provinces and territories to stem the use of tax havens and reduce tax evasion. Some steps are being taken, but more forceful action is needed. On a related topic, at the instigation of the federal government, the Canada Revenue Agency (CRA) has focused much attention on auditing small development, poverty, and environmental charities about supposed political activities, while not addressing the real and significant tax evasion by corporations and high wealth individuals. I ask you to use your influence on the Canada Revenue Agency, including through your nominees to its board, to redirect its priorities and resources to activities consistent with its mission to protect the integrity of our tax system, and away from what appears to be harassment over political purposes.

Retirement security

It will be no surprise to you that CUPE strongly supports the expansion of the Canada Pension Plan (CPP) as has been proposed by the Canadian Labour Congress and championed by some premiers. Study after study has shown that Canadians are simply unable to save enough for retirement and many will not have adequate incomes to retire with dignity. The real crisis in pensions is that six in 10 Canadian workers do not have a workplace pension plan. The plans that remain are under attack. Despite this serious and mounting problem, the federal government has backtracked on retirement security by rejecting the widely supported proposals to expand the CPP, forcing Canadians to work longer by increasing the age of retirement for Old Age Security (and the Guaranteed Income Supplement), and weakening existing public and workplace pensions.

CUPE calls on provincial and territorial governments to stand united in pressuring the federal government to reverse its damaging decision to stop the widely-supported effort to expand the CPP. CPP expansion could reduce pressure on workplace pension plans, and ensure millions of Canadians can retire securely. Forging consensus on this issue could well be the most significant step the Council of the Federation could take.

I also ask you to call on the federal government to reverse its decision to increase the eligibility age for OAS-GIS. The federal government did not consult the provinces and territories or Canadians on this decision, which will have major implications for future generations and for other levels of government who will have to provide more services and transfers to support seniors living in poverty. This is another aspect of the Harper government's downloading of federal government obligations to Canadians to you.

While our public pension program is a key element of Canada's retirement income system, we must also recognize the ongoing importance of defined benefit (DB) workplace pension plans. These plans provide secure and modest pension benefits after a career of work and pension contributions. Research from the Boston Consulting Group and the Conference Board of Canada details the macroeconomic benefits of DB pensions to the economy at large. DB pensions are important sources of investment capital that help our economies grow, and play a significant role in lowering fiscal demand on social and income support programs for seniors at all levels of government. Given the growing issues in pension coverage and adequacy, Canadian governments should be looking for ways to expand pensions, rather than attacking the workers who have decent workplace pension plans.

Health care

The expiry of the 2004 Health Accord and the federal government's continued refusal to meet with premiers and territorial leaders to negotiate funding levels has left Canadians without the certainty of guaranteed and stable federal funding for health care. After reinvestments of six per cent per year, as per the 2004 Accord, the quality of our health care is now threatened by federal funding restrictions, increasing privatization, and the current federal government's abandonment of a

leadership role in maintaining or improving public health care. The unilateral changes to the funding formula will reduce funding for health care by \$36 billion – \$1,000 per Canadian – over a decade, leaving provinces and territories with less fiscal capacity and lower population growth rates to struggle.

Despite the alarmism about rising costs of public health care, it is the private for-profit elements of our health care system – such as drugs, physician billing and tests – where costs have increased the most. These have resulted in rising costs not just for governments, but also directly for individuals and for workplace health care plans. International evidence also demonstrates that public health care systems are much more effective at controlling costs while ensuring decent quality health care for all.

In the absence of federal leadership to defend our public health care system, Canadians rely on their premiers to improve our public system to provide more effective and expanded coverage. This would improve health care for all, no matter where they live, while reducing their own out of pocket costs. But health care is not just about costs – it also provides large economic benefits. Estimates are that improved population health has been responsible for about a quarter of GDP growth per worker in industrialized countries.

Premiers need to continue to press the federal government to negotiate a new ten-year health care accord that provides annual increases of six per cent. The elimination of equalization measures from the CHT for fiscal year 2014/15 compromises fairness and equal standards of care nation-wide. Until March 31, 2014, provinces and territories with less fiscal capacity that received lower value from the same level of tax point transfers were provided with a top-up to even out differences in actual funding. Without the equalization measures contained in the CHT since its inception, provinces and territories below the average will not have the resources necessary to maintain services at comparable levels. Differences in standards and levels of care will grow as the federal government abdicates its equalization and fiscal responsibilities, leading to growing inter-provincial 'medical tourism' and complications for out-of-province billing and payment.

Child care

Public policy has not kept up with the dramatic changes that have occurred in Canada's workplaces over the past 50 years. We have yet to develop and implement policies that respond to the exponential increase in workforce participation by women. Canada's families are struggling to balance the demands of work and family, as most parents work outside the home. The high cost of child care squeezes Canadian families in terms of time and money. Too often families have to choose between care that is affordable, and care that is safe and nurturing. Appropriate care is even harder to find for those working irregular hours – or for those seeking care for high-needs children.

CUPE has always supported a national child care program. I urge you to work with us and call on the federal government to bring all provinces and territories together to implement a Canada-wide early childhood education and care services program. The goal should be high quality affordable access to child care solutions that meet the needs of today's families. Ontario's *Child Care Modernization Act*

notes that meeting the early learning and child care needs of families requires collaboration and partnership across all levels of government. Premiers can pressure the federal government to play a key role in supporting greater access to quality child care and early years services. A national child care program would be a better social and financial investment for the federal government to make next year than, for instance, implementing a partisan political promise of income-splitting.

Universal child care makes economic sense. A 2012 TD Economics report concluded that investment in early learning should be a high priority for the federal government. The report said research proves affordable, universal, and quality child care boosts economic growth, private sector labour productivity, outcomes for children, and labour market outcomes for mothers. Studies vary on their cost-benefit estimates, but many show that every dollar invested in universal child care creates multiplier effects between \$1.50 and \$3. High-quality early childhood programs also produce better social and health outcomes for children, resulting in lower health care and criminal system costs. Improved literacy and numeracy, higher educational attainment, and higher productivity are some of the other demonstrable effects of access to such programs. Quebec remains the only jurisdiction in Canada with a public child care program. While not perfect, it serves as a model for what could be done in the rest of the country.

Employment Insurance

As with a large and growing number of Canadian workers, many CUPE members have seasonal and precarious jobs. Municipalities, school boards and universities hire thousands of workers on a seasonal basis to perform work that simply does not exist on a full year basis. These workers rely on the Employment Insurance (EI) system to make ends meet.

Recent federal cuts and changes to the EI system, and a persistently high unemployment rate, have meant that only 37.5 per cent of unemployed workers are getting EI benefits and those benefits are inadequate. The EI system now supports the smallest percentage of unemployed Canadian workers since the program began in 1940. This is shameful. The impending federal government surplus has been partly built on the backs of unemployed and underemployed workers. In addition, the narrowing of EI eligibility has meant that some of the costs of supporting Canadian workers have been downloaded onto provinces, territories, and municipalities.

For seasonal workers who operate machinery, maintain parks and recreational facilities, perform clerical, administrative, and educational roles in the school system, access to EI benefits is a standing feature of their lives. EI benefits assist with income maintenance, allowing municipalities and school boards to retain their skilled workforce year after year.

These changes to EI have hurt workers, who have reported reduced access, difficulty in understanding the changes, reduced benefits, the targeting of seasonal workers for EI auditing, and changes in interpretation of long-standing practices. The new electronic job system was not constructed with workers in mind. EI call centres have been closed, and those remaining are understaffed and at many

times give inconsistent information. As Premier, you know as well as we do that the federal changes to EI have been a failure for workers. Please join us in calling on the federal government to roll back these changes and to ensure that EI is available for workers when they need it most.

Indigenous issues

The lack of federal leadership on issues important to Aboriginal peoples is shocking. Given this vacuum, provincial and territorial premiers are in a position to renew commitments to Aboriginal peoples, who in many provinces are the fastest-growing population segment. Investing in services for Aboriginal peoples adds to their well-being and generates social and economic benefits for other citizens. You can play a significant role in building support for systemic change. It is past time to renegotiate a new Kelowna Accord, to engage in meaningful consultations regarding resource extraction, to ensure that all First Nations have access to clean and safe drinking water, and most urgently address the unbearable violence borne by Aboriginal women and girls.

The Kelowna Accord was designed to address social inequality between Aboriginal peoples and other Canadians through increased investments. Very little has changed since the original accord, because of the stubbornness of the federal government under Prime Minister Stephen Harper. A new accord to invest in the social and physical infrastructure that Aboriginal peoples need is necessary. Infrastructure issues such as the provision of clean drinking water need to be addressed, as does the critical gap in social infrastructure such as adequate funding for education. Health care outcomes and educational outcomes for Aboriginal peoples in Canada are abysmal. Provinces and territories need to pressure the federal government to come to the table with funding now.

Another critical issue for Aboriginal peoples and other Canadians is resource extraction. Provinces and territories need to recognize that this can only happen through meaningful consultation and agreement with First Nations, Métis and Inuit communities.

CUPE supported the call from the Council of the Federation last year for a full public enquiry into missing and murdered Aboriginal women and girls. The release of the RCMP report this past year should embolden you to reiterate this call.

Climate change

Climate change is a critical issue for CUPE members and all Canadians. The climate crisis spurred us to adopt our own national environmental policy. CUPE is committed to pushing Canada toward a low-carbon future, while reducing our own organizational carbon footprint.

More and more we are seeing greater incidences of powerful storms, droughts, and other disasters linked to climate change. The June 2013 Alberta floods caused in excess of \$1.7 billion in infrastructure damages. CUPE members were on the front line responding to and cleaning up after that flood. Our electrical workers regularly help restore power when it is lost due to severe storms. But as these storms worsen and become more frequent, our communities pay steeper and steeper prices. In April

2014, a TD Economics special report estimated that disasters linked to climate change will cost the Canadian economy on average \$5 billion per year by 2020, rising to \$21-43 billion per year by 2050. Meanwhile, our federal government has done virtually nothing to mitigate the effects of climate change. Instead, it has made the problem worse by aggressively promoting and pursuing an intense natural resource extraction policy as the fulcrum of the Canadian economy. As a result, our greenhouse gas emissions continue to soar, while other regions cut emissions (in contrast to Canada, the European Union recently reported that their emissions have fallen to 19.2 per cent below 1990 levels).

CUPE advocates strongly for public renewable energy as a means to cut greenhouse gas emissions, and promote public sector solutions to environmental problems. There is enormous potential for good job growth and human development in employment that lessens our impact on the environment, such as renewable energy, public transportation, and building efficiency retrofitting. There is ample job growth potential in climate change adaptation, infrastructure resiliency, urban landscaping, and other work that will emerge in a changing climate. CUPE also supports a just transition strategy for workers and their communities that will help train and prepare workers for meaningful employment in a new green economy.

CUPE calls on provincial and territorial governments to reduce greenhouse gases to ease the impacts of climate change. All Canadians and all international citizens deserve a stable climate and the economic certainty it supports. All regions of Canada must step up efforts to slow climate change and adapt to its increasingly frequent and destructive impacts.

Trade

For years CUPE has cautioned provinces and territories about the dangers “new generation” trade agreements. It is interesting that the federal government’s signature free trade agreement, the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union, is now being questioned by Germany. I have long been concerned that CETA and other trade agreements go far beyond a simple commitment to lower trade tariffs. These deals will open up Canadian regulations to Investor-to-State dispute systems that allow foreign companies to seek damages for provincial, territorial, or municipal regulations that may undermine their potential profits. These investment rules create a parallel legal system for transnational corporations and private investors, who use them to challenge environmental, public health, local economic development and other government policies, decisions, laws and measures that interfere in some way with their profits. Even a state as powerful as Germany is signalling discomfort with these mechanisms that would allow regulations put in place by sovereign governments to be challenged in front of secretive tribunals. It is not too late for premiers to assert the constitutionally defined jurisdictional rights they have, and reject such intrusions on municipal, provincial, and territorial regulatory powers.

Conclusion

CUPE members are committed to building a better Canada. This next year provides you with an unprecedented opportunity to shape the future of the country as the federal government moves into a fiscal surplus: will you use your power as Premier to work with us to build this better Canada?

Together, we can create unparalleled opportunity for our youth, with access to child care, education, health care, and good jobs. Together, we can ensure all Canadians retire with dignity. Together, we can build a country that is socially, environmentally, and fiscally sustainable.

CUPE represents approximately one in every 35 working Canadians, in communities across the country. The priorities identified above touch our members as workers, but action on these issues has the potential to improve their lives – and the lives of everyone else who lives in this great country. Our union and our members have a wealth of information on these topics and I would be happy to share this with you and your government. Please have your staff contact my office to continue this conversation.

Yours truly,

Paul Moist

National President