Canadian Union of Public Employees

Submission to the House of Commons
Standing Committee on Finance

Pre-Budget Consultations
for the 2020/21 Federal Budget

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- **Recommendation 1:** That the government continue to use its fiscal capacity to fund pandemic response and recovery measures, especially taking advantage of the Bank of Canada's ability to buy long-term federal government debt.

- **Recommendation 2:** That the government recognize the unequal and gendered impacts of the social and economic fallout from the pandemic and frame a recovery plan in partnership with those who have been most affected.

- **Recommendation 3:** That the government's recovery plan include $2.5 billion for Early Learning and Child Care (ELCC) in new federal transfers to the provinces/territories and Indigenous communities, increasing funding annually as we move toward a fully publicly funded system.

- **Recommendation 4:** That the government implement a fully universal pharmacare plan.

- **Recommendation 5:** That the government shift the operations of the Canada Infrastructure Bank to a fully public model.

- **Recommendation 6:** That the government take steps to improve corporate transparency, especially as it relates to government procurement, external contracting, or recipients of pandemic assistance.

- **Recommendation 7:** That the government reverse regressive tax cuts implemented since 2000 that have eliminated at least $50 billion from federal revenue.

- **Recommendation 8:** That the government implement substantial reforms to Employment Insurance to increase access and set a floor of $500/week and continue to provide an emergency benefit for those who do not qualify for EI.

- **Recommendation 9:** That the government bring long-term care into the *Canada Health Act*, and replace our current patchwork, for-profit system with a well-funded, well-staffed public long-term care system.

The Canadian Union of Public Employees (CUPE) is Canada's largest union, with over 700,000 members. CUPE members work in a broad cross-section of the economy – such as health care, education, municipalities, libraries, universities, social services, public utilities, emergency services, transportation, and airlines.

This current moment is unlike any previous economic recession or depression. In this environment, we must continue to put the absolute priority on the health of Canadians – which includes income supports to help households make ends meet, and continued support of public services to meet their needs. This will not just help contain the pandemic, but also ensure the economy and our communities can bounce back faster.

The federal government acted quickly to put into place supports such as the Canada Emergency Response Benefit (CERB) and market liquidity programs. This made a difference for millions of people in Canada.

We now have an opportunity to reimagine what our economy looks like.

Recommendation 1: *Funding the recovery*

Even though the federal government is forecasting a significant deficit for this fiscal year, there is no reason to panic or pull back now. The rate for 30-year federal government bonds is at two per cent, and 10-year bonds are below one per cent. The Bank of Canada is supporting federal and provincial governments by purchasing bonds directly and in secondary markets, ensuring that governments have a willing lender. When central banks buy public sector bonds on the primary market, they ensure the cost of borrowing for these entities remains low and expand the supply of money that can be directed to public use.

The federal government has the ability and the responsibility to shoulder the majority of the cost of the pandemic response and recovery, as well as a higher share of social spending going forward. Public investments in sectors like health care, child care, livable communities, and energy-efficient buildings will have a stronger impact on economic growth alongside lower inequality and improved well-being.

Recommendation 2: *Racial justice and gender equity*

There will be pressure to do stimulus as we have in the past, focusing on 'shovel ready' physical infrastructure projects. This recession is different, affecting different industries, occupations, and communities – especially women, low-income service workers, racialized workers, and migrant workers – much more severely.[1] The federal government must take account of the ways that the pandemic has had an unequal impact on racialized workers and communities, and design solutions in partnership with hard-hit communities.

Recommendation 3: *Care economy*

Our economic recovery depends on the recovery of the care economy. Women's economic participation has plummeted to levels not seen in 30 years, as COVID-19 shut down the economy and many workers were forced to leave paid work to provide care for loved ones.

[1] COVID-19 hits equity-seeking workers hardest, CUPE, April 2020 https://cupe.ca/covid-19-hits-equity-seeking-workers-hardest.

Child care workers are predominantly women, and the low-wages common to the sector made recruitment and retention challenging even before the pandemic. Child care experts have developed a strategy for recovery that would support an accessible, affordable, quality, inclusive system of Early Learning and Child Care (ELCC), with fairly compensated early childhood educators at its heart.[2] This plan includes $2.5 billion in new federal transfers to the provinces/territories and Indigenous communities, increasing funding annually as we move toward a fully publicly funded system.

Investment in the care economy, including health care, child care, and social services, will have social and economic returns far higher than the current cost of borrowing. A vibrant, accessible care sector ensures everyone can participate in the workforce, which will be essential throughout the economic recovery. Government investment in care improves labour market outcomes for women and improves productivity, allowing governments to recoup upfront costs.

Recommendation 4: *Universal pharmacare*

The costs of medicines are rising each year, and even before the pandemic, the average Canadian household spent over $1,000 out of pocket on prescription drugs and private health care plan premiums.[3]

Many workers who have been laid-off during the pandemic find themselves without coverage just when they need it the most, and many employers are having difficulty maintaining benefit plans during the downturn.

A national public pharmacare plan would significantly reduce these expenses for both Canadian households and employers. Canada’s single-payer public health care system already provides employers with a significant cost and competitive advantage compared to American employers; as we build towards a solid economic recovery, a national pharmacare plan can only help.

Recommendation 5: *Build public-public infrastructure partnerships*

Quality public infrastructure is essential for increasing the productivity of Canadian people and businesses. CUPE strongly supports increased funding for public transit, affordable housing, and social, community, and green infrastructure, important components of a healthy economic recovery.

We need to learn from the lessons of the past. After the 2008 recession, the federal government removed economic supports too quickly, and focused on cuts and balancing the budget instead of strengthening our safety net. Infrastructure spending prioritized inefficient and expensive public-private partnerships, locking municipalities across Canada into low-quality projects and growing debt.

The Canada Infrastructure Bank (CIB) was intended to leverage funds from the private sector to limit the debt held on provincial and municipal government books. But the case for the CIB has been critiqued as weak since it was first introduced.[4] Given that private sector borrowing costs are much higher than the federal government’s, this model could double the cost of financing alone. And because private sector investors are looking for public assets with the highest return and lowest risk, the CIB is incentivized to sell-off our most valuable public assets to generate private profit.

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2 A strategy for recovery: Making affordable child care for ALL a reality: https://timeforchildcare.ca/a-strategy-for-recovery-making-affordable-child-care-for-all-a-reality/.

3 Statistics Canada Survey of Household Spending, 2017.

4 Assessing the risks and opportunities of the Canada Infrastructure Bank, Azfar Ali Khan and Randall Bartlett, May 2017: https://ifsd.ca/en/blog/last-page-blog/the-way-cib.

CUPE urges the federal government to change course and convert the CIB into a truly public infrastructure bank that offers low-cost financing to other levels of government.[5]

Recommendation 6: *Transparency and accountability in the recovery*

To ensure the effectiveness and fairness of public spending, the federal government should strengthen conditions and improve transparency and accountability.

- make information about how public money is being spent public;
- include clauses that mandate labour protections for workers, including protections for benefits and implementation of health and safety protocols. Include penalties if these clauses are not upheld, and ensure protection for whistleblowers;
- where there is a union in the workplace, include them in the negotiations for wage subsidies and other supports;
- publish details on procurement and other government contracts during the recovery period;
- do not provide subsidies or procurement contracts to companies that:
    - engage in active tax avoidance, for example through the use of tax havens;
    - or where the beneficial owners are unknown.

Recommendation 7: *Tax fairness*

Tax cuts since 2000 have reduced federal revenues by over $50 billion annually, and the major beneficiaries of these tax cuts have been large corporations and the wealthiest Canadians. These cuts have left a huge hole in federal budgets and had a ripple effect across provincial budgets as the federal government stepped back from funding essential public services. One of the first priorities of this government was to introduce another $6 billion tax cut that primarily benefited higher-income families.[6] The federal government should reverse this regressive tax cut to save $3 billion now, and $6 billion per year when the cut was to be fully phased-in.

The federal government could increase revenues by over $50 billion[7] annually, without increasing tax rates on middle- and low-income Canadians, with the following fair tax measures:

- restore the federal corporate tax rate to 21 per cent: $13 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: $14 billion;
- crackdown on tax avoidance by taxing multinational corporations based on their real economic activities in Canada: over $8 billion;
- introduce a wealth tax of one per cent on estates over $20 million, and reintroduce an inheritance tax of 45 per cent on estates above $5 million: $8 billion;
- introduce a financial activities tax on the compensation and profits of the financial sector: $7 billion.

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5 Creating a Canadian infrastructure bank in the public interest, Toby Sanger, March 2017: https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2017/03/Creating_a_Public_Infrastructure_Bank.pdf.

6 Federal tax cut hurts services, helps wealthy, CUPE *Economy at Work*, November 2019: https://cupe.ca/federal-tax-cut-hurts-services-helps-wealthy.

7 Estimates of revenues from the 2020 Alternative Federal Budget, Fair taxation chapter: https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2020/03/AFB%202020.pdf

Recommendation 8: ***Reform Employment Insurance***

Employment Insurance (EI) must be reformed to support workers until all sectors of our economy can rebound from this global crisis. CUPE is calling for:

- a universal threshold for EI access, set at 300 hours;
- the CERB has set the standard of $500 a week, that standard should now be carried over to EI;
- the length of benefits for all workers should be extended to 50 weeks.

Even with these reforms to EI, there will be workers who fall through the cracks. As a decision has been made to end CERB, it must be replaced with a program that will ensure no worker is forced to risk their health or the health of a loved one to make ends meet.

Recommendation 9: ***Long-term care***

The pandemic has exposed the failures of privatization, deregulation, and lax enforcement of labour and health and safety laws. This has been especially evident in the long-term care sector. CUPE is calling on the federal government to show leadership by taking the following actions to fix the problems in long-term care now:

- bring long-term care into the public health care system and regulate it under the *Canada Health Act*;
- provide dedicated and adequate funding to the provinces and territories for long-term care through the Canada Health Transfer;
- implement and enforce evidence-based national standards of care, including staffing levels, and tie the standards to funding;
- eliminate the for-profit ownership of homes and the contracting out of facility services;
- increase and standardize the wages of workers to reflect the value of their work and role in providing an essential health care service. Strengthen workers' benefits, including adequate paid sick days;
- eliminate precarity across the sector through the creation of full-time, regular jobs for workers who want them;
- use public funds to build and operate more publicly operated long-term care homes.

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