CUPE·SCFP | Canadian Union of Public Employees
Syndicat canadien de la fonction publique

FEDERAL BUDGET 2023: SUMMARY AND ANALYSIS
CUPE NATIONAL RESEARCH

INTRODUCTION

Budget 2023, should have taken a stand against corporate greed by taxing excess profits of corporate giants like Loblaws, who posted $529,000,000 in profits in the 4th quarter of 2022, while 5.8 million Canadians - including 1.4 million children - were experiencing food insecurity.

Taxing excess corporate profits would curb corporate profiteering, saving working people money on the cost of housing and everyday goods, while also generating revenue for investing in services like health care and child care.

While some good long-awaited and long-promised services like dental care were finally announced, other programs like pharmacare were entirely absent. No comprehensive workforce strategy, stronger compensation packages, or higher wages for child care and personal support workers (which was promised in the 2021 Liberal platform) were included. Opportunities to increase public ownership and operation like the administration of the dental plan or public clean energy were missed and passed off to third-party administrators or investors.

The workers in Canada need help. With the rising cost of inflation, rent and mortgage increases, and the ending of pandemic assistance programs like post-secondary grants, the working class is falling further behind. After years of working understaffed through a pandemic, many workers are facing a mental health crisis. Increased bills for rent, food, and medicine is compounding the problem and the federal budget has offered little hope for relief.

While we welcome the gains that were included like dental care, a grocery rebate, and good green jobs, the budget simply fell short on too many other priorities.

ANTI-SCAB LEGISLATION

The federal budget confirms that the government will be going ahead and amending the Canada Labour Code before the end of 2023 in order to “prohibit the use of replacement workers during a strike or lockout, and improve the process to review activities that must be maintained to ensure the health and safety of the public during a work stoppage.”

Although CUPE is pleased to read this commitment in Budget 2023, we believe that the government should not wait until the very end of the year to introduce legislation on this issue. There is an urgent need to ban the use of scabs in the Canada Labour Code! After all, ESDC completed its consultations over two months ago (i.e., January 31, 2023). The government therefore already has everything it needs to move forward.

In addition, there are labour disputes that are dragging on because employers are using replacement workers. One of these situations is underway at the port of Québec City, where the Société des arrimeurs de Québec locked out its CUPE-represented dockworkers over six months ago. It’s high time for anti-scab legislation!

That being said, CUPE will not accept changes to the legal framework for maintaining certain activities during a labour dispute if such changes resulted in more steps, more players or more delays to the process. The CIRB must simply have sufficient resources to do the work that it is mandated to do.

CHILD CARE

While the federal government made big announcements in the 2022 federal budget on child care, this year CUPE was disappointed to see no commitment to improvements. Child care is faltering due to a lack of investment in workers’ compensation. Child care workers are underpaid and often have no pensions or benefits. As a result, the child care sector is understaffed, unable to recruit and retain workers to fulfill the promise of universal $10/day on average child care.

There was also no clarification on the federal goal of funding and expanding public and/or non-profit child care. Already we have seen provinces move away from their initial plans to provide public funds to only non-profit and public providers. Without this financial incentive, we will see public dollars continue to subsidize private profits to the detriment of quality programming and better worker compensation.

COMMUNICATIONS

CUPE has called on the federal government to increase the National Film Board's (NFB) parliamentary authority ($65.6 million in 2021-22) by at least $10 million per year and continuing for five years- indexed to the cost of living. This would offer more stability and predictability to our public producer, its artisans, and creators.

We have also asked that the federal government assume responsibility for future reimbursements to the National Film Board for the relocation of its head office.

The 2023 federal budget adds a one-time $9 million investment over two-years to the NFB's parliamentary authorities. While some progress is being made, CUPE continues to believe that the NFB's budget should be substantially increased and indexed to the cost of living. The 2023 budget also missed the opportunity to reimburse the cost of the NFB's head office relocation.

Multinational digital services corporations have been avoiding paying proportional amounts of corporate tax in Canada for years, something that disadvantages domestic media and cultural entities. Many multinational corporations use accounting sleights of hand to shift profits into jurisdictions with lower corporate tax rates, but this is especially easy for providers of digital services. As part of the OECD, Canada has been working with other countries to ensure all multinational corporations pay their fair share of taxes, but this work is slow and uncertain. Budget 2021 started work on a digital services tax that would come into effect if there has been no progress on broader tax reform at the OECD. Budget 2023 commits to releasing a revised draft of legislative proposals for public comment before introducing legislation for a digital services tax. The tax could come into effect as of January 1, 2024, if the OECD tax reform has not come into force by that date.

There is also $4 million over two years, starting in 2024/2025 for "Funding proposed for PCH to purchase Canadian content for the TV5MONDEplus platform."

The Canada Media fund will get $40 million over two years, starting in 2023-2024, to "make funding more open to traditionally underrepresented voices, and to increase funding for French-language screen content."

Energy

The 2023 federal budget looks to further Canada's progress towards a zero-carbon future. The government does acknowledge that training and well-paid jobs are essential to the success of this plan, but the additional tax-credit offered for compliance with higher labour standards may be too small to be effective. As well, the budget proposes that the prevailing wage standard only applies to manual labour and does not ensure that other jobs connected to the project, such as more female dominated office jobs, are also well paid. The "prevailing wage" alluded to in the 2023 federal budget should be the negotiated wage. Canada needs Just Transition legislation to ensure worker consultation, new education, retraining, reskilling, as well as opportunities for new work are all available to workers negatively impacted by the move to a zero-carbon economy. Just Transition legislation would also need to create systems and strategies to assist communities negatively impacted by this change.

The budget puts substantial new resources into the clean economy, $18.5 billion in total over 5 years. The largest source of new funding is through various tax credits, providing $17 billion in tax breaks to incentivize investments in the clean economy. The tax credits include some promising incentives for clean energy, but also adds or maintains substantial tax credits for unproven and questionable hydrogen production and carbon capture, use, and storage. These tax credits have the potential to act as subsidies to existing fossil fuel producers, and actually delay climate action rather than accelerate it.

The new 15% investment tax credit for clean electricity has been structured so that public entities and Indigenous communities will be eligible, and it applies to new projects as well as refurbishments. It will be available following Budget 2024 for projects that did not begin construction before the day of Budget 2023. If projects do not meet the labour requirements, the tax credit falls to 5%. This credit is forecast to cost $6.3 billion over the next four years, and an additional $19 billion until the credit is scheduled to be phased out in 2034-2035.

In comparison, the federal government is only investing an additional $1 billion over the next four years in directly supporting the development of clean energy project through the popular and effective Smart Renewables and Electrification Pathways Program.

The new 30% clean technology manufacturing tax credit will apply to manufacturing of clean technologies – such as equipment for renewable or nuclear energy projects - but also to extraction, processing, and recycling of specified critical minerals. Again, if the labour standards are not met, the size of the tax credit is reduced to 20%. This credit is expected to cost $4.5 billion over the next five years.

The 30% clean technology investment tax credit announced in Budget 2022, has been expanded to include geothermal energy, but only if its primary purpose is energy generation, not for projects that will also produce fossil fuels.

Finally, the budget provides more details on the proposed investment tax credit for clean hydrogen that was announced in the 2022 Fall Economic Statement. The size of the tax credit varies depending on the carbon intensity of its production, as measured by the government's Fuel Life Cycle Assessment Model (LCA). The 'cleanest' hydrogen processes would receive a 40% tax credit, falling to 25% or 15% as the processes become more carbon intensive. Equipment to produce hydrogen from natural gas are eligible for the tax credit, so long as carbon capture technology is used to limit emissions.

The Canada Infrastructure Bank (CIB) is being positioned as the government's primary financing tool for supporting clean electricity generation, transmission, and storage projects with investments of $10 billion through its Clean Power priority area and $10 billion through its Green Infrastructure priority area. There is no new money for these investments. The budget also reiterates that the CIB will focus on private sector led projects, rather than reorienting the bank towards a public purpose.

The government also provided some more details on the previously announced $15 billion for the Canada Growth Fund (CGF). The Fund's purpose is to incentivize private investment in the clean economy, exactly like the Canada Infrastructure Bank. The federal government will be introducing legislative amendments to enable the Public Sector Pension Investment Board to manage the assets of the Canada Growth Fund to "deliver on the Growth Fund's mandate of attracting private capital to invest in Canada's clean economy". The government will consult with unions this spring on adding two seats to the Public Sector Pension Investments Board of Directors for representatives of organized labour.

Using the expertise of the PSP Investments seems to be intended to overcome the failure of the CIB to attract private investments. Despite this, questions remain about the merit of the core principle behind the two institutions – that we need to use public money to attract public investment. There are few details about the range of investment tools that the Growth Fund will use, or how it will make investment decisions, even though the Fund is projected to begin making investments in the first half of 2023. One tool proposed, “contracts for difference”, is used to guarantee electricity rates to private investors in the UK, and raises concerns about unnecessary subsidies to private firms, especially when the electricity sector in Canada has substantial public sector ownership. There is no reason why the federal government could not be investing in publicly owned and operated clean electricity.

HEALTH CARE

PHARMACARE

CUPE was very disappointed to see that there was no new funding and no mention of a pharmacare program. The Liberals first promised pharmacare in 1997, they made it a signature promise of their 2019 election platform, and it was included in the Supply and Confidence agreement they signed with the NDP in 2022. By the end of this year the Liberals have committed to passing the Canada Pharmacare Act, something CUPE is anxious to see happen.

LONG-TERM CARE

Despite witnessing the horrors that occurred in for-profit long-term care homes during the beginning of the COVID-19 pandemic, there is no mention in this federal budget of the Safe Long-Term Care Act.

DENTAL CARE

CUPE was pleased to see the Liberals have followed through on their commitment with the NDP to provide a Dental Care program. The budget announced an investment of $13 billion over 5 years, and then $4.4 billion ongoing. The dental plan will provide coverage for uninsured individuals and families with an annual income of less than $90,000 and with no co-pays for families with an annual income of less than $70,000.

However, the program will be run by Health Canada with a "third-party benefits administrator" charged with actually managing program benefits — a structure that essentially leaves the provinces and territories out of the mix and adds a private administrator. This could be performed publicly and CUPE is concerned that this will unnecessarily increase costs for government.

Budget 2023 has also committed $250 million over 3 years (starting in 2025) and $75 million ongoing for an oral health fund for persons living in rural and remote communities, or vulnerable groups that have other barriers to care (such as people with disabilities).

Not all of this is new money. In Budget 2022, the federal government announced $5.3 billion over five years and $1.7 billion in ongoing funding. This commitment has been included into the 2023 budget.

Health Care Workforce

The federal government announced several improvements to the health care workforce including:

- Streamlining foreign credential recognition- this is now a requirement for bilateral funding.
- Expanding the student loan forgiveness program for doctors and nurses that work in underserved rural and remote communities - providing $45.9 million over four years, starting in 2024-2025, with $11.7 million ongoing to ESDC, which will include all communities with populations of 30,000 or fewer. Currently eligible communities with a population over 30,000 will remain eligible until the 2026 Census.

The federal government has committed to improving the retirement savings of PSWs with $50 million over five years, starting in 2023-2024, to ESDC to "develop and test innovative solutions to strengthen the retirement savings of personal support workers without workplace retirement security coverage". Decent wages, 18 paid sick days, more full-time positions, and access to a pension are the innovative solution PSWs and all health care workers desperately need.

Mental Health Care and Addictions

We know that there is a major mental health crisis happening across the country. Workers are especially feeling the brunt of working through a pandemic for 3 years. Mental health care is hard to find and hard to afford. While many of our allies were calling on the federal government to implement a universal mental health care plan, the federal government has only announced $158.4 million over the next three years for the 988 suicide prevention hotline to start November 23, 2023.

Mental health has been established as one of the four priority areas in the bilateral agreements with the provinces and territories. In 2021, the federal government announced $45 million to develop national standards for mental health and substance use; however, the government is a year behind on developing a "roadmap". The roadmap is now expected March 2024. There will not be money for a Mental Health Transfer, or introduction of a Mental Health Act. There is $359.2 million over 5 years to address the Opioid Crisis through investments in Substance Use and Addictions Programs, supervised consumption sites, data collection, an overdose monitoring app, and more. CUPE encourages the development of these programmes in consultation with people who use drugs.

Housing

With 1.5 million people in Canada living in core housing need without adequate, safe, or affordable accommodation, CUPE was hoping the government would act urgently to previous missteps. CUPE was hoping to hear the federal government prioritize non-market housing, cooperative and non-profit housing so rental and home ownership costs were no longer inflated by profit motives.

CUPE and our allies have been advocating for the alignment of the National Housing Strategy with the Right to Housing Act which would encourage a move away from the focus on for-profit housing. To ensure better rights and protections for the people more likely to be precariously housed, Canada needs national standards for tenant protections. Neither of these important policy decisions were included in Budget 2023.

Instead, the federal government announced $4 billion over 7 years to implement a co-developed Urban, Rural and Northern Housing Strategy (currently under development with Indigenous partners), $55 million for the Canadian Mortgage and Housing Corporation (CMHC) to implement the National Housing Strategy, and a consolidation of Canada Mortgage bonds with Government of Canada bonds.

While CUPE commends the additional funding for the Urban, Rural and Northern Housing Strategy, we are concerned that the CMHC is predisposed to support for-profit industry over a rights-based approach to housing.

Once again, the federal government has announced the Housing Accelerator Fund, but the details of the fund remain undisclosed. There is no clarity on how the Housing Accelerator Fund will operate with the Rapid Housing Initiative. CUPE will continue to pay close attention to this file.

There will be a reallocation of funding from the National Housing Co-Investment Fund's repair stream to its new construction stream, as needed, to boost the construction of new affordable homes for the Canadians who need them most.

Budget 2023 announces that the government will consult on changes required to remove regulatory barriers for homebuyers from diverse communities seeking access to alternative financing products.

Post-Secondary

Education

In the 2023 federal budget, CUPE was hoping to see a commitment to more funding for universities and colleges, greater financial support for graduate researchers through tri-councils, greater financial support for student grants and loans, money for green upgrades and retrofits to university properties, and specific supports for international students.

What we did see was an increase in the amount of money that can be withdrawn from RESPs from $5,000 to $8,000 for full-time students, and from $2,500 to $4,000 for part-time students. The federal government will provide $813.6 million in 2023-2024, to enhance student financial assistance for the school year starting August 1st. There is an increase to the Canada Student Grants, from $3,000 up to $4,200 for a full-time student. However, it needs to be noted that while this is an increase from the previous $3,000 amount, the grant was doubled at the beginning of the pandemic to $6,000, so while it is an increase from the base amount, it is also a significant decrease from the pandemic grant and will impact students. There is an increase to the tax-free limit of Canada Student Loans from $210 to $300 per week of study; and the removal of credit screening for mature students to qualify for grants and loans.

CUPE is pleased to see that new loans are available to students, although we are concerned that post-secondary education continues to be financially unaffordable for many. We are disappointed there is no core funding to post-secondary education and that the pandemic grants which were greatly depended upon by many students have been reduced.

SOCIAL SERVICES

CUPE was hoping to see the acceleration of the development and implementation of the new Canada Disability Benefit included in the 2023 federal budget. Bill C-22, the Canada Disability Benefit Act, is one of the four pillars of the Disability Inclusion Action Plan. While it is still lacking details, the proposed benefit will be designed to provide persons with disabilities a supplement like the GIS for seniors to help improve the financial security for people living with disabilities.

Budget 2023, did commit to $10 million over 2 years beginning 2023-24, to Employment and Social Development Canada (ESDC) to support persons with disabilities “by investing in capacity building and the community-level work of Canada’s disability organizations.”

It also committed $21.5 million in 2023-2024, to ESDC “to continue work on the future delivery of the Canada Disability Benefit,” including engagement on the regulatory process.

CUPE and our allies hope to see Bill C-22 pass before the end of the current sitting period and the development of a regulatory framework for the benefit within a reasonable timeframe once the Bill receives royal assent.

TRANSPORTATION

CUPE was looking to Budget 2023 to increase the federal government funding for public infrastructure projects, prioritizing publicly owned and operated green investments in public transportation, and to adequately resource Transport Canada so that it can perform its duty as a regulator. We expect the federal government to include municipalities as a direct government partner in their trilateral infrastructure funding agreements with provinces and territories.

CUPE is disappointed that communities will have to continue to wait to get greatly needed federal support for public transit programs. We will continue to monitor the developments on this portfolio and push for strong federal support for public transit.

Budget 2023 proposes to provide $210.0 million over five years, starting in 2023-2024, with $117.4 million in remaining amortization, to VIA Rail to conduct maintenance on its trains on routes outside the Québec City– Windsor corridor and to maintain levels of service across its network.

It will provide $27.2 million over five years to Transport Canada to better coordinate Canada's supply chain.

Budget 2023 invests in passenger screening, and improving wait times in airports, and to collect data on air service performance. It offers additional money for ferry services in Eastern ports. But it does not address many of the concerns CUPE has with the need for increased health and safety and the challenges facing workers in these sectors.

Federal labour legislation

Budget 2023 proposes to strengthen prohibitions against employee misclassification, a move aimed at improving protections for gig workers in the federally regulated sector. The current standards have been criticized by labour groups because the onus is on workers to prove that they have been misclassified, and to be successful a complaint must prove the employer intended to misclassify the worker. A move to prohibit employee misclassification would put the responsibility onto the employer to prove that worker should not be considered an employee, a very welcome change. This would expand access to benefits such as Employment Insurance and the Canadian Pension Plan. The federal government estimates that there are 41,000 gig workers in the federally regulated sector.

Tax Fairness

Budget 2023 does a good job of following through on previous tax fairness commitments, even though it fails to introduce any new structural changes to address corporate profiteering or income and wealth inequality.

The GST rebate will be doubled again this year, providing some relief to lower income individuals and families struggling with rising food and shelter costs.

Many low-income individuals in Canada do not file their income tax returns and miss out on benefits that are delivered through the tax system, like the GST rebate. Budget 2023 expands a CRA program that started in 2018. "File My Return" simplifies tax filing for low-income individuals because it allows CRA to file someone's return for them after asking them a few questions over the phone. They expect enrolment to grow from 53,000 in 2022 to 2 million by 2025. CRA will also pilot and conduct consultations around a new automatic tax filing service to ensure that vulnerable people are able to receive the benefits that they are entitled to receive. Budget 2023 moves forward on improvements to the "General Anti-Avoidance Rule" (GAAR), which was implemented in 1988 to clamp down on aggressive tax avoidance that abused the intent of tax legislation. The federal government has lost several court cases on this issue, highlighting the need to improve the legislation so that it can be effective. Amendments include an 'economic substance rule', first introduced as an NDP private members bill in 2014 and reintroduced several times since then. The rule is a simple test to show if there is any 'economic substance' to a given transaction, or if it was conducted purely for tax purposes. This is often relevant to transactions involving offshore tax havens. Budget 2023 also proposes a penalty equal to 25% of the amount of the tax benefit.

Budget 2022 signaled the federal government's intention to follow through on a 2021 election promise to update the "Alternative Minimum Tax" (AMT), first introduced in 1986. Some very high-income individuals (the top 0.05%) are currently able to pay less than 15% personal income tax by using a combination of deductions, credits, and other tax preferences. Budget 2023 proposed to substantially improve the AMT by increasing the tax rate applied from 15% to 20.5%, increasing the level at which the AMT applies from $40,000 to $173,000, and expanding the types of income that are included in the AMT calculations. This is expected to raise $3 billion over 5 years.

Financial institutions currently do not pay tax on dividends that they receive on shares that they own of other Canadian corporations. This is inconsistent with the tax treatment of other kinds of income that financial institutions receive. For example, if a financial institution sells those shares, gains are considered regular income and not capital gains. Budget 2023 proposes changing the treatment of dividends so that financial institutions will now pay tax on them. This is forecast to raise $3.15 billion over 5 years.

Finally, the budget proposes a tax on the net value of share buybacks over $1 million. Publicly traded companies are sometimes overly focused on short-term changes in their share price, instead of focusing on long term growth. Excessive share buy-backs are one symptom of this behaviour, where publicly traded companies will sometimes sink resources into buying back shares in order to boost their share price instead of making investments that would support long term growth. These changes are forecast to raise $2.5 billion over five years.

The AMT, dividend change for financial institutions, and share buy-back tax combined are forecast to raise just over $2 billion in 2024-2025. In comparison, if the budget simply changed the share of capital gains income that is included in personal and corporate income tax from 50% to 75% it would raise $9.5 billion annually. The 2023 Alternative Federal Budget estimated that a wealth tax could raise $20 billion each year, and an alternative minimum tax for corporations could raise $4 billion per year.

Overall Economic Situation

Budget 2023 concentrates new spending on market-led incentives to reduce Canada's carbon emissions. There are $54 billion in new tax credits over the next 10 years, a very expensive and inefficient way to accelerate action toward our climate goals. While dental care is fast becoming an important part of Canada's health care system, this budget fails to meet the moment on housing, pharmacare, and other public sector investments that make life more affordable for all of us. There is some progress on ongoing work related to tax fairness in this budget, but it misses the opportunity to address rampant corporate profiteering that has exacerbated inflation, or to take real action on taxing the super wealthy.

The 2023 Federal Budget anticipates that there will be a shallow recession this year, but that the economy will recover by the end of the year. Despite this, there are no improvements to Employment Insurance to make sure that it will be able to support workers who would lose their jobs during a recession.

The budget forecasts deficits in each of the next five years, but they are so small that federal debt as a percentage of GDP is still expected to fall over the same period, from 43.5% in 2023-2024 to 39.9% in 2027-2028. Federal borrowing costs are higher than they were before the pandemic, but they are still historically low.

This fiscal responsibility comes in part at the expense of federal public sector workers. The budget reduces spending for federal departments and Crown corporations by $8.1 billion over four years and expects to find additional spending reductions of $6.4 billion over 6 years by eliminating unallocated spending from previous commitments. There are no details about where these spending reductions will come from, but the budget states it will not be at the expense of services, benefit levels, transfers to other levels of government, or the Canadian Armed Forces, leaving workers to bear the brunt of the cuts.

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