PROTECTING THE CANADIAN MODEL

Introduction

U.S. President Donald Trump's threatened tariffs would severely damage the Canadian economy, our public services, and our way of life. These tariffs are not a one-off: they are part of a larger anti-democratic effort by his administration to solidify billionaire control over government, stoke fear and racism, and cement U.S. imperialism in Canada and around the globe.

Even if Canada can eventually negotiate an exemption from the threatened tariffs before Donald Trump's deadline, this moment represents a permanent shift in the way U.S. and international investors will think about the Canadian economy. A shift away from the solutions of the past 30 years is needed; tax cuts and a race to the bottom for labour and other protections will only further harm workers and their communities.

We need to meet this crisis with bold action and progressive, public solutions that protect jobs, services, our communities, and our way of life. The federal government's response needs to be focused on the public investments needed to build an equitable and resilient economy, supporting existing industries and strategically important sectors, and supporting workers with income supports and training opportunities.

This paper outlines key supports that will be needed to support all workers as we face this economic crisis, and specific recommendations on international solidarity and human rights. There will also be the urgent need for public investments in critical infrastructure, and this paper outlines the existing tools that can be utilized as well as providing specific examples of critical infrastructure in the energy and transportation sectors. We include specific recommendations for the telecommunications sector as it is a critical component of maintaining access to reliable information and support for culture. Finally, we issue a word of caution about removing labour and other protections under the guise of eliminating interprovincial trade barriers.

KEY RECOMMENDATIONS

1) <u>Rejecting Failed Solutions</u>

Increasing trade within Canada should be a priority for federal and provincial governments in the wake of Trump's threatened tariffs. But we should be cautious when talking about eliminating all so-called 'interprovincial barriers' to trade. It's crucial to approach the removal of such regulations with cautious and careful consideration, ensuring we don't eliminate valuable protections in the process. Interest groups will often label worker protections, health and safety regulations, or supports for small local business as barriers to trade. Estimates of the benefits to our economic growth are grossly overstated and fail to measure the costs of losing these regulations. Where possible, provinces should attempt to harmonize to the highest standards.

We are also likely to hear calls for governments to cut corporate and other taxes to make Canada more competitive for business. This is an economic myth that has been soundly debunked. A study by London School of Economics economists David Hope and Julian Limberg published in December 2020 analyzed more than 50 years of tax cuts for the richest in 18 of the major European and North American Organisation for Economic Co-operation and Development (OECD) countries and found very conclusively that the trickle-down theory is false. Tax cuts don't stimulate growth or create jobs, they just increase inequality.

2) Income Supports and Training Opportunities for All Workers

   a) Income Supports for Workers – **Employment Insurance (EI) Work-Sharing Program, not wage subsidies for employers**

The Canada Emergency Wage Subsidy (CEWS) introduced during COVID-19 was widely considered a profit subsidy. There were no restrictions for companies receiving the money and some large corporations increased executive pay and dividend payouts to shareholders. **A better solution is to use the Work-Sharing Program already available under Employment Insurance**.

The Work-Sharing Program can help avoid potential layoffs. Workers and their unions agree to a reduced work week when their employer experiences an unusual slowdown in production or services. Available work is redistributed equally among workers and wages are topped up with EI Work Sharing Program benefits. Workers will receive 55% of their normal wages for hours not worked. This program was used in the steel and aluminum sectors in 2018 and has been used in the forestry sector recently as well.

Example:

- Normal work week = $30/hr x 35 hours = $1050 pay
- Work Sharing Program: 3 working days per week = $30/hr x 21 hours = $630 pay **PLUS**
- 55% x $420 (pay for 2 days not worked) = $231 EI Work Sharing Program benefits
- Total weekly paycheck: $861 pay

The government could introduce a special measure to extend the maximum duration beyond the current limit of 38 weeks and increase the minimum benefit amount to $500/week, as was done during COVID-19.

Importantly, if layoffs cannot be avoided after a period of Work Sharing, workers will still be eligible for normal EI benefits.

   b) Training opportunities for workers – **Increase funding to retraining programs**

Federal funding for training programs under Employment Insurance (EI Part II) was reduced by $400M, from $2.5B in FY 2023-24, to $2.1B in FY 2024-25. This money is shared among the provinces and used to support provincially administered training and re-training programs for EI eligible workers. The federal government should increase the funding level to $3B immediately and consider further temporary emergency increases to retrain workers displaced by the economic disruption.

c) **Supports for the struggling Post-Secondary Education sector**

Post-secondary educational institutions will play a critical role in the retraining and reskilling of Canadian workers as the economy transitions. Universities and colleges are critical centres of innovation and attract the international talent needed to fill gaps in domestic expertise when it comes to developing new industries or enhancing the self-sufficiency of existing ones. Post-secondary institutions also provide an important economic anchor in terms of employment and job stability for communities that will be affected by tariffs.

Post-secondary institutions across Canada are chronically underfunded and desperately need additional funding to perform these critical economic functions. Federal cash transfers for post-secondary education in Canada have declined from 0.5% of gross domestic product in 1983-1984 to 0.19% in 2021-2022. Many provinces made up some of the difference in funding by enrolling large numbers of international students who paid substantially higher tuition fees. With recent drastic cuts to the number of international students allowed and no new funding from provinces or the federal government to compensate, colleges and universities across Canada are announcing widespread program closures in the face of these funding shortfalls.

Increasing federal transfers for post-secondary education would help preserve necessary educational programs, help make post-secondary education more accessible, and allow post-secondary institutions to reverse their trend towards relying on precarious employment.

d) <u>Youth Job Guarantee</u> **– Create good union jobs for youth in municipalities across Canada**

Young workers graduating from high school and post-secondary education will be particularly impacted by the economic downturn. There are well-documented long-term wage-scarring effects for cohorts that enter the job market during recessions. One solution that has worked elsewhere is the idea of a youth job guarantee, where the public service offers jobs to provide valuable experience and on-the-job learning opportunities. The federal government could augment their current Youth Employment and Skills Strategy with a program aimed at municipalities, offering substantial funding for municipalities to create new jobs to meet their specific needs. In order to meet the needs of young workers and respect workers' rights, the programs should be developed in concert with existing unions, the jobs should not displace current workers, workers should be full members of the appropriate bargaining units of existing unions, positions should be guaranteed for at least two years, and where appropriate, opportunities for mentorships and apprenticeships should be made available.

Indigenous, Black, and racialized youth face an additional challenge with finding suitable employment,[1] and a recession would make it worse. However, the federal government has an employment equity program and unions support employment equity. As such, youth employment programs can help correct the employment inequity faced by Indigenous, Black and racialized youth.

[1] LMIC, "The state of youth unemployment in Canada", August 2024, available online: https://lmic-cimt.ca/the-state-of-youth-employment-in-canada/

3) Public Ownership Options

Canada will need substantial investments in key infrastructure to support this economic transition. In order to ensure that this infrastructure operates in the best interest of the public and is oriented towards securing a prosperous future for all of us, these investments must be public. Private investments in infrastructure, including from pension funds, are always focused on securing the best financial return from these investments, which means higher user fees and poorer services for our communities. Public investments can ensure a broader and longer-term vision that will be necessary for the upcoming economic transition to bring shared prosperity.The federal government must identify what public sector investments will be needed to support a diversified, self-reliant national economy that will be able to exist independently from the U.S. We should focus on building linkages with existing industries that will be disrupted by Trump's tariffs, meeting the needs of both rural and urban communities across Canada and building on Canada's strengths.

There are key industrial targets where Canada can intervene to strengthen the economy by ramping up public ownership of key infrastructure projects. We can accomplish this bold vision by using these following tools:

a) Canada Infrastructure Bank (CIB)

The CIB was given $35 B in public funds to invest in infrastructure projects. It has committed just $13 B to date.[2] The CIB's mandate can be changed to be a public bank that finances vital infrastructure projects with other levels of government.[3]

Transportation

Public ownership of transport infrastructure such as airports, bridges, ports, and railways will be key as Canada diversifies its trade from predominantly north/south flows to increasingly east/west and via the Northern passage. Municipal, rural, and northern airports are particularly in need of public investment.[4] This will facilitate a movement of goods within Canada and to new export markets, and cannot be left to private, for-profit interests.

Energy

CUPE has thousands of members in the electricity sector, primarily in Ontario, Quebec, and Manitoba. Risks to this sector include loss of revenue to utilities if tariffs result in existing sales to the United States declining substantially.

The advantage of Canadian electricity was that it was low cost and clean, but even the reduced 10% tariff rate makes it more expensive and clean energy is a lower priority with the current administration. New sources of revenue will be challenging to find.

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[2] Canada Infrastructure Bank, Quarterly Financial Report Q2 2024-2025, available online: https://cdn.cib-bic.ca/files/documents/reports/en/Quarterly-Financial-Report-Q2-2024-25.pdf

[3] Thomas Marios, A Public Bank for the Public Interest, available online: https://cupe.ca/sites/default/files/cupe_cib_public_bank_report_en.pdf

[4] CUPE, Submission: Improving Domestic Passenger Air Travel Services for Consumers and Workers in Canada: An Alternative Perspective, available online: https://competition-bureau.canada.ca/sites/default/files/documents/SUBMIS~1.PDF

Through the CIB, governments could work on building east-west electricity transmission lines to allow provinces to sell more energy to each other. Investments in electric car charging infrastructure also represent a new source of revenue for electricity utilities.

b) Canada Development Investment Corporation (CDEV)

CDEV is a Crown corporation responsible for acquiring, holding, and managing investments held by the Government of Canada. For example, CDEV owns the Trans Mountain Pipeline after the federal government bought it from Kinder Morgan for $4.8B in 2018. CDEV can be called upon by the federal government to step in and “save” willing large-scale companies that employ thousands of workers by acquiring public ownership stakes (e.g. CDEV held shares in General Motors Company after the 2008 financial crisis).

Unlike private investors, such as pension funds, CDEV has a public mandate to act in the best interests of Canada. Pension funds behave like any other asset manager: they want to make money by creating user fees and lower standards, or otherwise behave in ways that are inconsistent with the principles of public ownership.

c) Public manufacturing capacity

The Government of Canada can build factories. For example, it built the Biologics Manufacturing Centre in Montreal with the intention of producing a vaccine in Canada. Historically, Canada’s publicly owned pharmaceutical company, Connaught Laboratories, manufactured affordable drugs and vaccines until it was privatized by Mulroney. Government clearly has the capacity to build manufacturing facilities with public-good mandates.

d) Emergency nationalization

If an uncooperative company operating in Canada threatens to move nationally important investment to the U.S., the federal government could take ownership through legislative action.

4) Support Media and Cultural Institutions

a) Expand the Canadian journalism labour tax credit

CUPE represents workers at TVA in Quebec who have faced huge layoffs in recent years, with shutdowns of local news teams and local production of news products. The Canadian journalism labour tax credit[5] is a refundable tax credit of 25% of the total qualifying labour expenditure for each eligible newsroom employee of a qualifying journalism organization (QJO), up to a maximum of $55,000 to $85,000. This tax credit is currently only available for print journalism organisations.

Expanding the Canadian journalism labour tax credit to broadcasting teams will help support broadcasters and maintain journalism jobs in smaller centres.

[5] Canadian journalism tax credit, Goverment of Canada: https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/business-tax-credits/canadian-journalism-labour-tax-credit.html

b) Stop outsourcing in telecommunications

Some Canadian telecommunication companies have recently intensified their foreign outsourcing of labour, including to workers in the U.S. Any federal government subsidies to the telecommunications sector should be contingent on jobs being created in Canada and eliminating current outsourcing of work to the United States. This will protect CUPE members working in telecommunications in Quebec.

c) Redirect advertising revenue to Canadian media

The federal government should make amendments to the *Income Tax Act* to repatriate Canadian digital advertising dollars so that they can be redirected toward Canadian news programming and jobs. Currently, Canadian businesses can claim tax deductions for advertising on foreign digital media like Facebook and Google. Because of this, 92% of Canadian digital advertising dollars, amounting to about 13 billion dollars a year,[6] are currently going to foreign-owned big tech companies to the detriment of our domestic news publishers. We need to close this loophole and redirect these digital advertising dollars towards Canadian news programming and jobs.

The federal government should also redirect their own digital advertising spending away from these platforms. In 2023-24, the federal government spent $476,271 to advertise on Facebook and Instagram and $207,464 on X (formerly Twitter).[7]

d) Maintain Telecommunications protections

Should President Trump target the telecommunication sector in tariff negotiations, it is important that we maintain our current rules that prevent large foreign telecommunications companies from doing business in Canada. As well, currently only Canadians have use of the Canadian broadcasting spectrum, and we should maintain this in any tariff or trade negotiations with the United States.

5) Indigenous Rights

All actions should recognize and uphold the rights of Indigenous peoples through the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the rights provided to Indigenous peoples by the Jay Treaty. The federal government has committed to implementing UNDRIP's principles of free, prior and informed consent.

The Declaration clearly states that Indigenous peoples have a right to a meaningful say in the decisions that impact their lands, territories, languages, cultures and way of life – that includes land development or resource extraction on traditional territories, or changes to laws and legislation that affect the lives of Indigenous peoples. The 1794 Jay Treaty provides the right for Indigenous peoples born on both sides of the Canada-U.S. border to work and travel freely across it, and we call on the federal government to fully recognize these rights.

[6] Friends of Canadian Media, Close the Loophole! 2024 Update, available online: https://friends.ca/close-the-loophole-2024-update/

[7] Government of Canada, Annual Report on Government of Canada Advertising Activities 2023-24, available online: https://www.canada.ca/content/dam/pspc-spac/documents/rapports-reports/2023-2024/adv-pub-2023-2024-eng.pdf

6) International Solidarity

Bold, progressive action that includes public solutions that protect jobs, services, and communities in Canada must also support rather than undermine the same aspirations of workers and communities in Mexico, the U.S., and around the world. A response guided by solidarity and justice ensures our policy responses and actions are not harming communities across borders and that the interests and needs of the most vulnerable are being protected.

We must engage with workers, unions, communities, and governments across borders to ensure the implementation of tariffs by the U.S. does not become a protectionist race to the bottom strategy for the minority that stand to benefit. Canada must respect the sovereignty of Mexico to protect and expand their own public sector, and to ensure workers receive fair wages and protected labour rights. The Canada-United States-Mexico Agreement's (CUSMA) dispute mechanism should not, for example, be used as a weapon to prevent key sectors, such as energy, from being nationalized.

Migrant workers, whose labour is critical to any "Buy Canada" response to U.S. tariffs, will be differentially affected by job loss in Canada. We need the long called for regularization program for undocumented workers and access to permanent resident status for temporary foreign workers implemented so they are not plunged into deeper insecurity and poverty.

The $1.3 billion Border Plan the Government of Canada announced in December must not be used to criminalize migrants and asylum seekers entering Canada in search of safety and security. Canada must be a safe haven for vulnerable communities, not a militarized society driven by xenophobic racism. To this point, we must withdraw from the Safe Third Country Agreement (STCA) because, under President Trump, the United States is no longer a safe country for refugees and asylum seekers.

Canada's Border Plan was demanded by the U.S. and used as a bargaining chip in response to tariff threats as they implement plans to deny the rights of equity deserving groups, including racialized and trans people. If Canada turns away refugees or asylum seekers under the STCA, then we are effectively sending them back to an unsafe place where they can face deportation and, in the case of transgender people, their very identity will be denied.

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