

# ***CUPE***

## **Canadian Union of Public Employees**

Submission to the  
Standing Committee on Finance

### **Pre-Budget Consultations for the 2015 Federal Budget**

August 2014

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With its coming budget, the federal government has an excellent opportunity to vastly improve the quality of life of Canadians, create more and better quality jobs, reduce inequality and strengthen the economy while ensuring greater fiscal and environmental sustainability.

This submission focuses on five areas:

- Creating more and better quality jobs and supporting wage and income growth.
- Ensuring decent retirement income for all Canadians.
- Supporting working families by establishing a quality public childcare program.
- Improving and expanding our public health care system.
- Increasing tax fairness.

### **Create more and better quality jobs and support wage and income growth**

It's been more than five years since the great recession, yet this recovery has been disappointing for many Canadian workers and families.

Economic growth is 30% slower than the 1980 and 1990 recoveries, which will translate to a \$100 billion smaller economy, equal to \$7,000 less per household by 2017. And even with the growth we've had, those at the top have benefited the most. Growth in corporate profits, CEO compensation and incomes of the top 0.01% has far outpaced average wages and incomes of the bottom 50%.

Together with providing quality public services and protecting its citizens from harm, one of the top priorities of the federal government should be to create quality jobs

as this is the only way to enable real economic growth and shared prosperity.

Strong stimulus measures boosted employment and economic growth in the two years following the great recession, but since then job growth has slowed to less than half that rate. Job quality isn't much better either: an increasing portion of jobs are part-time, temporary and contract, with lower pay and benefits than full-time permanent jobs. And unemployment rates for youth remain more than twice the adult rates.

Government spending cuts and austerity measures have slowed job growth and suppressed wages for all workers. Expansion of the temporary foreign worker program, erosion of Employment Insurance (EI), elimination of fair wage legislation, deregulation, contracting-out, expansion of corporate power through trade deals, business tax cuts and attacks on labour rights have also reduced labour and workers' share of our national income.

As a result, household debt is at record rates while corporations are hoarding over \$640 billion in surplus cash – more than the federal government's debt. Even the IMF and the OECD now say rising inequality is preventing stronger economic growth. We won't achieve a sustainable recovery without stronger job and wage growth and increased equality.

The federal government could create [hundreds of thousands of new jobs](#), boost growth and diversify our economy by:

- Expanding public services, particularly in the areas specified further below.
- Increasing public investment to address our social and environmental goals. Together with increased funding for municipalities, this should

include a multi-billion dollar increase in investments for public infrastructure, affordable housing, public transit, renewable energy and a national energy retrofit program for public buildings.

While the recent commitment of long-term infrastructure funding was welcomed, little of this money has flowed. Annual funding committed under the new program is less than under the previous one at a time when the need to rebuild and improve our infrastructure is even greater and when municipalities have to shoulder the increasing costs associated with climate change.

With its coming surpluses, instead of introducing more regressive tax cuts, the federal government should transfer additional revenue streams to municipal governments, who now have direct access to just eight cents of every revenue dollar, yet are responsible for maintaining [almost half](#) of Canada's public infrastructure.

The requirement that funding for large projects be subjected to a mandatory P3 screen creates delays and increases costs, both up-front and throughout the life of more expensive P3s. Eliminating this and the P3 Fund could save governments not just the \$1.25 billion cost of the P3 Fund, but also many billions in future years from not engaging in these more expensive P3s.

The federal government should also take measures to support the wages and incomes of working Canadians, instead of suppressing them. In particular, it should:

- Stop interfering in free collective bargaining on the side of employers, forcing workers to accept low wage increases and using budget omnibus, private members and other legislation to undermine collective bargaining and workers' rights and benefits.
- Restore fair wage legislation, pay at least a living wage to all federal employees and contract workers and re-introduce the federal minimum wage starting at \$14/hour.
- Improve access to EI with a uniform requirement of 360 hours, increase in benefit levels to 60% of insurable earnings and restore fairness to the governance, adjudication, and appeals process for the EI program.
- Reform the temporary workers program to end exploitation of foreign and domestic workers, together with thorough prosecution of abusive employers.

### **Ensure decent retirement income for all Canadians**

Studies have shown that Canadians are not able to save enough for retirement on their own and that many will not have adequate incomes when they retire. Despite this serious and mounting problem, this federal government is moving *backwards* on retirement security by: rejecting widely supported proposals to expand the Canada Pension Plan, forcing Canadians to work longer to receive Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) benefits, and by undermining existing public and workplace pensions.

Instead, the federal government should:

- Work with the provinces to expand the CPP so it, together with OAS and the GIS, provides a decent retirement income for all Canadians. Improvements to the CPP would benefit all working Canadians and especially benefit the 11 million (or 60%) of working Canadians who have no workplace pension. This common sense plan is affordable and is supported by the provinces, the public and a wide array of experts as

the only real solution to the developing retirement income crisis.

In addition, the federal government should:

- Cancel its plan to increase the age of eligibility for OAS and the GIS from 65 to 67.
- Increase GIS benefits so no Canadian senior lives in poverty.
- Withdraw its plan to allow retroactive conversion of accrued defined benefit pension benefits into target benefits that can be reduced. Pension deals are contracts that should not be retroactively broken to benefit an employer's books.

### **Support working families by establishing a quality public childcare program**

One of the most important things the federal government could do to improve the lives of working families and strengthen long-term economic growth is help develop a Canada-wide early childhood education and care system that provides high quality, public and affordable care, meeting the diverse needs of families.

Finding and paying for high quality, safe and affordable child care is one of the biggest and most stressful challenges for parents of young children. It's very difficult for parents to determine the quality of child care services, especially private care, and its limited availability and high cost put parents in a bind. Most parents need to and/or want to continue to work, but also find it very difficult to find and pay for quality child care.

Fortunately, experience in Canada and elsewhere has demonstrated that we can introduce a public childcare system that not only provides high quality and affordable childcare, but that also makes economic and fiscal sense. Quality childcare programs return \$2 or more in benefits for every dollar invested, primarily as a result of better

socio-economic outcomes for children and lower social costs and higher labour force participation of parents, particularly mothers. Other analyses have shown that spending on childcare generates ten times as many jobs as corporate tax cuts, and that Quebec's program more than pays for itself in fiscal terms, returning \$1.49 in higher revenues and savings to governments for every dollar spent. A [TD Economics](#) report stated that, "given the unquestionable number of benefits that early childhood education can provide", governments should consider making it a high priority as their finances move back into balance. That time is now.

CUPE agrees and so urges the federal government to develop, with provinces and territories and other stakeholders, a system of high-quality, affordable, inclusive, publicly managed ECEC across Canada with equitable access for all children and families, based on the principles of universality, high quality, and comprehensiveness with targets, timetables, and public accountability mechanisms. First Nations, Inuit, Métis people and communities should have the power and resources they need to design, deliver, and govern child care services that meet their needs.

This will require a long-term commitment of sustained federal funding beginning with \$1 billion in 2016, with an additional \$1 billion in each subsequent year until the program reaches maturity, consistent with the OECD benchmark of investing at least 1% of GDP in ECEC on children aged 0-5.

### **Improve and expand our publicly funded health care system**

After considerable progress was achieved in improving Canada's health care system after the cuts of the 1990s, the quality of our health care is threatened again by federal funding restrictions, increasing privatization

and the abandonment of federal leadership in maintaining or improving public health care. Unilateral changes to the funding formula will [reduce funding for health care by \\$36 billion](#) – or \$1,000 per person – over a decade, with some of the poorest provinces suffering relatively more.

Despite alarmism about rising public health care costs, it's the private for-profit elements of our health care system – such as drugs, physician billing and tests – where costs have increased the most. International evidence shows public health care systems are more effective at controlling costs while ensuring decent quality health care for all.

We can and should improve our public health care system so it provides better and expanded coverage. This would not only improve health care, but improve the economy. It's [estimated](#) that improved health has been responsible for about a quarter of GDP growth per worker in recent decades.

The federal government should sign a new ten-year health care accord with annual increases of six percent in funding. This should be combined with:

- Stronger enforcement and improvement of national standards for health care.
- A national universal prescription medicine plan (Pharmacare) that could reduce overall costs by [up to \\$10 billion annually](#).
- A national community residential and home care program.
- Expanded funding for community health care centres and clinics so all Canadians have access to quality primary public health care in their communities.

## Improve tax fairness

Tax cuts since 2000 have reduced federal revenues by [at least \\$50 billion](#) and made our tax system more regressive, worsening inequality. The prime beneficiaries have been the wealthy and corporations, so the richest 1% [pays a lower overall rate of tax](#) than the poorest 10%. Allowing income splitting and increasing amounts sheltered in tax-free savings accounts will provide much greater benefits to top incomes and reduce federal revenues by billions.

Fair tax reform could provide more than enough revenue to fund improved and expanded public services and measures to stimulate jobs and growth without increasing tax rates on middle and low income Canadians. Tax deductions and loopholes at the federal level also reduce provincial revenues by eroding their tax base.

The federal government could increase its revenues by an additional \$33 billion a year with a few simple measures:

- Restore the federal corporate tax rate to 22%: \$11.5 billion
- Eliminate wasteful and regressive tax loopholes, including the stock option deduction, capital gains deduction, corporate meals and entertainment expenses, fossil fuel and mining subsidies: \$10 billion.
- Increase enforcement of corporate and high income tax evaders and tackle tax havens: over \$2 billion.
- Introduce a new top rate of 35% on incomes over \$250,000: \$2.5 billion
- Increase taxes on the banking and finance sector: \$5 billion.
- Introduce an inheritance tax on estates of over \$5 million: \$2 billion

\*sb/cope491

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