

**Submission by the
Canadian Labour Congress
to the
House of Commons Standing Committee
on
Finance (FINA)
Regarding 2019 Pre-Budget
Consultations**

August 2018



List of Recommendations of the Canadian Labour Congress:

Recommendation 1:

That the government commence budgetary planning to implement national universal single-payer Pharmacare, in order to ensure universal access to prescription drugs and reduce annual prescription drug expenditures in Canada.

Recommendation 2:

That the government transfer \$1 billion in 2019-20 to provinces, territories and Indigenous communities in order to establish universal, accessible, affordable, high-quality and fully-inclusive early learning and child-care in Canada, delivered by public or not-for-profit providers.

Recommendation 3:

That the government strengthen federal labour standards by bringing an end to contract-flipping in airports and federally-regulated workplaces, the misclassification of employees as ‘independent contractors’, and employers’ ability to discriminate in pay and benefits based solely on employment status (part-time, temporary and contract workers). The CLC also recommends that the government reinstate the federal minimum wage at \$15 an hour.

Recommendation 4:

That the government reform Employment Insurance to implement a single 360-hour eligibility threshold for regular benefits, raise the replacement rate for insured earnings to 60%, and calculate benefits and duration on the basis of a 30-hour work week. The government should also reform the EI sickness benefit to permit working while on claim, while expanding the number of weeks for sickness benefits to deal with episodic or long-term illnesses.

Recommendation 5:

That the government expand its funding for Just Transition measures to assist workers, their families and communities affected by climate change and climate change policy.

Recommendation 6:

That the government eliminate regressive tax loopholes primarily benefitting high-income earners. The government should also apply sales taxes to imports

of digital services on the basis of where the customer lives, not on the basis of where the seller is, and should end the tax deduction for advertising on foreign internet platforms. The government should also get tough on corporate tax dodging through offshore tax structures, cap interest payments expensed to offshore subsidiaries, and establish a robust, publicly-accessible beneficial ownership registry of companies, in cooperation with provinces and territories.

Prioritizing Good Jobs

The Canadian Labour Congress (CLC) welcomes the opportunity to provide recommendations on steps the federal government can take to support and encourage economic growth in the face of a changing economic landscape.

Weak business investment was a pronounced feature of the long economic recovery, even prior to the drop in oil prices in 2014; lower investment rates, combined with more jobs in activities characterized by lower levels of labour productivity, slowed capital deepening, and aggravated the longer term weakness in labour productivity growth witnessed before the crisis. More jobs with low wages have also constrained median wage growth.

In order to address Canada's long and poor record of productivity growth, the federal government must put quality jobs at the heart of its agenda. Labour market and social policy should systematically restrict precarious work and the exploitation of vulnerable workers. This entails improving access to collective bargaining for workers who want to form a union, and replacing tied work permits that bind migrant workers to their employers with open work permits and a path to permanent residency.

The federal government should end contract-flipping in airports and federally-regulated workplaces, the misclassification of employees as 'independent contractors', and employers' ability to discriminate in pay and benefits based solely on employment status (part-time, temporary and contract workers). It should also reinstate the federal minimum wage at \$15 an hour. The CLC further recommends the government restore the *Fair Wages and Hours of Labour Act*, and return the threshold for applying fair wage and employment and pay equity requirements under the Federal Contractors Program to \$200,000. Budget 2019 must also include adequate funding for increased Labour Program inspectors to enforce compliance with federal labour standards, and for the additional staffing and enhanced training for health and safety officers necessitated by Bill C-65.

The federal government should also formally commit to achieving full employment, especially since Canada still continues to have significant reserves of unutilized and underutilized labour. Long-term unemployment remains high relative to the pre-crisis peak, and youth, workers of colour, workers with disabilities, and especially Indigenous peoples continue to experience higher levels of unemployment and underemployment. The employment rate, 61.5% in June, remains well below pre-crisis levels, and the

employment rate for young people continues to be subdued, with over 700,000 youth neither in employment, education or training.

The CLC urges the government to develop a comprehensive labour market strategy involving employers, unions, community groups, governments, persons with disabilities and their allies to provide increased employment opportunities for individuals with disabilities. The government should also increase and make refundable the federal disability tax credit for people with disabilities, clarify eligibility rules, and simplify the application process.

Skills Agenda

In order to prepare workers to adapt to technological change and emerging skills needs, the government should build capacity to anticipate and develop competencies for future requirements. It should also lead on implementing a right to continuous workplace training and lifelong learning. Given that strong literacy and essential skills are vital for equal participation, and are the foundation for lifelong learning, the government should ensure core funding for literacy organizations, and invest in a new national workplace literacy program delivered in partnership with trade unions. The government should prioritize broad access to training opportunities, for women as well as men, and groups with fewer opportunities including youth, lower skilled workers, workers with disabilities, newcomers to Canada, and workers of colour.

The federal government should also expand vocational education and training opportunities for youth, including in-work apprenticeships and on-the-job experience, while recognizing the vital role of public education and community colleges. The CLC continues to urge the government to mandate employers to hire and train apprentices on federally-funded infrastructure projects. The federal government should foster tripartite mechanisms to engage employers and workers in decisions about training provision, including in specific sectors. The government should also continue to invest in Just Transition measures to assist workers, their families and their communities affected by climate change policy to access training and employment services, adjust to new jobs, and transition to retirement.

Child Care

The CLC recommends expanded investment in productivity-enhancing programs such as universal, high-quality, accessible, public child care, which has been shown to significantly boost women's labour market participation and training, to say nothing of the positive impact that investments in quality early learning and child care can have later in life. The government's current child

care commitments are far too conservative and should be significantly expanded, increasing the number of childcare spaces available and reducing fees, even as rising labour-market participation among mothers and associated taxes offset the cost of the program. The government should also commit to full inclusion of children with disabilities, and recognize that Indigenous peoples need sufficient resources to develop their own child care systems.

Green Economy and Jobs

To stimulate private investment while meeting its carbon emission-reduction targets, the Government of Canada should be much more ambitious with respect to investing in economic transformation for environmental resilience and sustainability. This means a much bolder plan of public investment in environmentally-resilient infrastructure, renewable energy, public transit, and energy efficiency and home and building retrofits. This could also serve as the framework for sustained, long-term investment in low-income urban youth and their communities in order to counteract the forces of inequality and unfairness, discrimination and oppression that fuel violence and despair.

Pharmacare and Healthcare

National Pharmacare will improve health outcomes and the financial security of low and modest-income households, as well as for vulnerable groups, such as people of colour and Indigenous peoples, and groups with specific health needs such as the LGBTQ2SI community. Not only will a universal single-payer Pharmacare program save lives and billions of dollars in prescription drug spending, it will strengthen competitiveness by lowering labour costs and improving labour mobility.

The CLC urges the federal government to commit to a long-term, national health funding arrangement with the provinces and territories that reverses the cuts set in motion by the previous government, and significantly increases the federal government's share of funding health care spending. It also calls on Ottawa to enforce the principles of the *Canada Health Act*. The federal government should work with provinces, territories and stakeholders to develop a national seniors' care strategy, including new investments in home care and community support services.

Employment Insurance

To address the crisis in EI coverage, the CLC has consistently supported a single national eligibility standard for EI regular benefits with a 360-hour

threshold, raising the replacement rate for insured earnings to 60%, and resting benefit and duration calculations on the basis of a 30-hour work week. The federal governments should review the valid job separation eligibility requirement, so that claimants' benefits are protected if they take a job that they subsequently leave because it is not a good fit. The government should also reverse the 2014 decision to create new economic regions in the three territories and PEI, and restore the previous boundaries.

Currently, the Employment Insurance sickness benefit assumes that qualifying individuals are fully withdrawn from work during their benefit claim, and therefore does not allow partial employment earnings to top-up their benefits without a full clawback of sickness benefits. The CLC recommends reforming the clawback of EI sickness benefits to permit workers to top up their income. The government should also expand the number of weeks for sickness benefits to deal with episodic or long-term illnesses.

Tax Fairness

The CLC recommends that the government eliminate regressive tax loopholes that almost exclusively benefit high-income earners. In conjunction, the government should initiate a comprehensive public review of tax expenditures and loopholes through which wealthy individuals and corporations succeed in avoiding their fair share of taxes.

Foreign e-commerce firms should be taxed appropriately in order to create a level playing field for Canadian providers. The government should apply GST/HST sales taxes to imports of digital services on the basis of where the customer lives, not on the basis of where the seller is. It should also end the tax deduction for advertising on foreign internet platforms such as Facebook and Google.

The CLC recommends that the government clamp down on corporate tax dodging through offshore tax structures. Corporations should be required to demonstrate that their offshore subsidiaries are engaged in actual economic activity in order to qualify as separate corporate entities for tax treatment purposes. They should also be subject to a 10% cap on the interest payments they can expense to offshore subsidiaries. Finally, the CLC recommends that the federal government establish a robust, publicly accessible beneficial ownership registry of companies alongside the provinces and territories.

Domestic and International Poverty Reduction

The government's Canadian Poverty Reduction Strategy should put in place a comprehensive plan to eliminate poverty in Canada, with coordinated investments and reforms in the following areas:

- Income security
- Jobs and employment
- Early childhood education and care
- Housing and homelessness
- Health
- Food security

The CLC recommends that the federal government increase the Canadian Social Transfer to fund social assistance and support for people with disabilities.

To reduce low income and financial insecurity in retirement for low and modest-income individuals, the government should increase the flat-rate Old Age Security benefit and index it to average wage growth. The CLC also recommends that the government take steps to reform the federal insolvency regime in order to better workers' protect pensions and benefits in creditor protection and bankruptcy.

Canada's Overseas Development Assistance lies at roughly 0.28% of gross national income (GNI), well below the 0.7% of GNI target set by OECD donors. The CLC urges the government to increase Canada's ODA envelope to the 0.7% level and develop an international assistance effectiveness action plan, together with clear targets in line with international aid and development effectiveness commitments. The CLC further recommends that that the government establish a whole-of-government framework for achieving and measuring Canada's progress toward meeting the Sustainable Development Goals at home and abroad.

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