



# Canadian Union of Public Employees

Submission to the House of Commons  
Standing Committee on Finance

**Pre-Budget Consultations  
for the 2018/19 Federal Budget**

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**CUPE**

www.cupe.ca  
1375 St-Laurent Boulevard  
Ottawa, Ontario, K1G 0Z7  
613-237-1590

## Introduction

The Canadian Union of Public Employees (CUPE) is Canada's largest union, with 650,000 members who deliver quality public services through municipalities, health care, community and social services, schools, universities, libraries, electric utilities, transportation, communications and many other sectors in communities across Canada.

We acknowledge and commend the government for some of their actions on issues like pensions and health care so far, but want to engage on the implementation of these policies. We also applaud the government's broad public consultation and general support for equality, diversity and human rights, which CUPE encourages.

Economists consider higher productivity as the key to achieving higher living standards and competitiveness, but when workers are told to be more productive, it usually means they must work harder and longer for the same or less pay.

This is because most workers have not benefited from our dwindling productivity growth over the past decades, with real wages stagnant. Instead, most of the gains from growth have been amassed by corporations and those earning top incomes. Over the same time, Canada's productivity growth has dwindled. This is no coincidence.

Corporate and capital tax cuts, public sector austerity, deregulation, privatization, and expansion of corporate power through trade and investment agreements has led to greater inequality and also resulted in increased corporate concentration in an increasingly "winner takes all economy," rising rates of precarious employment, and lower rates of investment, productivity and economic growth.

Some prominent advocates of these policies [now admit they have not worked](#), while bodies such as the Organization for Economic Cooperation and Development (OECD) [peddle rehashed versions](#), oblivious to the fact that what benefits a few large multinational corporations does not benefit everyone to the same degree. Instead, what's good for these largest firms may be bad for the rest of us, as they gain monopoly power in many markets, stifle innovation and shed jobs.

In recent years the debate over productivity and economic growth has swung between polar visions of a world where [robots have stolen our jobs](#) and one in which we're condemned to [secular stagnation](#). Neither looks particularly attractive to working Canadians. No wonder [there are more Canadians who think they'll be worse off in five years](#) than those who think they'll be better off. And that degree of pessimism can create a self-realizing vicious cycle.

We need a new paradigm for productivity, one that focuses on people. Studies estimate that [weak demand growth](#) was responsible for over 90 per cent of the decline in productivity in recent decades, and that [higher minimum wages boost productivity](#). This means instead of focusing solely on increasing productivity, we should focus on improving living standards and wages, particularly of the lowest paid – and then productivity growth will follow.

A number of European countries have considerably higher levels of productivity than Canada, along with higher average market wages and "social wages": the value of their public services. Their workers are more productive because they have higher levels of social investment, their time at work is more productive and their quality of life is higher.

Quality public services increase productivity both directly and indirectly in different ways. Investments in child care, education, health care and infrastructure all demonstrate high direct rates of return on investment. Public delivery of public services is highly efficient in an economic and social sense. Public services also play an invaluable role in increasing our social cohesion and social capital, which in turn increase both our productivity and quality of life.

## **Good Jobs**

We commend the federal government for restoring fairness to labour laws and for its willingness to engage with labour unions on several issues.

However, there is more that needs to be done to generate good jobs, which is key to the government's priority of building a strong middle class.

- A modernized fair wage policy that applies more broadly to federal procurement and requires that procurement and funding meets a threshold of social and environmental standards.
- Closing the gender pay gap would ensure economic stability for women workers and by extension, for their families. The federal government should commend the provinces that have committed to a \$15/minimum wage (Alberta, Ontario and potentially British Columbia) and do the same in the federal jurisdiction.
- Proactive pay equity legislation at the federal level and encouraging provinces and territories to follow suit is key to building equality in Canada, given that women tend to be clustered in the public sector.

## **Employment Insurance**

We welcome the positive reforms this government has made to Employment Insurance (EI), including the reduction of the waiting period from two weeks to one week. We do feel that the qualifying hours for all claimants should be 360 hours. But the government is on the wrong track when it comes to the Social Security Tribunal. This tribunal system is poorly structured, poorly managed, and does not respect basic notions of fairness and justice.

CUPE recommends that the federal government end the Social Security Tribunal and restore the Employment Insurance Boards of Referees, the EI Umpire, the CPP and OAS Review Tribunals, and the Pension Appeals Board. Further, the government must include the voices of workers and local representatives who understand the local context in the system and the appeals process.

## **Post-Secondary Education**

CUPE has long advocated for the federal government to take a leadership role in post-secondary education (PSE). This includes enshrining the right to PSE in law, and a dedicated transfer to the provinces and territories that addresses funding shortfalls and the rising cost of tuition. Canada is number one in the world for the number of 25-34-year-olds with a college diploma, but only 12<sup>th</sup> when it comes to 25-34 year-olds with a university degree. Canada's financial commitment to all levels of education has also been on a downslide. OECD research shows that Canada is tied for 26<sup>th</sup> out of 33 countries for the rate of funding coming from public, rather than private, sources.

Understanding that the key to long-term economic stability for residents lies in access to PSE, provinces like Newfoundland and Labrador, Ontario and New Brunswick have begun to provide better supports to low-income students. But the federal government needs to come to the table with a *Canada Post-Secondary Act* to ensure national standards and with dedicated transfer payments for post-secondary education.

## Public Infrastructure

Quality public infrastructure is essential for increasing the productivity of Canadian people and businesses.

CUPE strongly supports increased funding for public transit, affordable housing, social, community and green infrastructure. However, federal infrastructure investments could achieve higher social, economic and environmental returns on investment if it and other federal contracts were required to meet a platform of social and environmental standards, including provision of decent wages, labour rights, pay equity, representative workforces, high standards of corporate responsibility and consideration of environmental impacts.

Public infrastructure should be publicly owned, financed and operated. Public-private partnership (P3) projects [cost far more](#) than if they were publicly financed and operated. Using private financing through the new Canada Infrastructure Bank is likely [to double the cost](#) of these projects. We oppose pension fund investments in public infrastructure because they will simply increase costs. Privatization of public infrastructure also leads to higher user fees and gouging because projects like these come with some degree of natural monopoly power. These monopoly revenues may be attractive for private investors but are regressive [and damaging](#) for [the economy](#).

## Pensions

We commend the government for improving the Canada Pension Plan, increasing the Guaranteed Income Supplement (GIS) and restoring the age of eligibility for OAS and GIS to 65. However, the federal government should aim to further expand the CPP and other elements of the public pension system, including OAS and GIS, so all Canadians have access to decent retirement security, and reduce reliance on RRSPs and TFSAs, which are both more regressive and riskier.

More immediately, CPP legislation should allow for child-rearing and disability drop-out periods on all CPP benefits and it should also ensure that the CPP remains a defined benefit plan. We also urge the government to withdraw Bill C-27, which would allow federally-regulated employers to retroactively change defined benefit pension plans into less secure target benefit plans.

## Early learning, child care and parental leave

Numerous studies have confirmed the economic and social benefits of early learning and child care. It generates far more jobs than other sectors, returns an estimated \$2 in benefits for every dollar invested and can pay for itself in fiscal terms.

We are glad the federal government is moving forward with a national early learning and child care framework. However, this should ensure quality, universality and affordability for all and not be targeted. Furthermore, the funding announced in Budget 2017 is not sufficient.

CUPE urges the federal government to provide additional funding that progressively grows over the next decade. The framework negotiated with provinces and territories should be consistent with the shared framework developed by child care advocates and support the right of Indigenous communities to establish and control their own systems. Funding should be made available to improve wages, working conditions and training for child care workers.

We support an expansion of parental leave but the measures introduced so far merely stretch out existing benefits for a longer period at lower rates. This does nothing to help the many who cannot afford to take parental leave under the present system or who do not qualify. Instead the federal government should expand access and increase benefits [similar to what Quebec provides with its Quebec Parental Insurance Plan](#) (QPIP).

## Health care

Improvements in health care [are estimated to be responsible](#) for about 25 per cent of the increase in labour productivity in industrialized countries in recent decades.

We welcome the commitment to provide additional funding for health care, including mental health and home care. However, we believe there is a need for more support and leadership on health care, particularly by implementing Canada-wide initiatives in the following areas:

- Establish a national universal pharmacare plan, developed with provinces and territories to ensure everyone has access to medically-necessary prescriptions, and stronger regulation over drug costs.
- A significant expansion of public funding for continuing care, including public/non-profit residential long-term care, community and home care, and palliative care, and ensure consistency across the country.
- A national strategy to make Canadians the healthiest people in the world, which would include the social determinants of health such as lifestyle, income inequality, job security, education, and affordable housing.
- Enforce all aspects of the *Canada Health Act*, especially in regard to public administration and comprehensiveness, so that all Canadians have equal access to health services across the country.
- Provide new funding for any new programs with matching federal support, and a plan for long-term financial sustainability so that existing funding shortfalls are not aggravated.

## Fair Taxes

There are many ways governments can increase both tax fairness and their revenues. The federal government promised to reduce regressive tax loopholes and tax expenditures. These would provide significant additional revenues for the federal and provincial governments. We recommend that the government consider:

- **Eliminating the stock option deduction** which allows CEOs to pay tax at half the rate that workers do, would provide the federal government with an additional \$700 million annually and about \$400 million more annually for provincial governments.
- **Taxing income from capital gains and investments** at the same rate as other income would provide the federal government with at least \$10 billion more annually, and provinces with at least \$5 billion more annually.
- **Increasing the federal corporate income tax rate** to the 21 per cent rate it was in 2006 would provide the federal government with an additional \$10 billion in revenues.
- **Leveling the playing field and taxing foreign e-commerce companies** like Uber, AirBnB, Netflix, Facebook, Amazon and Google on the business they do in Canada would generate about \$1 billion, and would help preserve jobs in Canada.

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