



Brief Submitted by the Confédération des syndicats nationaux

To the Standing Committee on Finance

For the Pre-budget consultations for Budget 2021

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Recommendations

1. During the COVID-19 crisis, continue to support households and businesses using the government's borrowing capacity.
2. Do not reduce transfers to the provinces, as was done to lower the budget deficit in the 1990s.
3. Resist calls for tax cuts and regulatory rollbacks from business.
4. Keep the Canada Emergency Response Benefit (CERB) in place until the crisis is over and the most affected sectors can resume operations.
5. Reform and enhance the Employment Insurance program.
6. Improve access to long-term training and financial support for workers looking to change occupations, especially those who lost their jobs during the crisis.
7. To help the economy recover, accelerate infrastructure investments designed to combat climate change, including investments in public transit.
8. Increase the domestic presence in certain key economic sectors, including the bio-food, pharmaceutical and medical equipment industries.
9. Establish a universal public pharmacare program, as recommended by the Advisory Council on the Implementation of National Pharmacare in its final report in June 2019.
10. Impose a temporary tax on the GAFA companies (Google, Apple, Facebook and Amazon) until the tax measures proposed by the Organisation for Economic Co-operation and Development (OECD) can be implemented.
11. Prevent businesses from repatriating dividends from tax havens tax-free.
12. Award the polar icebreaker contract to the Davie shipyard, as the Seaspan shipyard has proven that it cannot complete this project.

The Confédération des syndicats nationaux (CSN) consists of nearly 1,500 unions. It represents over 300,000 workers in some 4,500 workplaces located mainly in Quebec.

In view of the next federal budget, the CSN offers the following comments and recommendations.

Public finances

The federal plan to combat COVID-19, which will cost \$227.9 billion, and a drop in government revenues following the health crisis have inflated the projected budget deficit for 2020–2021 to \$343.2 billion, or 15.9% of GDP. This deficit would push the debt-to-GDP ratio to 49.1% of GDP, slightly below its level in 1998–1999. The CSN applauds the federal government's massive intervention in the economy to support business and worker incomes and prevent long-term economic damage. Without the federal government's income support measures, personal and commercial bankruptcies would have skyrocketed, dramatically lowering many Canadians' standard of living and undermining the economic recovery. As the COVID-19 crisis continues, the government must keep supporting households and businesses by making use of its borrowing capacity.

If public health policies manage to control the pandemic, the government budget deficit should decline significantly by 2021, as many industries will be able to resume operations. In the meantime, the federal government should not attempt to shrink its budget deficit by reducing transfers to the provinces as it did to restore fiscal balance in the 1990s. In the current context, the federal government should obviously increase its health transfers to the provinces, not reduce them. The provinces also need federal transfers for post-secondary education and social assistance to be maintained. Moreover, the government must resist calls for tax cuts and regulatory rollbacks from business, as the resumption of economic activity largely depends on increased domestic and foreign demand, not on lower costs for business.

Government response to the health crisis

Income support for individuals

The COVID-19 crisis has revealed the many holes in Canada's social safety net, especially those in the Employment Insurance (EI) program. The scale of the economic slowdown caused by the public health response led the federal government to create the Canada Emergency Response Benefit (CERB) and then the Canada Emergency Wage Subsidy (CEWS).

✓ Canada Emergency Response Benefit (CERB)

As the economic recovery begins, the question of when to end this unprecedented income support program has come to the fore. However, Canada and Quebec are still a long way

from February employment levels. In addition, the CERB mainly benefitted low-wage workers, especially women who work in sectors hit hard by the health crisis.

Between February and May, the accommodation and food services sector laid off the most workers, at a rate of over 45%. The information, culture and recreation sector followed, laying off 25% of its workers. A number of other sectors still have 10% to 20% of their staff out of work. Given the state of the labour market, the CERB should be extended beyond 24 weeks. Ideally, the CERB should be maintained until the crisis is over and the most affected sectors can resume operating. Ending the CERB prematurely would cause serious financial challenges for many workers. It would also prevent Canada's economy from rebounding quickly.

Society needs to show solidarity with workers in the sectors most vulnerable to the virus. These sectors—such as culture, food services, hospitality and tourism—are disproportionately affected by the public health measures. Workers in these sectors are among the lowest paid in the labour market and are already suffering a great deal from the fight against the pandemic; they must not be deprived of income support before life returns to normal. Such an outcome would directly contribute to greater income inequality.

✓ **Canada Emergency Wage Subsidy (CEWS)**

Since the start of the crisis, the CSN and other organizations have pressured the federal government to implement a wage subsidy program similar to those in several European countries. The CEWS appears to have supported some 3 million jobs since it was introduced. Yet the program was not as successful as expected, so its total cost may be lower than the government's projections.

The government seems to want to shift CERB recipients onto the CEWS. However, because the CEWS depends on employer buy-in, it may not be able to effectively take over for the CERB, despite recently being made more generous and flexible. Unfortunately, the subsidy's effectiveness depends on the goodwill of employers, some of whom pay little heed to their social responsibilities. If the new version of the CEWS is no more successful than the original, many workers could find themselves in financial difficulty. As a result, we are calling for the CERB to be kept in place until the recovery is on a stronger footing and EI has undergone significant reforms.

✓ **Employment Insurance program and training**

In the economic and fiscal update, the government announced that about 45% of CERB spending, or \$36.2 billion, would be financed from the EI fund. Since the EI surplus amounts to only \$5 billion, this implies significant changes to EI. The need to finance the costs of the current crisis should not be a pretext for delaying overdue enhancements to the program. These enhancements are all the more necessary given that the government's unparalleled income support programs will soon come to an end.

The EI program urgently needs an overhaul. Along with other Quebec labour federations, the CSN has developed a set of proposals for EI eligibility, benefit duration and income replacement rates. For years, we have condemned the gaps in EI for seasonal and part-time workers. The pandemic-induced freeze of economic activity also showed how financially vulnerable self-employed workers are. Granting them access to the CERB was an excellent decision. Yet, because the program is temporary and despite our calls for it to be extended, we believe permanent social safety net measures for these workers are necessary and should be implemented rapidly. This is especially important because so many of these workers are employed in sectors where the recovery is fragile because new health measures have been imposed. One example is the arts, culture and events sector.

Programs are also needed to help workers who lost their job in the crisis and want to change occupations. These workers need access to short-term training, but also to recognized long-term skills training programs and financial support measures.

Economic recovery policy

The CSN believes the federal and provincial governments should adopt a more interventionist industrial policy and play a central role in coordinating and planning economic development. This role would include ongoing collaboration with key economic players, including labour federations. The economic recovery policy must have multiple objectives. They should include the following:

- In some economic sectors it is already clear that supply and demand will be markedly different after the crisis. This upheaval will make major restructuring and business model changes necessary. Government programs must help industries through these needed transformations.
- Governments must take extraordinary measures to enable small businesses to survive the current recession. This is particularly important in Quebec, whose economy depends primarily on small business.
- The CSN believes that business support programs should be targeted, as budgetary and financial assistance is often more effective and less costly than broad-based tax cuts and other supports.
- The COVID-19 crisis is a short-term environmental crisis, but it should not obscure another environmental crisis, that of global warming, which is equally serious and threatens the future of humanity. The federal government must accelerate its climate change-related infrastructure investments, including those in public transit. This is also the view of every international institution, including the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF) and the United Nations (UN).