Submission by the

Canadian Labour Congress

to the

House of Commons Standing Committee on Finance (FINA)

Regarding 2018 Pre-Budget Consultations

August 2017

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Executive Summary

With Canada's economic recovery gaining momentum but facing significant short-term risks, Budget 2018 should maintain an accommodative fiscal stance to support sustainable, inclusive growth. The Government of Canada should undertake necessary investments in health care, education, and infrastructure to generate good jobs, improve living standards, and reduce greenhouse gas emissions over the medium and long term. These investments should be supported by progressive tax reforms to expand fiscal capacity, and by taking advantage of low long-term interest rates and the strong fiscal position of the federal government.

Fostering Green and Inclusive Economic Growth

The Liberal government's 2016 budget commitments on child benefits, public pension increases, and public infrastructure commitments gave a limited boost to federal expenditures, lifting them slightly as a share of GDP. Budget 2017, however, largely maintained the status quo, opting to postpone necessary investments and tax reform. Despite this, non-residential business investment in Canada, including non-oil and gas investment, remains weak, while labour-market slack persists in most parts of Canada [Bank of Canada 2017]. In light of continued favourable rates for long-term borrowing and a low debt-to-GDP ratio, the federal government should adopt a more ambitious fiscal approach that expands public investment in infrastructure and social programs, and implements long-overdue tax reform.

Expanded public investments are needed to support the transition to a low-carbon economy, but also present major opportunities for the large-scale creation of good jobs. Along with its partner organizations in the Green Economy Network, the CLC has called for investments of $81 billion over 5 years in order to develop renewable energy, home and building retrofits, and low-emissions public transportation in urban centres.

The present scale of renewable energy investments is insufficient to achieve the level of transformative change needed to meet Canada's 2030 emissions-reduction target. The Government of Canada should implement a bold program of targeted investments over the next five years for renewable energy development and infrastructure, including job creation and greenhouse gas (GHG) reduction targets, in order to boost electricity generated from solar, wind, and geothermal energy sources.

Budget 2018 should introduce a national green homes and buildings strategy focused on investing in retrofits, energy efficiency and conservation. The government should deploy Employment Insurance funds to assist and fund the use of retrofits as an opportunity for laid-off workers to finish apprenticeships, gain skills, and improve the housing stock in areas suffering persistent unemployment and underemployment. In general, the 2018 budget should develop broadly-based Just Transition programs to enable the re-employment of workers and families affected by climate change policy (especially in the non-renewable energy sector) through skills training and programs to cover training, moving, relocation and compensation costs.

The federal government should collaborate with provincial governments to develop a national public transportation strategy featuring predictable long-term funding. Intercity passenger rail should form part of its strategy for encouraging fuel-efficient modes of transportation, boosting productivity, and reducing GHG emissions.

Wage Policy

The 2018 federal budget should promote measures to strengthen wage formation. A more robust and sustainable increase in household incomes and consumption will require strong wage growth [OECD 2017]. Yet persistent labour-market weakness, reflected in long-term unemployment and reduced average hours worked, means that wage growth is projected to continue to be modest.

Budget 2018 can reinforce stimulus measures by simultaneously raising labour-market standards and bolstering workers' bargaining power. Downward pressure on unions, in Canada and throughout the OECD, has been an important factor in rising inequality, the decoupling of productivity increases and wage growth, and rising household indebtedness. Having ratified ILO Convention 98 in 2017, the Government of Canada has an obligation to promote access to collective bargaining and to ensure that workers who want union representation are able to obtain it.

As part of its approach to inclusive growth, and in conjunction with the provinces and territories, the federal government should develop a robust national poverty-reduction strategy that includes strengthening employment standards (including the introduction of a federal minimum wage). Budget 2018 should also introduce a multifaceted strategy to promote good jobs and decent work that incorporates an end to the systematic violation of labour rights of low-wage migrant workers in Canada.

Gender Budgeting

Budget 2017 contained a gender-based analysis shedding light on how the government's proposed budgetary measures would affect women's lives. While an important first step, more and better data is needed for comprehensive gender analysis, yet the key department in developing this analysis across the federal government, Status of Women Canada, remains underfunded.

The 2017 budget noted that Canada has one of the highest gender pay gaps among OECD countries. However, the budget did not include any measures to ensure equal pay for work of equal value. Budget 2018 should announce that the federal government will introduce pay equity legislation immediately, as per the recommendations of the 2016 Report of the Special Committee on Pay Equity. As recommended by the Committee, this legislation should establish a distinct Pay Equity Commission and Pay Equity Tribunal, with clear and broad enforcement authority, including the ability to award costs. The government should also enact the 2004 Pay Equity Task Force's recommendation to include other equity groups in pay equity legislation, and provide resources for Statistics Canada to make public the data required to inform pay discrimination for these equity groups.

Training and Education

Strong literacy and essential skills are vital for equal participation and the foundation for lifelong learning. However, from 2006-07 to 2015, the federal government allowed the Office of Literacy and Essential Skills (OLES) to lapse funding every year, totalling $80 million in unspent funds. Budget 2018 should restore the lapsed funding for literacy programs and core funding for literacy organizations. In addition, the CLC calls on the federal government to invest in a new national workplace literacy program delivered in partnership with trade unions.

Budget 2018 should also introduce a new approach to procurement and federal transfers mandating employers to hire and train apprentices on infrastructure projects and maintenance contracts receiving federal funding. Budget 2018 should also announce that the federal government will invest $10 million per year to work with the provinces, territories and union training centres to develop and expand pre-apprenticeship training programs that help young Canadians get the skills they need to succeed in the labour market.

The federal government needs to address the challenges facing young people with respect to skyrocketing post-secondary education tuition and student debt. The CLC urges the federal government to increase funding for the Canada Social Transfer and to establish a Post-Secondary Education Act that includes dedicated funding to provide free, universally accessible post-secondary education.

Child Care

A much more ambitious federal commitment to universal quality public child care in Canada is both necessary and feasible. Budget 2017 allocated $7 billion over 10 years for early learning and child care, starting in 2018-19. However, this amount could be increased ten-fold, significantly expanding 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's commitments to date are far too conservative; Canada's spending on early childhood education and child care, at just US$82 per child in 2015, remains the lowest among the advanced economies [Petersson et al. 2017].

The federal government is shamefully failing to comply with Parliamentary and Canadian Human Rights Tribunal orders to eliminate the gap in child welfare funding for Indigenous children. The CLC joins with other civil society organizations in insisting that the federal government live up to its obligations and end the discrimination against Indigenous children and youth.

Health Care

In order to promote inclusive growth, reduce inequality and improve living standards in Canada, the federal government will need to lead the implementation of a pan-Canadian universal prescription drug program. A national Pharmacare program can be expected to result in significant overall savings from lower pharmaceutical drug prices.

The federal government will also need to undertake major investments in dramatically-expanded home and community care for Canadians. Fiscal transfers to the provinces and territories must increase in order to assist provinces and territories in making these needed investments.

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 increases the federal government's share of funding to at least 25% of health care costs. It also calls on the federal government to enforce the *Canada Health Act* and its five fundamental principles of universality, accessibility, comprehensiveness, portability, and public administration.

The federal government should work with provinces, territories and stakeholders to develop a national seniors' care strategy, including new investments in home care, community support services and long-term care facilities. This requires a coordinated and systematic approach to delivering primary care, acute and speciality care, and palliative care.

Employment Insurance

Budget 2017 was largely silent in the area of EI regular benefits. 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, and raising the replacement rate for insured earnings to 60%.

Workers should be able to get proper, timely advice from Service Canada on whether to choose the default or optional rule under the Working While on Claim pilot. 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 claw-back of sickness benefits. The CLC recommends reforming the claw-back 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 Reform

If the Liberal government remains reluctant to expand federal government borrowing as a share of GDP, it will need to deepen fiscal capacity by raising taxes to support investments in housing, Indigenous communities, and social programs like health care and child care.

The current government was elected in 2015 partly on a commitment to generate $2 billion annually by 2018 by eliminating unfair tax breaks. Budget 2017 declined to take this step, and instead projected revenues would remain essentially flat between 2016-17 and 2017-18. The 2017 budget elected not to take on some of the most regressive and wasteful of these tax breaks, such as pension-income splitting, stock option deductions, and the 50% capital gains inclusion—tax favours whose benefits go disproportionately to a small group of high-income earners. The government should cancel these regressive tax favours.

Global Leadership

Budget 2017 included no new increases to the Canadian international assistance envelope, estimating Canada's ODA for 2016-2017 at roughly 0.28% of gross national income (GNI), well below the 0.7% of GNI target set by OECD donor countries. Canada's return to the global stage and the realization of the 2030 Sustainable Development Goals, the ambitious UN agenda to end poverty by 2030, require leadership on the financial front. The release of an ambitious feminist and human rights based international assistance policy indicates a commitment to these targets. Budget 2018 must increase Canada's ODA budget to provide the needed resources to implement the policy.

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