Canadian Union of Public Employees

Submission to the House of Commons
Standing Committee on Finance

Pre-Budget Consultations for the 2019/20 Federal Budget

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Recommendations

The Canadian Union of Public Employees (CUPE) recommends the federal government:

1. Establish a national universal single-payer pharmacare plan, developed with the provinces and territories to ensure all Canadians have access to safe and effective prescription drugs, with a national formulary and an arm's length federal agency to manage the plan.

2. Commit sufficient long-term funding to establish a national early learning and child care framework, established with provinces, territories, and Indigenous peoples, that will ensure universal, affordable, inclusive, and high-quality child care for all Canadian families, with an allocation of at least $1 billion in 2019/20.

3. Create a dedicated Post-Secondary Transfer to the provinces, increase transfer funding by 40 per cent, and work with the provinces to reduce and eventually eliminate tuition fees for post-secondary education.

4. Reduce poverty and inequality and strengthen the middle class by introducing a federal national minimum wage of $15/hour and a modernized fair wage policy that applies to all federal contractors, and by restoring the threshold under the Federal Contractors Program (and for Pay Equity) to a minimum of $200,000.

5. Convert the Canada Infrastructure Bank into a truly public infrastructure bank that uses only lower-cost public financing and convert federal funding for more costly and time-consuming public private partnerships (P3s) into funding for publicly financed and operated infrastructure.

6. Continue to improve public pensions and withdraw Bill C-27 which would allow federally regulated employers to retroactively convert defined benefit pension plans into less secure target benefit plans.

7. Improve tax fairness by eliminating the tax preferences Canada provides for foreign e-commerce companies on the products they sell and business they conduct in Canada and eliminate other regressive tax preferences.

8. Focus on measures that increase productivity and competitiveness for all businesses and resist pressure to cut corporate tax rates in reaction to President Trump's recent actions.

Introduction and Background

The Canadian Union of Public Employees (CUPE) is pleased to provide this submission on *"steps the federal government can take to support and/or encourage Canadians and their businesses to grow the economy in the face of a changing economic landscape."*

Public services play a very important role in improving a nation's productivity and competitiveness. For example, it has been estimated that:

- Each dollar in public infrastructure investment generates an average 17 cents a year in cost savings for Canadian businesses.
- Improvements in public health have increased productivity by at least 20 per cent across OECD countries.
- A post-secondary degree increases individual earnings by about 40 per cent and increased educational attainment is responsible for over 20 per cent of the overall growth in productivity.
- Public investments in child care provide a social return of two dollars for every dollar invested, significantly increase employment and economic output, and can pay for themselves in fiscal terms.
- Improved universal public pensions will increase economic growth and generate more jobs; they also improve productivity by reducing barriers to labour mobility.

Higher productivity is considered key to achieving higher living standards and competitiveness. However, most workers haven't benefitted much from Canada's productivity growth over the past few decades, with average real wages stagnant. Instead, most of the gains from growth have been amassed by corporations and those earning top incomes, resulting in growing inequality.

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 increased corporate concentration in an increasingly "winner takes all economy," more precarious employment, and lower rates of investment, productivity, and economic growth.

Prominent advocates of these policies now admit they have not worked, while the Organization for Economic Cooperation and Development (OECD) and economists worldwide ponder the paradox of productivity: recent technological innovations and investments that do not translate into productivity.

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 if we focus on the ultimate end, improving living standards and wages, particularly of the lowest paid, then productivity growth will follow.

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 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.

Health care & Pharmacare

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. Canada needs a national strategy to make us the healthiest people in the world, and a significant expansion of public funding for continuing care, including public/non-profit residential long-term care, community, home, and palliative care.

However, our priority health care recommendation is for the federal government to **establish a national universal single-payer pharmacare plan**. This must be developed with the provinces and territories, to ensure universal access to safe and effective prescription drugs, include a national formulary and an arm's length federal agency to manage the plan.

Parliamentary studies have concluded this would not only provide equitable universal access to prescription drugs, but could also save Canadian employers, workers, and governments $8 billion or 30 per cent compared to current spending on prescription drugs. On average, each Canadian household spends over $1,000 out of pocket on prescription drugs and private health care plan premiums, with employers paying thousands per worker. A national public pharmacare plan would significantly reduce these expenses for both Canadian households and employers. Canada's single-payer public health care system already provides employers with a significant cost and competitive advantage compared to American employers; in these times of uncertainty over trade and investment, a national pharmacare plan can only help.

Early learning and child care

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 $1 invested, and can pay for itself in fiscal terms. A national early learning and child care system should ensure quality, universality, and affordability for all, be publicly managed, and be public/non-profit delivered. This system should 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.

The federal government should commit a minimum of $1 billion in 2019/20, rising by $1 billion annually, until total spending on early learning and child care in Canada reaches the international benchmark of 1% of GDP. As the International Monetary Fund (IMF) recently suggested, if the federal government provided $8 billion in funding for child care, it would pay for itself in fiscal terms by increasing the labour force participation rate of women and increasing GDP by about 2 per cent.

This would not only be good for the economy but would also significantly reduce inequalities, promote gender equality, increase affordability for parents, and provide important long-term benefits for our children and our future.

Post-Secondary Education

Federal support for post-secondary education (PSE) as a share of total spending has declined, while tuition fees have escalated, during a time when post-secondary education has become increasingly essential. Federal transfers for PSE, at a notional 25 per cent of the Canada Social Transfer, are about $3.5 billion, just a quarter of total provincial contributions, far below the 50/50 share they had been and equivalent to about 10 per cent of total PSE revenues. As the government's funding share has declined, the share borne by students through tuition and other fees has increased by 50 per cent since 2000.

We recommend the federal government create a dedicated Post-Secondary Transfer to the provinces, increase PSE transfer funding by 40% or $1.5 billion in 2019/20, and work with the provinces to reduce and eventually eliminate tuition fees for post-secondary education.

Better Jobs and Greater Equality

While the economy has grown, and the unemployment rate is down to a 44-year low, wages are still barely keeping up with inflation for most working people, and inequality has increased.

We recommend the federal government introduce a federal minimum wage of $15/hour and, as promised in the last election, introduce a modernized fair wage policy that applies to all federal contractors. It should also restore the threshold under the Federal Contractors Program (and for Pay Equity) to a minimum of $200,000, the threshold for federal fair wage, employment equity, and pay equity measures that applied before the Harper government raised it to $1 million in 2012.

Public Infrastructure

Quality public infrastructure is essential for increasing the productivity of Canadian people and business. CUPE strongly supports increased funding for public transit, affordable housing, and social, community, and green infrastructure.

Municipalities are also rightly concerned that funding committed for infrastructure is not flowing as promised. The effectiveness and flow of infrastructure investments could be significantly improved if it were all publicly 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. Privatization of public infrastructure also leads to higher user fees and gouging, which may be attractive for private investors but are regressive and damaging for the economy. We urge the federal government to convert the Canada Infrastructure Bank into a truly public infrastructure bank that uses only lower cost public financing and convert federal funding for more costly and time-consuming public private partnerships (P3s) into funding for publicly financed and operated infrastructure.

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 continue to improve public pensions and withdraw Bill C-27, which would allow federally regulated employers to retroactively convert defined benefit pension plans into less secure target benefit plans.

Fair Taxes

There are many ways governments can improve tax fairness, revenues, and competitiveness. Closing unfair and ineffective tax loopholes (such as stock options, capital gains, and other regressive tax loopholes) while making the tax system simpler and fairer could raise $18 billion in additional revenue, all without raising taxes for the vast majority of Canadians.

The federal government must immediately take action to eliminate the tax bias against Canadian businesses by levelling the digital playing field and taxing foreign e-commerce and digital giants such as Uber, Airbnb, Netflix, Facebook, Amazon, and Google on the services they sell and the business they do in Canada. This tax preference for foreign companies and against Canadian businesses makes no sense, has contributed to the loss of tens of thousands of Canadian jobs and closures of dozens of media outlets, and costs the federal and provincial governments billions of dollars.

The federal government should immediately move to apply sales taxes to imports of digital services and e-commerce (as the International Trade committee recommended), eliminate the tax loophole for advertising on foreign internet platforms, and take steps to apply corporate income taxes to foreign companies on the business they conduct in Canada.

The rate of business investment has not increased as a result of deep cuts to corporate and business taxes: on the contrary, it has fallen as corporations have increased their cash surpluses. Instead of pursuing further corporate tax cuts, the federal government should focus on measures that will improve the competitiveness of all Canadian businesses, increase investment, and improve the well-being of all Canadians.

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