Submission by the

Canadian Labour Congress

to the

House of Commons Standing Committee on Finance (FINA)

Regarding Consultations in Advance of the 2017 Budget

July 2016

The Canadian Labour Congress (CLC) is Canada's largest labour central, bringing together Canada's national and international unions, along with provincial and territorial Federations of Labour and 130 district Labour Councils. We represent 3.3 million Canadians who work in virtually all sectors of the Canadian economy, in all occupations, and in all parts of Canada.

Strategic Investments in Leading Sectors

The end of the global commodity boom continues to weigh heavily on business investment and hiring in Canada. In this context, the Government of Canada should develop a program of targeted investments to foster alternative engines of growth and employment creation.

Budget 2017 should allocate funding for sectoral development initiatives in key industries, including automotive manufacturing, aerospace, and forestry, and strategic clusters such as design and publishing, and hospitality and tourism.

In conjunction with provincial and territorial governments, municipalities, employers, unions, and universities and colleges, the federal government should promote the development of strategic clusters in order to promote investment and exports, while encouraging higher value-added activity, greater innovation and environmental performance, and high-quality employment.

In 2015, the Liberal Party committed to providing loan guarantees and capital contributions to ensure that provincial and municipal infrastructure projects can proceed. The government could issue green bonds in order to fund projects such as the electrification of transportation, electric vehicle charging stations and networks, smart grid technology and transmission lines for renewable energy, and renewable energy storage.

It could also facilitate and fund innovative financing arrangements to ensure that financial institutions and utilities guarantee loans to municipal governments for property tax-based and utility-based "on-bill" financing for retrofits (see below). The government should now develop a plan to re-establish postal banking through Canada Post Corporation, in order to also finance green investments and spread local renewable energy generation in Canadian homes and communities.

Investing in Home and Building Retrofits

The CLC recommends that the government go beyond Budget 2016's social housing commitments to introduce a national green homes and green buildings strategy. A strategy promoting investment in home and building retrofits, energy efficiency and conservation will generate climate jobs will stimulate new areas of business investment, increase productivity, and help Canada to meet its greenhouse gas (GHG) reduction targets.

The federal government should work with the provinces and territories to reach agreement on national energy efficiency standards, and ensure that financial institutions guarantee loans to municipal governments for property-tax-system financing for retrofits. 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 experiencing persistent unemployment and underemployment.

Commuter and Intercity Transportation

The federal government should collaborate with provincial governments to form a national public transportation strategy, with 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.

Canada's ageing demographics and the expanding demand for commuter rail suggest that a potential market exists for rapid, efficient, high-quality passenger rail. The federal government, working with the provinces and VIA Rail, should work toward the integration of intercity and commuter rail services. It should prioritize the establishment of a dedicated track in the Montreal-Ottawa-Toronto corridor, eventually extended to Windsor and Quebec City, in order to significantly improve passenger rail service in this core market, and prepare the way for the introduction of high-speed rail.

A Renewable Energy Development Strategy

While investments in renewable energy were included in the 2016 Federal Budget, the scale of these investments was not sufficient to achieve the level of transformative change that is required to meet Canada's 2030 emissions target.

The Government of Canada should coordinate an ambitious program of targeted investments over the next five years for renewable energy development and infrastructure, including job creation and GHG-reduction targets, in order to boost electricity generated from solar, wind, and geothermal energy sources.

Supporting this, a national harmonized carbon pricing mechanism should be implemented, providing a clear price signal for businesses, organizations, and consumers, and supplying a portion of the financing for the transition to a low-carbon economy.

The federal government should also work with Indigenous, rural, and remote communities to increase access to renewable energy and facilitate local, renewable energy project development to reduce dependency on diesel.

Early Childhood Education and Care (ECEC)

High-quality, universal, affordable child care, delivered and managed by public authorities or not-for-profit programs, requires stable, predictable funding and solid, long-term planning. Currently spending only about one-third of 1 percent of GDP on kindergarten and child care combined, Canada's ECEC expenditures fall well below the international standard. The $500 million allocated in 2017 in Budget 2016 toward child care provides just the initial steps for financing a child care system.

In the medium term, however, the government needs to consider additional funds for provincial/territorial and Indigenous capital costs, operating costs, and child-care-system management costs.

The federal government needs to provide long-term, stable federal financing, not least in order to establish a common policy framework. Within a national plan, provinces, territories and Indigenous communities will be able to develop multi-year plans for designing and delivering universal ECEC programs within the overarching national framework. Predictable operational funding provided directly to services will allow provinces to move off of parental-fee based systems and ensure that professional, qualified staff are hired and retained.

Labour Market Transfer Agreements

Budget 2017 should expand the previous budget's direct job creation efforts for youth, who continue to face high unemployment and declining job quality.

The budget should expand investment in active labour market programs to provide job search assistance and training. The Liberal government committed to raise transfers under the Labour Market Development Agreements (LMDAs) by $500 million and the Canada Job Fund Agreements (CJFAs) by $200 million. Budget 2017 should expand beyond the initial increases committed in the previous year's budget and follow through on the government's full funding commitment for the LMDAs and the CJFAs.

Eligibility for accessing LMDA programs should also be expanded to include young workers, women, and newcomers who have often contributed EI premiums, but fall short of accumulating enough hours to qualify for benefits. We also recommend that EI Part I Income Benefits be extended for the full duration of LMDA training programs, so that workers can participate in longer-term training programs, even in the absence of income from work.

Oil and gas, mining, steel production, and other manufacturing industries continue to experience plant closures and significant layoffs. The budget should expand access to the Skills Development programs provided under the

LMDAs, and allocate a portion of the new LMDA funding specifically for labour adjustment services.

We urge all governments to ensure that new funds for the CJFAs are dedicated to supporting the original LMA policy objectives, especially increasing the labour-market participation of under-represented groups in the labour force, including Aboriginal people, women, immigrants, persons with disabilities and low-skilled individuals. More specifically, we urge the federal government to dedicate new funding towards labour market supports for Syrian refugees in need of language training, literacy and essential skills training, and other basic employment services to help them enter and succeed in the Canadian workforce.

In addition, we urge the government to expand access to and increase funding for two other major transfers, the Labour Market Agreements for Persons with Disabilities (LMAPDs) and the Targeted Initiative for Older Workers (TIOW).

Literacy

From 2006-07 to 2015, the federal government allowed the Office of Literacy and Essential Skills (OLES) to lapse funding every year, for a total of $80 million in unspent funds. Cuts to core funding for national and provincial literacy organizations forced most of them to shut-down completely. The OLES funding, and core funding for literacy organizations, should be restored immediately, in order to ensure the federal government plays a national leadership role in literacy matters.

Income Security

For low-income and vulnerable seniors, Guaranteed Income Supplement (GIS) benefits are reduced for every dollar of income from the Canada Pension Plan, private pensions, Employment Insurance, rental income, and employment and self-employment income above $3,500. The GIS clawback will reduce the net gain for low-income earners under the recent agreement to modestly expand the CPP. A recent research paper showed that altering the GIS clawback to exempt the first $3,500 of expanded CPP income would mean that the additional CPP benefit negotiated in June would entirely pass through to recipients with modest earnings, with no impact on their GIS benefits. The CLC recommends that the budget undertake a full review of the GIS clawback.

As many as 750,000 working-age Canadian may qualify for the Disability Tax Credit, yet fail to benefit from it, because their income is too low. The federal government should make the tax credit refundable and triple its value, ensuring that Canadians with disabilities earning less than the low-income cut-off benefit from the credit and see non-trivial improvements in their incomes.

Employment Insurance

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%.

The CLC also recommends that the government act on the recommendations of the House Committee on Human Resources, Skills and Social Development contained in its June 2016 report on EI. In particular, the budget should immediately allocate sufficient staffing and resources to Service Canada to allow the agency to quickly handle calls and in-person visits.

Workers should be permitted to choose between the current and previous versions of the Working While on Claim pilot, and to get proper, timely advice on the two alternatives from Service Canada. 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. It does not allow beneficiaries with partial employment earnings to top-up their benefits, without risking 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.

Health Care

The CLC welcomes the federal government's commitment to negotiate a new Health Accord with the provinces and territories. We urge the government to commit to a long-term funding arrangement that reverses the cuts set in motion by the previous government and commits the federal government to funding at least 25% of health care costs by 2025.

We urge 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 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.

We urge the federal government to develop a universal, national prescription drug program (Pharmacare). This could reduce total spending on drugs by as much as $11 billion while ensuring all Canadians have access to the prescription drugs they need.

The health care workforce is ageing and large numbers of retirements are imminent. The federal government should work with the provinces to develop a national, coordinated health human resources strategy to recruit, train, and retain more health care workers.

Other Recommendations

Leading from the government's review of international assistance, we urge the government to make a commitment to progressively increase Canada's international assistance envelope to reach the long-standing, internationally-agreed target of 0.7% of Gross National Income.

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