Brief submitted by
Confédération des syndicats nationaux

to the Standing Committee on Finance

for pre-budget consultations for budget 2024

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Recommendations

1. In its fight against inflation, the Bank of Canada must, at all costs, avoid triggering a serious recession like it did in the early 1990s.

2. The government must implement policies that complement the Bank of Canada's policies to slow down price growth; have more control over the cost of housing and the cost of rent; invest more in non-market housing; lower the price of government services or offer them for free; increase transfers to low-income households.

3. The government must keep its promise to reform and improve the employment insurance system, the limits of which were exposed during the pandemic. It has long stopped meeting the needs of workers.

4. The government must bring in a public, universal pharmacare program, as proposed in the Hoskins report in June 2019.

5. The Temporary Foreign Workers Program (TFWP) must give participating workers the right to change employer.

6. Candidates from francophone Africa for the International Student Program (ISP) are victims of discrimination by the federal government. This is unacceptable for a francophone nation such as Quebec and the federal government must do something about it.

7. The government must not leave it to the private sector to determine the priorities for the green technology sector and must show leadership in the development of a green economy.

8. For the energy transition to become a reality, the government must stop supporting the oil and gas industry as soon as possible.

9. Together with the other levels of government, the federal government must improve funding for public transit.

10. To protect the integrity of the tax base and ensure equity among taxpayers, the government must: set up a public registry of beneficial owners; apply an effective tax rate of at least 25% to multinationals and move forward with adopting its own tax on digital services, if necessary.

Introduction

Founded in 1921, CSN is the first large labour union in Quebec. It represents more than 330,000 workers in 1,600 unions in every sector throughout the province. It participates in several substantive discussions about Quebec society to build a stronger, more democratic, fairer, and more sustainable society.

Monetary policy and alternative measures for fighting inflation

CSN notes that the federal government has decided to let the Bank of Canada implement its traditional monetary policy of increasing its key interest rate to curb the significant inflation that began at the end of the pandemic. However, as in other countries, a return to lower inflation is proving difficult. The fact is that the Bank of Canada's policy responds better to shocks in demand than to shocks in supply, over which the monetary policy has no control. With a policy that is ill suited to the underlying causes of inflation, the concern is that the Bank of Canada will trigger a serious recession, as it did in the early 1990s.

In addition, the current restrictive monetary policy is causing an unacceptable redistribution of wealth from people who are the most heavily indebted to those who hold financial assets (from families who have to renew their mortgage to annuitants, for example). This policy is directly contributing to a growing inequality.

What is more, some economists estimate that a 3% inflation target might be better in advanced economies.[1] In addition to avoiding an acute economic slowdown and a marked increase in unemployment, a higher inflation target would have the added benefit of giving more room to maneuver within the monetary policy to stimulate the economy when necessary.

CSN believes that the government must implement policies that complement the Bank of Canada's policy to slow down price growth and protect the most vulnerable from inflation. The government must:

- Have better control over the price of housing and the cost of rent; discourage speculation in the real estate market
- Invest more in building non-market housing (community, social and co-operatives)
- Lower the price of government services or offer them for free
- Increase transfers to low-income households

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1 Olivier BLANCHARD, *It's time to revisit the 2 % inflation target – the right goal for central banks in advanced economies such as the US might be 3 % a year*, *Financial Times*, November 28, 2022.

Program spending

Employment Insurance Program

The employment insurance program has long stopped meeting the needs of workers. Even in normal times, the program is accessible to only roughly 40% of workers, when that rate was around 80% in the early 1990s. The employment insurance program was established in 1940 specifically to stabilize the economy by supporting household incomes during periods of high unemployment (recessions, or depressions). The neoliberal changes that have been made over the past 30 years have compromised the program to such an extent that it no can longer play its role as an automatic stabilizer.

An economist like Miles Corak notes that Canada has experienced several economic shocks over the past few years (recession of 2008-2009, collapse in commodity prices in 2014, the COVID-19 crisis in 2020-2021) and each time, the employment insurance program was overwhelmed by the situation. During each of these crises, the number of employment insurance benefits paid out was far inferior to the number of jobs lost.[2] That is why the program needs to be overhauled and not just tinkered at the edges so that it can once again play its counter-cyclical role.

Over the past few years, Quebec's labour unions have shared their recommendations to breathe new life into this program. The government must keep its promise to improve the employment insurance program.

Pharmacare

In its current form, Quebec's pharmacare does not have full control over growth in total spending on drugs (public and private), or accessibility due to deductibles and co-insurance that prevent some people from buying the drugs they need. The hybrid system also poses a variety of equity problems and compromises the viability of other group insurance coverage (accident, illness, and disability).

For all these reasons, CSN wants the federal government to move forward with introducing a public universal plan, as proposed in the June 2019 final report of the Advisory Council on the Implementation of National Pharmacare (Hoskins report).

2 *How to Modernize Employment Insurance: Toward a Simpler, More Generous and Responsive Program,* IRPP Working Group Report, p. 9, May 2022.

Immigration Policy

CSN considers that the following changes are needed in the immigration system:

- The Temporary Foreign Workers Program (TFWP) issues closed permits, preventing temporary foreign workers from changing employer. The government must put an end to this situation.
- Candidates from francophone Africa for the International Student Program (ISP) are victims of discrimination by the federal government. This is unacceptable for a francophone nation such as Quebec and the federal government must do something about it.

Development of a green economy

The Government of Canada has committed significant funding for the development of the clean technology sector ($18 billion in tax credits over five years, $20 billion in strategic funding, etc.) putting the country in a competitive position with the United States (the IRA is calling for public investments of $369 billion over 10 years). However, the success of this strategy cannot be measured against its funding alone. CSN has a number of concerns about the government's energy transition strategy:

- For the most part, the clean technology strategy relies on whether or not businesses are willing to take advantage of the recently announced tax credits. That said, the government is abdicating its role of coordinating the development of the clean technology sector, leaving it up to the private sector to determine the priorities. Given how important the development of this sector is to the energy transition, it would have better for the government to subsidize specific activities, as is the case in the United States.
- If carbon neutrality is to be achieved by 2050, then the energy transition needs to be done consistently. Clean energies and technologies need to replace oil and gas as soon as possible. The government keeps massively subsidizing the oil and gas sector. The government also keeps supporting the development of the oil and gas sector (for example, it recently approved the Bay du Nord offshore oil project). Finally, the existence of the tax credit for carbon capture, utilization and storage confirms that the government has no intention of scaling back the oil and gas sector, which is what is needed to fight climate change and hit the Paris agreement targets.
- The energy transition needs to rely much more on public transit since even though an electric car emits fewer greenhouse gas emissions (GGE) than a combustion engine vehicle, it does have some adverse environmental impacts. In collaboration with the other levels of government, the federal government must improve funding for public transit. Service offering is the key driver of demand for public transit. People will use public transit if the services are more frequent, more practical, and faster. For that to

happen, both capital expenditures and the operations need to be funded.[3] These investments are all the more necessary since public transit corporations are struggling to regain pre-pandemic ridership.

Taxation

CSN is a member of Échec aux paradis fiscaux. Here are some of its proposals that the government should implement:

- **Bring in a public registry of beneficial owners**

  In the interest of transparency, the government must have a public registry that discloses the name of individuals who have effective control of a company, a foundation, or a trust or who owns 10% of the shares. Implementing a registry of beneficial owners by the end of 2023 is one of the key aspects of the agreement between the Liberal Party of Canada and the NDP. It is worth noting that Quebec is the first Canadian jurisdiction to have implemented such a registry.

- **Appropriately tax multinational companies**

  The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting is built on two basic pillars. The first ensures that the largest multinationals, including large digital corporations, pay a fair share of tax in the jurisdictions where their users and customers are located. Since some countries, including the United States, are still against adopting this principle, Canada might have to go head with adopting its own tax on digital services. The second pillar ensures that multinational enterprises are subject to a minimum tax of 15% on their profits wherever they operate. CSN thinks that the tax rate for multinationals should be at least 25%.

[3] *Alternative Federal Budget 2023 – Rising to the challenge*, Canadian Centre for Policy Alternatives, p. 111, September 22, 2022.