

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Canadian Labour Congress (CLC)

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

Some eminent economists, several of whom work for banks, believe that Canada's economic recovery is stagnating because businesses are investing less, household debt levels are high and global economic growth is slow. Therefore, a public investment program must be established to create jobs right away, to contribute to achieving our government objectives, to stimulate new private investment and to increase productivity. The CLC is calling on the federal government to launch, in co-operation with the provinces and municipalities, a comprehensive, multi-year public investment program. The program should include support to help fund projects such as basic municipal infrastructure, public transport, passenger rail services, new affordable housing, new affordable daycare centres, energy conservation through building retrofits, and renewable energy initiatives. To cover the initial costs, the federal government should increase the corporate tax rate to 2008 levels, that is, 19.5%, and put the resulting funds toward universal child care benefits. This type of project will have a stabilizing influence on the economy by increasing overall demand. Furthermore, this will give members of the public access to services that are needed to close the growing income gap. It will also make Canadian communities vibrant places to live that families and companies will be drawn to invest in. The current Employment Insurance (EI) program does not account for the changing realities of the Canadian labour market, which has more part-time, temporary and contract positions right now. Only 37% of unemployed Canadians receive EI benefits; in Ontario, this figure drops to 26%. The CLC is calling on the government to instate new accessibility rules based on 360 days of work, to increase the level of benefits from 55% to 60%, and to calculate the length and amount of EI benefits based on a 30-hour work week.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

The fragility of global economic recovery will continue to affect Canada's exportation of manufactured goods, especially given the high Canadian dollar. Outside of the energy and mining sectors, which provide relatively few direct jobs, Canada's economic recovery is both weak and fragile. Canada's economy is still struggling with a much higher real unemployment rate than it was before the recession. Canada has a very low public debt ratio, and the cost of borrowing for the federal government is currently, and will remain, very low. There are many public investments that would result in major economic spinoffs through immediate job creation, more generous government payments, and productivity gains in the private sector. Private investment is still way too low, and we are still waiting for strong and consistent economic recovery in the United States and around the world. Household debt has reached an unsustainable level, to the point that people no longer have the means to maintain their expenses to stimulate the economy. There is a real risk of a "double-dip" recession if the government continues to pursue rapid debt reduction by implementing drastic cuts to public services in its budget.

Over the last 30 years, free-trade agreements and investment agreements have resulted in lower salaries, the loss of many good jobs, and weakened workers' rights. Very profitable companies such as Caterpillar have required their staff to accept major wage concessions in order to keep their jobs. As the supposed benefits of the free-trade agreements never quite lived up to expectations, we are keeping a watchful eye on Canada's perpetually expanding trade and its investment agenda. We are calling on the government to set up a new policy framework for international trade and investment that will lay out essential principles such as enforcing strict labour standards, creating good jobs and promoting sustainable economic development. Our country cannot sign new agreements that put investors' demands over workers' rights and that disregard workers' aspirations for a decent job and a decent life.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

Canada's economic success and the future prosperity of all Canadians depend on a skilled, educated labour force. While we often hear about future labour shortages, according to a Statistics Canada report, there are 5.8 unemployed people for each vacant position. Furthermore, workers who need training are having trouble taking the necessary courses. An article in the *Halifax Chronicle Herald* said that the Nova Scotia Community College received 1,700 applications for 40 spots in its metalworking program, and 375 applications for 40 spots in its plumbing program. Obviously, workers are ready and willing to undergo training and retraining based on the jobs in demand. Therefore, governments and employers must invest considerable sums in training and retraining. The CLC is advocating for a national skills development strategy to address the increasingly serious shortage of skilled workers, the aging labour force and the needs of specific groups such as new immigrants and young people. This national strategy will require co-operation on three levels. It should involve employers and workers in evaluating which skills to develop and in establishing the training initiatives needed so that the results meet the requirements of the labour force. This national strategy will require time and unlimited access to the information available on the labour market.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Canada's over-reliance on exporting unprocessed natural resources has a negative impact on its productivity. Eminent Canadian economist Jim Stanford emphasized that the productivity of resource companies tends to decrease over time and that they create only a small number of direct jobs. While Canada is becoming increasingly dependent on exporting unprocessed resources, the net increase in productivity of Canadian companies from early 2006 to the fall of 2011 (that is, 5.5 years) was exactly zero. The CLC supports measures tailored to support and create good jobs in the manufacturing sector and to maximize the creation of jobs in industries in the resources sector. This will require strategic initiatives in trade, active industrial strategies and national procurement strategies. Encouraging value-added production and investments in key sectors, as well as skills development initiatives in the ecology sector, will contribute to stimulating innovation and productivity in the labour force. Canada is currently a world leader in energy, and it could become a world leader in green energy. Incentives to produce environmentally friendly products and training for jobs in this field are essential so that Canada can encourage sustainable economic growth. The purpose of the sectorial development policy is to stimulate investment, production, job creation and exports, especially in key areas of the economy. The objective is to achieve the ideal balance between various sectors and to ensure that key high-value

sectors take on a larger share of production and jobs. Canada is well below the average for OECD countries as regards average number of hours of work, on-the-job training and employer investment in employee skills development. For Canada to remain competitive internationally, it must focus on continuing education and a knowledge economy based on advanced skills. Canada is falling behind in writing and reading skills, as well as mathematics, to the point that many people find themselves restricted to low-paying jobs requiring minimal skill. This detracts from our potential to increase productivity. The CLC recommends that the federal government take measures to create a culture based on training and skills development in the workplace. We also call on the government to act to ensure that members of Aboriginal communities have access to a good education. A higher level of education among Aboriginal youth could result in economic benefits and considerable productivity gains for our country but, more importantly, it would ensure that they have an equal chance of succeeding.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

The income gap is one of the key economic challenges faced by Canadians. A study by the Broadbent Institute showed that three quarters of Canadians see the growing gap between the rich and the poor as a major problem. This problem affects the economy in various ways, but the greatest concern for a leading-edge, knowledge-based economy is academic achievement. Children in lower-income families are more likely to drop out of school and less likely to pursue post-secondary education. In fact, 40% of children in lower-income families have only one parent who works full time, which is a sign of the increasing number of “working poor” in Canada. A national network of affordable daycare centres and an early learning program would help working parents, create good jobs for daycare workers and improve the future economic prospects for children. Quebec’s subsidized daycare program has proven how successful this model can be. According to well-known Quebec economist Pierre Fortin, the annual cost of Quebec’s subsidized daycare program is more than made up for by the increased participation of parents with young children in the labour market and by better educational outcomes. The CLC continues to call for gradually doubling CPP benefits following complete bridge financing, and we are pleased that Ontario and several other provinces support an expanded CPP. We are calling on the federal government and the provincial governments to make this solution a top priority. CPP is a much more effective way of paying out benefits that are fully indexed to inflation, and is more cost-effective than the so-called pooled registered pension plans that would cost private companies a lot more money and leave retirees with a less dependable income. We are also calling on the government to revisit its decision to increase the age at which Canadians are eligible for Old Age Security (OAS) benefits and the Guaranteed Income Supplement (GIS) to 67. These programs are very significant sources of income for seniors, especially for women and poor people. OAS and GIS benefits are a key way to reduce poverty among seniors in Canada in a cost-effective manner. According to projections, the associated costs would increase by less than 1% of the GDP between 2012 and 2030, at which point the cost of these programs would peak. We are also calling for a 12% increase to GIS benefits in order to eliminate poverty among seniors.