

Alberta Federation of Labour

Submission House of Commons Standing Committee on Finance 2001 Pre-Budget Consultations

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The Alberta Federation of Labour welcomes this opportunity to present its views on the current fiscal and budgetary policies and priorities of the federal government. A broad consultative approach to government decision-making in these areas is both democratically principled and politically admirable - if all Canadians' voices are given equal weight when decisions are finally made.

The Alberta Federation of Labour represents approximately 125,000 unionized Alberta workers in the manufacturing, construction, resource, public, and service sectors. Those workers and their families have much at stake in the federal budget. The quality and availability of health care and advanced education, the state of urban infrastructures, and the state of employment insurance all directly effect unionized Alberta workers.

Historically, the AFL has also spoken on behalf of unorganized workers - whose interests are not promoted by any form of political or social organization. These workers are particularly effected by government policies and spending on social security, social housing, child care and economic development.

In this submission, the AFL will put forward working peoples' priorities in the three objectives outlined by the Committee: *to ensure that Canada remains a major player in the new economy; to provide Canadians with equal opportunity to succeed, and to create an economic and social environment where Canadians can enjoy the best quality of life and standard of living.*

Part I: The New Economy

The 'new economy' is a vague and nebulous term, which means different things to different observers. Taken in its broadest definition, it refers to the global integration of production and consumption, the increasingly free movement of goods and capital across international boundaries, and the growing and pervasive economic impact of new communications and information technologies.

To ensure that Canada remains a successful participant in the new economy is dependent upon many diverse factors. There must be a large investment in research and development. A highly skilled and well-educated workforce is needed. Moreover, that workforce must have access to a sophisticated advanced education system to train and re-train workers in a rapidly changing economy. Capital investment that integrates new technologies in a timely and efficient manner in every sector is also a crucial ingredient. An efficient, dependable national communications

and transportation network is required. Finally, a social infrastructure that protects working people from the effects of sudden changes in the economy is necessary.

There are obvious problems confronting Canada in each of these areas.

Most research and development in the private sector takes place in the same geographical area as the corporation's head office. The Canadian economy is, in comparison to most economically advanced nations, strongly dominated by foreign-based transnationals. Consequently, we spend less on research and development than other nations.

There is no easy solution to this problem. Previous administrations have tried providing tax credits for R&D expenditures, but the program was a glaring failure. Rewarding companies for spending money on R&D without setting firm parameters on what constitutes legitimate research and without demanding some sort of performance measures made the failure of the program a virtual certainty.

However, the public sector has traditionally been a significant contributor to research and development in Canada. The work of the federal Departments of Agriculture and Health and the research work of the Canadian Forestry Service over the years are prime examples of the invaluable contribution public sector research and development can make to the Canadian economy. As well, independent research at Canadian universities has always been a significant contributor to the Canadian economy.

The most efficient and simplest cure to the nation's lagging R&D would be to increase funding directly to the federal government's own under-appreciated research efforts and to commit significant new funds to the academic researchers at our universities.

Maintaining a highly skilled workforce is essential to make full use of new technologies. That requires, first, a universally accessible, first-class advanced education system to train young Canadians before they enter the workforce.

Unfortunately, our post-secondary education system is in a state of crisis brought about by under-funding at both the federal and provincial levels. Access to universities, colleges, and technical schools is being compromised by high tuition costs. Recent data from Statistics Canada shows that average tuition fees at Canadian universities have more than doubled over the past ten years - in Alberta, they have tripled. As a result, student debt is reaching crisis proportions. Between 1993 and 1997 the federal government cut \$2.29 billion from post secondary funding. Most Institutions made up the shortfall by increasing class sizes (to the detriment of the learning environment) and by hiking tuition rates.

This is exactly the wrong direction for Canadian education policy. The high and rising cost of university education is discouraging thousands - possibly tens of thousands - of qualified young people from pursuing advanced training. This is bad news for individual students - who are not realizing their potential. But it's also bad news for the broader Canadian society and economy.

If many of our best and brightest young people are being discouraged from pursuing university education by high costs, where will employers get all the educated, high-skill workers they need to compete in the new economy? And if students aren't continuing their education to the graduate and post-graduate level, who will do the research that Canada needs to develop and maintain a competitive edge?

Further, the federal government's current policy of financing education through student loans instead of through institutional grants has made the problem worse, not better. Canada must see advanced education as an investment worth spending upon as a society - not as a benefit to an individual to whom the government is willing to 'loan' money.

Actually, the lowest possible tuition fees and the lowest possible levels of student debt are what we should be striving for in order to maintain the best-prepared workforce. Workers seeking access to retraining share much of the same problems that youth approaching advanced education for the first time face. This is particularly true for older workers displaced by new technologies. Workers generally suffer substantial economic hardship during retraining.

A good counter example to the current Canadian context can be found in the Swedish approach. In Sweden, workers made redundant by technological change are paid their full former wage during their retraining into occupations currently in demand. This is paid for partially out of the Swedish equivalent of our EI fund and partly from general government revenues. Consequently, Swedish workers embrace technological change, rather than fear it as many Canadian workers do.

The Canadian government should seriously rethink what it is doing to the Employment Insurance system. Far too few Canadians who pay into the system can access it when unemployed. Rather than skimming the surplus EI funds into general revenues and reducing EI premiums, the federal government should be using those funds to ensure that all unemployed workers maintain their income levels. Workers could then access re-training without sacrificing the quality of life that they and their family have earned.

Another requirement for successful participation in the new economy is timely investment in new technologies. This is a complex issue, since private capital cannot be 'directed' as successfully as it was before the current GATT agreement, the Free Trade Agreement and NAFTA.

There are however several options that merit consideration. The federal government could establish a capital fund that companies could access for technological innovation. The government could either supply grants in exchange for some form of equity or loan the money at preferential rates. Again, drawing upon past experience, the government could enter certain sectors as a public enterprise. Crown corporations - or their equivalent are not uncommon economic instruments in western European countries. In essence, the government could use public enterprise to 'lead by example'. Alternately, the government could pursue public-private partnerships in key industries.

Canada can enhance its position within the global economy while at the same time improving the economic security and overall quality of life for Canadian workers by developing an overarching economic strategy that focused on increased access to education, stimulating research and development, and ensuring that capital funds are available for prompt implementation of new technologies.

Part II: Equal Opportunities

Providing Canadians with equal opportunities to succeed is an objective virtually all Canadians can support. The ideal would be that every citizen, regardless of economic position, geographical location, race, gender, ethnic background, religious persuasion, age or sexual orientation should enjoy the same level and quality of health care, educational opportunities, chances for employment, and access to public services and support.

Unfortunately, this is not the case in Canada - and inequality of opportunity is likely increasing rather than decreasing. In Alberta, for example, those who can afford to pay for a private MRI can get next day service at a private clinic, while those who cannot are waiting up to six months for an appointment at a public facility. Rural Albertans do not have the same access to medical care as those in the larger urban centres. In fact, many rural communities do not even have doctors. The cost of prescription drugs has skyrocketed - putting many Canadians in economic hardship in order to pay for essential medicines.

With University of Alberta tuition fees scheduled to reach \$6,000 per year, many working families and individuals cannot afford a university education. The cost of child-care prohibits many single mothers from participating in the workforce.

Regional economic inequality also dictates individuals opportunities for good employment, access to post-secondary education and access to vital public services.

The federal government could play a powerful strategic role in minimizing inequality of opportunity in Canada. First, the federal government can establish national standards. National standards in health care could establish a level playing field for all Canadians. For example, standards for hospital beds per thousand, for length of hospital stay for various procedures, and for waiting periods for service could ensure that all Canadians receive the same quality of health care.

Similarly, national standards in education could ensure uniform levels of classroom size and tuition fees in post-secondary educational institutions. There should also be a national standard for social assistance support. The idea of one province bussing their welfare recipients to another province with higher assistance rates is grossly unacceptable. There should also be national certifications of skilled trades and for retraining programs. The long awaited national child care program is another area where national standards are desperately needed. A national Pharmacare program would also be a tremendous benefit to most Canadians.

There are many other areas where national standards could provide a benchmark to ensure that Canadians are treated equally. Water and air quality standards, food inspection standards, and workers' compensation standards are areas where the federal government could play an important role.

Clearly such national standards are only an option for the federal government if it takes the time and effort to properly finance programs in these areas. That would mean moving away from transfers to other levels of government in the form of tax points and a return to cash transfers based upon performance.

The abandonment of federal policy supporting crown corporations has also contributed to inequality of opportunity. Consider the equalizing role performed by Air Canada and CN Rail. Both of these entities, as crown corporations, provided service to centres even where it was not financially profitable. The profitable inter-city transportation subsidized the service to smaller communities. Now that those crown corporations have been privatized, those services have disappeared.

Even with Canada Post and the CBC, where the federal government has retained ownership, the government has allowed regional and even local inequalities to spring up. Rural Post Offices have been closed, and neighbourhood door-to-door delivery is provided next to city neighbourhoods that do not receive that service. Similarly, CBC now has unequal municipal and regional reporting because of staff cutbacks.

The federal government needs to reexamine its policies on federal services and federal institutions. Abandoning crown corporations, or subjecting them to the dictates of the marketplace allows inequality of access and inequality of service to become the norm. Federal institutions should have other imperatives aside from market efficiency.

Part III: Creating an Economic and Social Environment where Canadians can enjoy the best quality of life and standard of living

There are various statistical measurements to compare standards of living in an international context. However, engaging in that sort of discussion is not particularly useful. Measurements of net income or disposable income or average industrial wage are useful only in establishing a rough parameter within which you may crudely compare different countries.

What do Canadian workers generally mean when they talk about the standard of living and the quality of life? What kind of changes would they identify as an improvement in those areas?

The most obvious requirement would be wage and benefit improvements to counteract a decade of falling real disposable (after tax) income (real disposable income fell 3.3% between 1989 and 1999).

The labour movement and free collective bargaining are the most efficient (and perhaps the only) mechanism by which higher wages and benefits can be realized by the vast majority of working people. Although the federal government has jurisdiction in only a small part of Canada's industrial relations system, it does have the capacity to lead by example.

Unfortunately, that example has been a very bad one in the recent past. The federal government has been at the forefront of coercive and restrictive labour legislation. Dating from the 6&5 program of the late 1970's, federal public employees have faced unfair and punitive wage restraints. Back-to-work legislation has been used on railway workers, postal workers and port employees. Rather than being a model employer, the federal government has been a bad employer.

The government could have a tremendous effect upon Canadians' standard-of-living - not by promoting tax cuts that typically benefit the wealthy more than working people - but by influencing the national labour relations climate by negotiating real wage and benefit improvement with its own employees.

Along with wage improvements, the next most obvious need of working people is for job security. Again, the federal government, because it is the largest single employer in Canada, could exert tremendous pressure upon the labour market by moving away from term and temporary employment.

Even more importantly, the government could restore program spending and employment levels in a broad range of federal public services that have been degraded through funding cuts and staff attrition. This would have a two-fold benefit for Canadians. There would be the effect upon the labour market of a sudden influx of new permanent full-time jobs, and there would be an increase in the quality and breadth of services.

Once workers' most basic 'quality of life' needs for adequate disposable income and job security are met, the next obvious needs are for high quality health care and education systems. The need for increased federal funding and national standards in both of these areas has already been discussed in the previous section.

With most families surviving by having both parents at work, affordable, high quality, non-profit child care is another essential ingredient for Canadians' quality of life. The federal government should fund such a program - and establish national standards of care, through matching dollar grants available to the provinces. This program has been often promised and is long overdue.

Another key component to quality of life is leisure time. For too many Canadians, the intensification of work and the stresses associated with that intensification has badly undermined the quality of their leisure time. The labour movement contends that this degradation of leisure time has significantly undermined both family and community ties. The federal government should seriously consider reducing the standard workweek and increasing the overtime premium penalties on employers under federal jurisdiction. Both

France and Spain have legislated 35-hour workweeks. Several major German corporations (e.g. Volkswagen) have negotiated 32-hour workweeks. Reduced work time has the additional benefit of creating employment.

In summary, the quality of life for the vast majority of Canadians revolves around secure, full-time employment with decent wages and benefits, access to the best possible public health care and education, sufficient leisure time to enjoy the fruits of their labour, and physical and social infrastructures that provide a clean and safe environment.

Part IV: Allocating the surplus

From labour's perspective, a realistic attempt to meet the Committee's stated budgetary objectives will require a substantial proportion of the current and projected budgetary surplus (\$100 billion over the next five years).

Substantial reinvestment in ongoing program spending (not one time only lump sums as in the current budget) in health care, education and social security is badly needed. Federal transfers in these three critical areas should be restored to their previous highest level as measured by percentage of GDP.

Substantial increases in departmental research budgets and in federal government employment (to restore and expand services) are also needed. New programs like a National Child Care program or Pharmacre Program will also require substantial funding. Some form of federal financing should also be established to assist both the public and private sectors in the integration of new technologies in a timely fashion.

Under these circumstances, allocating too much of the surplus to tax cuts is counterproductive.

In the 1997 election, the Liberal Party proposed a "50-50" rule that would allocate half of any surplus to debt reduction and tax cuts, and half to restoring program spending and establishing new programs. The current budget actually allocates 60% of budget surplus to tax cuts over the next five years, while at the same time committing at least \$15 billion (and possibly as much as \$25 billion) to debt reduction. Program spending will, at best, receive only 25% of the projected surplus. That is a far cry from a 50-50 split.

The fact of the matter is that Canadians are not overtaxed. Canada's total tax receipts are slightly below the OECD average, and substantially below the European Union average.

Furthermore, most Canadians have indicated again and again that they are willing to pay their fair share of taxes to support health care, education and other public services.

If there are to be further tax cuts, then it should be regressive consumption taxes that are eliminated. The GST should go before any cuts are applied to income taxes at either the corporate or individual level.

Part V: Conclusion

The federal government is in a good position to embark on new and creative strategies to improve Canada's social and economic health. The projected budgetary surplus over the next five years could be used to stimulate research and development and to promote the integration of new productive technologies into the economy.

It could be used to restore our health care system, advanced education system and social security net.

It could be used to set a new federal standard in labour relations by allocating long-deserved wage increases to federal public sector workers, creating new jobs and reducing work time.

It could be used to create vital new national programs in child care and pharmaceutical care.

It could be used to eliminate the gross inequality of consumption taxes like the GST. Any of those uses would benefit millions of Canadians, and make their lives better. Each of them is preferable to the reduction in income taxes demanded by big business. That kind of tax break would largely benefit a very few wealthy Canadians and corporations.