



**Submission to the House of Commons
Standing Committee on Finance
2014 Pre-budget Consultation
by the
Public Service Alliance of Canada
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The Public Service Alliance of Canada (PSAC) is the largest federal public sector union, representing more than 180,000 people from coast to coast to coast. While the majority of PSAC members work for the federal government and its agencies, PSAC also represents workers in the private sector, in territorial governments and in the broader public sector including universities.

Executive Summary

After several years of eviscerating the public services that Canadians count on, the federal government must abandon shortsighted policies that further erode public services and scapegoat federal government workers and retirees.

We recommend that the federal government concentrate on real job creation and economic growth by:

- ending the spending freeze on departmental budgets and providing needed public programs and services;
- ending corporate tax cuts so that profitable corporations pay their fair share, and increasing corporate tax rates to provide the necessary revenue for government investment in public infrastructure and public programs;
- restoring the Employment Insurance fund program to provide real assistance to those workers who find themselves unemployed, rather than using the fund surpluses to offset federal deficits;
- investing the necessary funds to allow the Canada Revenue Agency to pursue wealthy and corporate tax cheats.

Balancing the federal budget to ensure fiscal sustainability and economic growth

The government's obsession with aggressive deficit reduction has been at the expense of job creation and real economic growth. It celebrates that the deficit will be 27% of GDP by 2017, the lowest of any of the other G-20 countries, despite the fact that Canada's debt at 33% of GDP is already very low by international standards.

As of June, 2014 (the latest data available at the time of writing), Canada now has a 7.1% unemployment rate. Employment increased by a mere 0.4% or 72,000 jobs over the previous year. According to Statistics Canada, "This is the lowest growth rate since February 2010, when year-over-year employment growth resumed following the 2008-2009 labour market downturn." The latest youth unemployment rate is 13.4%. More and more jobs are part-time, temporary and precarious. And these numbers don't take into account discouraged workers who have given up or those employed in part-time jobs who need and want full-time work.

But while unemployment is rising, Statistics Canada reported recently that the number of people receiving EI fell by over 12,000 workers, the largest drop in two years. In May, only 37.5% of unemployed workers were receiving EI. This is in spite of premium

rates that are keeping EI more than solvent – so solvent that the government has no compunction about using it to help offset the federal deficit.

At the same time Canada's real-GDP recovery from the most recent economic slump has been the weakest in 30 years. The size of the federal government is the smallest it's been relative to the economy in 70 years. Between 1983 and 2010, the Canadian population expanded by almost 34% from 25.4 million to 34 million, while the size of the public service over this period increased by 12.7%. Real GDP has increased by almost 100% since 1983, while federal program spending has only increased by 60.9%.

Tax rates on corporations and top incomes have been cut while the use of tax loopholes and tax havens have proliferated. Federal government tax revenues have become increasingly dependent on personal income taxes. Meanwhile, despite record profits, corporations provide just 13.6% of the federal government's revenues in the form of corporate income taxes.

In addition to reducing revenue, it has become clear that corporate tax cuts haven't meant more jobs, or any significant increase in investment in technology, equipment or training. Statistics Canada data for the last quarter of 2013 show that Canadian companies are sitting on \$626 billion in cash reserves, or "dead money". That's more than the federal debt. Meanwhile, Statistics Canada also reports that the number of minimum wage and part-time jobs has been steadily increasing.

There are alternatives to cuts in public services and corporate taxes that would not only boost economic growth but put the needs of Canadians first. Increasing the corporate tax rate even a little would provide the necessary funds to invest in public infrastructure and to maintain, improve and create important social programs. Investing in public infrastructure and public services would create stable employment and much needed opportunities for young workers.

Supporting families and helping vulnerable Canadians by focusing on health, education and training

The 2014 federal budget re-announced cuts from previous budgets and confirmed that the operational spending freeze will remain in place for the next two years. That means \$1.6 billion in cuts to departments already reeling from years of deep cuts to jobs, programs and services. In 2014 alone, federal government departments will see the implementation of \$14 billion in previously announced cuts to program spending. The Canadian Centre for Policy Alternatives estimates those cuts will mean the loss of 26,000 full time positions from the federal government since 2012, leaving far fewer workers behind to deliver services Canadians rely on.

These cuts and more to come are affecting some of Canada's most vulnerable. Here are some examples.

- Closing nine district Veterans Affairs offices has exacerbated an existing shortage of front line workers available to provide veterans and their families with the in-person services they need and deserve. Those in-person services are being replaced by on-line tools that many veterans say they can't or simply won't use. Staff in Services Canada centres are not given the training necessary to have the in-depth expertise and knowledge of programs and services necessary to assist veterans. Veterans have also been hit by the doubling of Public Service Health Care Plan premiums.
- Food safety is an essential government responsibility. Since 2012 the federal government has cut 308 workers who delivered or supported the delivery of front line inspection work. The 2014 federal budget announced 200 new hires, but PSAC's Agriculture Union says that those workers won't be doing front line inspection. Instead, they will make up verification teams that play more of an oversight role. This may be important work, but cannot make up for cuts to the delivery of hands-on, front line food inspection.
- After ignoring warnings by experts across the country and shutting down search and rescue stations in St. John's and Kitsilano, the government announced a tax credit for search and rescue volunteers like those in the Coast Guard Auxilliary. Those volunteers – some of whom are our members – do crucial work, but they know they can't make up for the loss of trained professionals or the shut down of Search and Rescue stations.
- Instead of improving access to EI benefits to the unemployed, the government has focused on small boutique improvements that will have little measurable impact on the livelihoods of Canadians with precarious employment. In addition to making it harder to access EI, nothing is being done to fix delays caused by cuts to the number of employees who do work like processing EI applications and cheques. That means people like those unable to find work or going on maternity leave will continue to experience troubling delays and undue hardship.
- The government talks a lot about young workers, but offers nothing meaningful to address Canada's 14% youth unemployment rate. Their only answer is to fund 3,500 youth internships – a measure that applies to less than 1% of the 384,000 young Canadians aged 20-29 who were unemployed as of January this year. This will do virtually nothing to alleviate the \$15 billion in student debt carried by Canadian families, despite widespread public concern about steadily declining affordability of post-secondary education.
- The government has so far refused to commit to a national early learning and child care program, which has been shown to more than pay for itself. Setting aside access to quality child care programs, the Universal Child Care Benefit of up to a mere \$1,200 per year per child can hardly address real child care costs which in some provinces can cost more than \$20,000 per year.

- The government says it is addressing violence against Aboriginal women and girls by supporting the work being undertaken by the Special Parliamentary Committee on Violence against Indigenous Women. But it continues to ignore calls by the Native Women's Association of Canada for a federal inquiry into the cases of missing or murdered Aboriginal women and girls. The Association has documented 582 cases so far and warns that more lives will be claimed unless real action is taken.

The next federal budget needs to end the departmental spending freeze and to restore the public services necessary to ensure Canadians' health and wellbeing.

Ensuring prosperous and secure communities, including through support for infrastructure

These are just two examples where federal investment would create jobs, protect the environment and support local communities.

- After cutting Parks Canada services, reducing access to National Parks, and gutting environmental protections, the government is investing a mere \$1 million for 2014-15, and \$4 million for 2015-16 of a total promise of \$391 million for infrastructure (roads, bridges and waterways) to be allocated in 2016 and beyond. The Rideau Canal alone needs an estimated \$104 million in overdue maintenance and repairs. The Trent-Severn Waterway and Lachine Canal system are also in ill-repair. In addition, the cuts to canal workers responsible for water management have left communities along the waterways at risk.
- The government has not acknowledged the need for nature conservation in National Parks, despite a finding by Canada's Commissioner of Environment and Sustainable Development that 43% of national park ecosystems are in a declining state of health. The Commissioner found that recent budget cuts to Parks Canada have significantly hampered the Agency's ability to deliver on its mandate of maintaining and restoring ecological integrity in our national parks.

Improving Canada's taxation and regulatory regimes

Canadians for Tax Fairness estimates that international tax havens alone are costing Canada at least \$7.8 billion annually. Compare the government's decision to give the Canada Revenue Agency \$13 million to audit charities and non-profit organizations with the \$15 million over five years allocated in the 2013 federal budget to investigate off-shore tax evasion. Ending the freeze on departmental spending and creating rather than cutting audit functions at CRA has the potential to significantly enhance revenue collection.

Conclusion

The federal government has yet another opportunity to promote a positive vision for Canada by investing in the future in its 2015 budget. Canada's economic situation allows the government to do more to restore the programs and services that Canadians and their communities need. It is time for a federal budget that is focused on improving the lives of all Canadians instead of further eroding public services.