

**Statement by the
Canadian Labour Congress**

to the

**House of Commons
Standing Committee on Finance
Regarding the 2011 Federal Budget**

July 26, 2010



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Congrès du travail du Canada

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Executive Summary

On behalf of the 3.2 million members of the Canadian Labour Congress (CLC), we want to thank you for affording us the opportunity to present our views. The CLC brings together Canada's national and international unions along with the provincial and territorial Federations of Labour and 130 district Labour Councils whose members work in virtually all sectors of the Canadian economy, in all occupations, in all parts of Canada.

The CLC calls on the federal government to address three key issues in the next Budget — Pensions, Employment Insurance, and Jobs. Our priorities are to:

1. Overhaul our national pension system through a package of measures, including *a doubling of Canada Pension Plan benefits* and an increase in the Guaranteed Income Supplement to a level sufficient to eliminate poverty among the elderly in Canada.
2. Improve income security for unemployed workers and help hard-hit communities by continuing and improving Employment Insurance special measures, and by expanding access to training.
3. Launch a major, multi-year public investment program to create jobs and build a stronger economy, including support for public

infrastructure development, expanded public services, energy conservation, public transit, renewable energy projects, and support for industrial restructuring.

Context

While the Canadian economy has begun to recover from the “Great Recession” in terms of the level of GDP and overall job growth, unemployment and under-employment still remain well above pre-recession levels. The national unemployment rate in June 2010 was 7.9%, well up from 6.0% two years earlier, and the employment rate of adult men was down 2.5 percentage points from two years earlier. In June 2010, the number of unemployed workers was still more than 300,000 higher than before the recession, and the total number of permanent employees was still down over 300,000 from before the recession. Statistics Canada’s broadest measure of unemployment, which counts labour force dropouts and involuntary part-time workers, stood at 10.6%.

Much of the recovery in jobs has been in low paid, part-time and temporary employment. This shows up in the fact that average hourly wages adjusted for inflation were lower in June 2010 than a year earlier. As of June 2010, over 300,000 workers — mainly adult men — had been out of work for six months or longer.

Canada continues to suffer from a jobs crisis which should be seriously addressed in the next Budget. As recently emphasized by the OECD, there is a very real danger that the long-term unemployed will lose touch with the job market and current skills needs, and become permanently unemployed. This would be deeply regrettable in both human and economic terms given that

very few new workers will be entering the workforce in the years ahead as the large baby boom generation retires.

Stimulus measures taken in the 2009 Budget — especially investment in municipal infrastructure and somewhat enhanced access to Employment Insurance and training — had some impact in alleviating the full force of the Great Recession on working people and hard-hit communities in a premature turn to fiscal austerity. But these measures need to be continued rather than scrapped. Now is the time to redouble our efforts to deal with the human impacts of the crisis, and to set the stage for shared progress in the next economy by investing in skills and the jobs of the future in areas like green technologies and rapid transit.

Pensions

The crisis exposed major faults at the heart of our pension system. Our public pensions — Old Age Security (OAS) and the Guaranteed Income Supplement (GIS), plus the Canada Pension Plan (CPP) — provide a secure income in retirement, but the maximum value of public pensions falls well short of replacing the 50 to 70% of pre-retirement income needed to maintain living standards. Meanwhile, the private part of our pension system is in deep trouble. Only about one in five workers in the private sector now belongs to an employer pension plan and is forced to rely on high cost RRSPs which generate very low and uncertain returns for most workers.

The labour movement believes that Canadians should not have to “fend for themselves” in retirement. We welcome the agreement of the federal government and most provinces to expand the Canada Pension Plan and reiterate our call for a doubling of

benefits over time, on a fully pre-funded basis, and urge that a detailed plan be developed and quickly implemented following a national pensions summit. We also call for an immediate increase in the Guaranteed Income Supplement to eliminate poverty among the elderly. The maximum GIS should be increased by \$110 per month, at an annual cost of about \$1 billion. This cost could be met by trimming back limits on RRSP contributions.

Employment Insurance and Training

Special Employment Insurance income support and training measures were an important part of the Government of Canada's response to the Great Recession.

However, several important special measures have or are about to come to an end. These include an extra five weeks of EI benefits for all regular beneficiaries to a 50-week regional maximum and a further extension of regular benefits for some so-called long-tenure workers, both of which measures expire effective September 11. Access to special EI training benefits ended in May 2010, and three important EI pilot projects will expire later this year.

While we in the labour movement have long been critical of key gaps in Canada's Employment Insurance program, there can be no doubt that it has helped hundreds of thousands of unemployed workers and many hard-hit communities weather a severe economic crisis. The number of regular EI beneficiaries peaked at 829,000 in mid-2009, and remained at 667,000 in April 2010. Taking into account that many workers move on and off EI even in a recession, likely well over 1.5 million Canadians will have used the program at some time in each of 2010 and 2011. Some

\$17 billion in regular EI benefits will be paid out in each of 2009-2010 and 2010-2011, even though the average benefit paid is well under \$400 per week.

Modest income support from EI helped working families deal with a severe loss of income following involuntary layoffs, supported active job searches, and helped high unemployment communities survive. Special measures in support of work-sharing under EI covering almost 200,000 workers helped prevent many layoffs, and some unemployed workers have benefited from special measures to provide income support for retraining.

Even at the peak of the recession, just over one-half of all unemployed workers qualified for regular EI benefits. Those most likely to qualify were male workers who had lost reasonably steady jobs. Most women and younger workers fell through the cracks. Still, the fact that the EI system is easier to access when unemployment is high, combined with the special extension of benefits and other measures, has made a significant difference.

Now is not the time to scale back the special measures. Many workers will soon or have already exhausted benefits. Between April 2009 and April 2010, the number of regular EI beneficiaries fell by 55,000 even though the total number of unemployed workers actually increased. Many unemployed workers have been cut off benefits in communities which have yet to see a significant increase in jobs.

We urge the government to continue the special measures put in place, including benefit extensions, flexibility for work-sharing arrangements, and use of regular EI benefits to support retraining of unemployed workers.

Given the major holes in our EI system, which *were publicly exposed* by the recession, we repeat our call for a uniform national entrance requirement for EI of 360 hours. There is no good reason why access to EI should vary with the local unemployment rate. We also call for: longer benefits in *all* regions so that fewer unemployed workers exhaust a claim; higher weekly benefits based on the best 12 weeks of earnings before a layoff; and a replacement rate of 60% of insured earnings.

We also call for an increase in federal funding for provincial training programs while noting that these programs work best when they are developed through the close input of employer and worker members of advisory boards, as exist in Newfoundland and Labrador and Quebec.

Jobs

To deal with the continuing jobs crisis, the CLC again calls for the federal government to launch, in partnership with the provinces and cities, a major, multi-year public investment program which would create jobs now, promote our environmental goals, and build new “green” industries for the future. A comprehensive plan would cover: roads, sewers, and basic municipal infrastructure; health and educational facilities; mass transit; passenger rail; affordable housing; energy conservation through building retrofits; and renewable energy. Federal government support for all infrastructure and environmental investments should be linked to “Made in Canada” procurement policies so goods and services inputs are purchased in Canada.

The current infrastructure investment program — including the Infrastructure Stimulus Fund — is making a significant

contribution to recovery in the job market, but these investments were modest in scale, had an inadequate focus on green investments, and will expire at the end of the fiscal year 2010-2011. Now is the time to fund larger and longer term projects which would have the greatest positive impact on our future economic potential. Transit and passenger rail investments, for example, not only create jobs now but also have been shown to more than pay for themselves over time by significantly improving private sector productivity while also reducing carbon emissions and improving the quality of urban life. The federal government should also make investments in child care, home care, and long-term care for the elderly which would create new jobs while promoting our social goals.

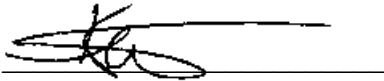
The federal government *should invest* directly in support of sector renewal strategies to save jobs and promote successful restructuring in hard-hit industries, such as auto, forest, and fish products. If nothing is done to support new investment, temporary layoffs will become permanent losses to our economic and job base. The government should also make investments to support cultural industries; environmental technology; renewable energy and other promising industries of the future; and promote fundamental changes to unbalanced trade deals to reverse our huge manufacturing trade deficit, and promote higher value-added processing of our resources.

Conclusion

Canada has a very low level of public debt, borrowing costs for the federal government are and will remain very low, and many public investments yield a high rate of return in terms of public benefits and growth of private sector productivity. Households are

saving rather than spending, private sector investment is still very depressed, and we continue to await a strong and sustained U.S. and global recovery. There is a real danger of a “double-dip” recession if the income support and job creation measures taken in the 2009 Budget are dismantled and the focus shifts too quickly to deficit and debt reduction. *Such a course would cut public sector jobs and the many jobs in the private sector which are sustained by public investment, and also deprive Canadians of badly needed public services.* The federal government must lead the way to a sustained and broadly based recovery.

This document is respectfully submitted on behalf of the Canadian Labour Congress:



Kenneth V. Georgetti
President

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