



Canadian Labour Congress

Congrès du travail du Canada

**Statement by the  
Canadian Labour Congress**

**to the**

**House of Commons Standing  
Committee on Finance  
Regarding the 2010 Federal Budget**

July 24, 2009



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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 the Canada Pension Plan and the introduction of a national system of pension insurance. As a first step, the Budget should increase the Guaranteed Income Supplement to a level sufficient to eliminate poverty among the elderly in Canada. The federal government should convene a summit on pensions, including provincial and territorial governments, employers, labour, and others to develop a concrete national action plan for pension reform.

2. Improve income security for unemployed workers, and help hard-hit communities by introducing a uniform national entrance requirement of 360 hours for Employment Insurance; raising benefits from 55% to 60% of previous earnings; and extending benefits to at least 50 weeks in all regions.
  
3. Launch a major, multi-year public investment program to save and create jobs, including support for public infrastructure development, expanded public services, energy conservation and renewable energy projects, and support for industrial restructuring.

## **Context**

Since the current global and Canadian recession began last October, almost 500,000 full-time jobs have been lost as the manufacturing and forest industry jobs crisis has intensified and spread to other sectors. The national unemployment rate is now widely expected to rise above 10% by early 2010, and to remain at very high levels for an extended period. The economic crisis has also pushed many workers out of the workforce or into involuntary part-time jobs and low paid self-employment. (See the CLC publication *Recession Watch*.) Canada faces an acute social and poverty crisis as hundreds of thousands of workers who are unemployed through no fault of their own begin to exhaust their EI benefits. The crisis has also had a devastating impact upon the retirement savings and pension plans of millions of Canadians.

Actions by the federal government in the 2009 Budget and since that time have failed to come to grips with the scale and severity of the jobs and economic security crisis. Now is the time to redouble our efforts to deal with the human impacts of a growing crisis, and to set the stage for shared progress in the next economy, investing in innovation for the jobs of the future like green technologies and rapid transit.

## **Pensions**

The crisis has 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 belong to an employer pension plan. The average pension plan is seriously underfunded because of low interest rates and the recent collapse of stock markets, placing pensions at risk if employers go out of business.

RRSPs were sold as the solution to our pension woes, but the average older worker approaching retirement today has saved enough to buy a monthly pension of only about \$250 per month. (The median RRSP value of a worker, aged 55 to 65, was just \$60,000 in 2005. Half of RRSP holders have less than this amount.) RRSPs have failed to counter the decline of defined benefit pension plan coverage because people do not save enough, because administrative fees and costs are very high, and because financial returns are highly variable and uncertain.

A disturbing number of vulnerable seniors, especially single women, still live in poverty.

The labour movement believes that Canadians should not have to “fend for themselves” in retirement. We call for a national summit of government, employers, labour, and others to discuss and bring forward a concrete plan to rebuild and reform our pension system.

Our priorities for change are a major shift from private to public pensions, and greater security for the members of existing employer pension plans. The changes we propose would benefit all workers, and provide greater security while making our overall pension system better fit the needs of a changing economy. Many employers who sponsor pension plans recognize that the cost of supporting decent pensions through public rather than private arrangements would help level the competitive playing field between businesses, and by reducing their costs of administering their private pension plans.

We call for a doubling of benefits under the Canada Pension Plan, from 25% to 50% of pensionable earnings, phased in over seven to ten years to \$1,635 a month, financed by a modest increase in worker and employer premiums.

We 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, very modestly, the high limits on RRSP contributions.

A guarantee should be provided for pension benefits (to a proposed maximum of \$2,500 per month) through a system

funded by contributions from pension plan sponsors. At the onset, this system would only cover federally regulated pension plans, but the federal government should enter into negotiations with the provinces to create a national system.

## **Employment Insurance**

EI is a critically important program for Canadian workers, especially at a time of near double-digit unemployment. Laid off workers need adequate benefits to support themselves and their families. Improving EI is an effective form of economic stimulus which can help maintain hard-hit community economies.

Our EI program leaves far too many Canadians, especially women and lower wage, insecure workers, out in the cold. Less than half of all unemployed workers today qualify for benefits, and the average weekly benefit is less than \$350. The average worker on claim today qualifies for about 35 weeks in benefits, and tens of thousands of unemployed workers will soon start to exhaust their benefits. Many will have to exhaust all of their assets to qualify for provincial social assistance.

We call for a uniform entrance requirement of 360 hours of work across the country so that more workers will qualify if they are laid off. High entrance requirements for new entrants and re-entrants have shut out many workers, as have the high qualifying hours needed in regions which had low unemployment rates going into the crisis. There is no good reason why access to EI should vary with the local unemployment rate. We also call for longer benefits of at least 50 weeks in all regions so that fewer unemployed workers exhaust a claim; and higher weekly benefits based on the best 12 weeks of earnings before a layoff and a

replacement rate of 60% of insured earnings. The government should also introduce extended benefits on an emergency basis.

## **Jobs**

To deal with the still-worsening 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 program is far too small to have much impact on the jobs crisis, and excludes the larger and longer term projects which would have the greatest positive impact on our future economic potential.

The federal government should also make investments in child care, home care, and long-term care for the elderly which would create new jobs, especially for women, while promoting our social goals.

The federal government invests 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.

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 very depressed, and a strong global recovery is a distant prospect. Now is the time for the federal government to lead the way into an economic recovery.

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



Kenneth V. Georgetti  
President

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