

Labour's Plan to Deal with the Economic Crisis

1. Invest in Our Future: Infrastructure and Procurement

The federal government should, in partnership with the provinces and cities, launch a major multi-year public investment program which would create jobs now, promote our environmental goals and build new industries for the future. It should 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.

The program would create many construction and technical jobs and, twinned to a Made in Canada procurement policy, would help support new jobs in manufacturing and services. Government contracts should promote a strong public sector, unionization and inclusion of women and workers of colour in good jobs.

2. Increase Access to Employment Insurance and Training

In a recession, even more workers, especially women and the working poor, will fall through the cracks, or receive inadequate benefits. Now is the time to implement labour's agenda for EI reform. We need a uniform entrance requirement of 360 hours in all regions; benefits based on 60% of earnings over the best 12 weeks; and benefits lasting up to 50 weeks. We also need to increase access to labour adjustment programs and training so that workers can access the new jobs being created through public investment programs, sector strategies and public services investments.

3. Protect Workers' Pensions

Pension plans and retirement savings have been hit hard by the economic crisis, underlining the need to expand public pensions and reduce reliance on financial markets for economic security. We should phase-in a doubling of the CPP/QPP and immediately raise Old Age Security to protect today's and tomorrow's retirees and reduce reliance on private pensions and RRSPs. Worker pension plans must be backstopped by a pension guarantee fund, such as exists in the U.S.,

and flexibility for employers sponsoring pension plans should not come at the cost of insecure pensions.

4. Save Good Manufacturing and Forestry Jobs

The federal government must invest directly in support of sector renewal strategies designed to save jobs and promote successful restructuring in hard hit industries such as auto and forest products through new investment in machinery and equipment, research and development of new products, and increased worker skills. We also need strategies and investments to support cultural industries, environmental technology, renewable energy and other promising sectors.

Renegotiation of NAFTA and other unfair trade deals should reverse our huge and growing manufacturing trade deficit. Strict limits must be placed on the export of raw resources.

5. Maintain and Expand Services for People

The federal government must maintain all existing transfers to the provinces and cities which help pay for health, post secondary education, training, infrastructure programs and, through equalization, all public services and social programs. These programs ensure that people are not left on their own in tough economic times. New investments in child care, home care and long term care for the elderly would create new jobs while promoting our social goals. Maintaining public health care and extending it to Pharmacare would serve the needs of both working people and employers.

1. Labour's Plan for Investment in Municipal and Environmental Infrastructure and Procurement

Our economy needs an economic stimulus, and a new growth model. The federal government should, in partnership with the provinces and cities, launch a major multi-year public investment program which would create jobs now, promote our environmental goals and help build new industries for the future. It should cover roads, bridges, water and sewers and other basic municipal infrastructure; health and educational facilities; affordable housing; as well as needed investments to reduce carbon emissions, such as in mass transit; passenger rail; public building and residential retrofits to save energy; and investment in new sources of renewable energy such as wind and solar power.

The program should start with projects which could be quickly implemented such as road repair projects, capital projects which have already been planned but await funding, and building retrofits. Provinces, cities and other public institutions have many such projects on the books awaiting financing.

The federal government should increase transfers to provinces and cities to provide direct funding support and also create a Public and Environmental Infrastructure Bank, roughly on the model of the Business Development Bank of Canada. Such an independent institution could, with a federal guarantee, borrow funds from public and private pension funds and other investors seeking a stable and secure return, and lend those funds to provinces, municipalities and other public sector bodies. Given current very low federal borrowing costs, a small federal government subsidy would allow such a Bank to lend at zero interest in a period of recession, effectively bringing forward the huge inventory of infrastructure projects which have to be undertaken over the next twenty years.

The Public and Environmental Infrastructure Bank could also lend to revolving building retrofit funds, which finance investments in energy savings with borrowers paying back the loan from future energy savings.

Such a program would create many construction and technical jobs and, twinned to a Made in Canada procurement policy on purchased goods,

would help support new jobs in manufacturing. This should apply to all federal programs in support of investment and to crown corporations.

The terms of government contracts should promote a strong public sector by maintaining public sector delivery of public services (undercut by government insistence on P3s which raise costs and create delays), and by promoting unionization and inclusion of women and workers of colour in new hiring and associated training. For example, firms hired to build the Vancouver Island Highway under the NDP government in BC supported apprenticeship programs and include women in them.

Canada has a huge municipal infrastructure deficit of \$123 Billion, the results of decades of under-investment. We also need to make major investments in the transition to a new “green” economy which is much more energy efficient and much less carbon intensive.

The time to invest is now:

Job growth in the short to medium- term will not come from exports, higher household spending or private investment, all of which are quite depressed.

Government interest rates are very low and many parts of the economy, including construction, are slowing fast, so needed investments can be undertaken at a low cost. In a depressed economy, about one third of the cost of infrastructure investments is offset by higher tax revenues.

The immediate job creation impact of government investment in municipal and environmental infrastructure is at least double than that of business and personal tax cuts, because most of the money goes to wages and Canadian-made supplies.

A study by Informetrica Ltd for the Federation of Canadian Municipalities shows that \$1 Billion in additional spending in basic infrastructure creates 11,500 jobs, half in construction and half in other areas. As many as 18,000 jobs are created for every \$1 Billion of investment in energy conservation and renewable energy systems.

Statistics Canada has shown that public infrastructure investment generates a rate of return of 17% to the private sector by boosting productivity through lower operating and production costs. Investments can also support new manufacturing jobs if they contain Buy in Canada procurement requirements, as called for by the CLC and the Canadian Manufacturers and Exporters.

We could create 2,000 new jobs by replacing \$694 Million of public transit vehicle imports with Canadian-made products. Public support for the development of a wind and solar industry should go hand in hand with requirements for Canadian content.

Money already allocated to public infrastructure in the 2007 federal Budget has been slow to flow out of Ottawa, and funds earmarked for the future should be fast-tracked. Many projects have already been planned, engineered and priced and are ready to go.

2. Labour's Plan to Improve Employment Insurance and Access to Training

EI is a critically important program for Canadian workers, especially in tough times like we face today. Laid-off workers obviously need adequate benefits to support themselves and their families while they search for a new job.

Recessions mean that more workers lose their jobs, and that they find it much harder to find a new one. In the last two recessions, those of the early 1980s and early 1990s, Canada's national unemployment rate rose sharply, from about 7.5% to over 11%.

But we are not prepared. Compared to when we hit previous recessions, our EI program will leave many Canadians out in the cold, unable to qualify for benefits.

Back in 1996, the maximum weekly benefit (in today's dollars) was \$604. Today, after a decade long freeze on maximum insurable earnings which just expired, it is only \$435. The average benefit today is just \$335 per week, much lower than the maximum.

In 2006-07, only four in ten unemployed workers, and even fewer women, qualified for EI. This is because many young people, recent immigrants, part-time, temporary and seasonal workers do not have enough hours of work to qualify, especially those in large cities.

Those who do qualify are, on average, eligible for just 32 weeks of benefits, about seven months. This is much less than the theoretical maximum of 50 weeks in a handful of very high unemployment regions. Some unemployed workers qualify for a maximum of just 14 weeks of benefits.

Even in a period of fairly low unemployment which has allowed most claimants to find a new job, more than one in four exhausted their benefits in 2006-07.

The EI program has accumulated a huge surplus of \$54 Billion since the mid 1990s, the result of deep cuts in benefits paid to unemployed workers. That surplus could and should be available to backstop and improve benefits if we hit a recession. Rainy day funds are, after all, supposed to be there for rainy days.

The Canadian Labour Congress calls for a lower entrance requirement of 360 hours of work across the country so that more workers would qualify if they are laid off; longer benefits of up to 50 weeks so 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.

Incomes must also be supported by raising minimum wages and tax credits for low income workers.

We should expand support and funding for work sharing arrangements under EI to reduce layoffs, and build links between work sharing and training programs.

We would also like to see part of the accumulated EI surplus spent on more training and better labour adjustment programs for unemployed workers. Investment in these areas is essential if workers are to survive this crisis and transition to a restructured economy.

Canada falls well behind other industrialized countries in worker training. The International Adult Literacy Survey reports that over 40% of Canadian adults have limited literacy and numeracy skills. Many laid off workers need training to find new jobs equivalent to those they have lost.

Support measures for workers under Part II of the *EI Act* as well as training programs for non EI eligible workers funded by the federal government have been transferred to the provinces and territories under recently negotiated labour market agreements. Labour Market Partner Forums should be established in all provinces to ensure that programs meet workers' need for high quality, portable, certified skills training.

Funding for Employment Benefits and Support Measures under EI is currently well below the legislated maximum, and should be increased by

at least \$500 Million per year.

To promote adequate employer investment in training for employed workers, there should be a 1% training levy on payroll, as in Quebec. EI should also be used to support training for employed workers to encourage retention, and to support economic restructuring and ladders to better jobs.

3. Labour's Plan to Protect Worker Pensions

1. Reduce Reliance on Private Pensions and Boost Public Pensions

Private pension plans and RRSPs invested heavily in the stock market and other financial markets have been hit very hard by this crisis, putting future economic security in retirement very much in doubt. This underlines our long-standing argument for a much stronger pillar of public pensions. These remain secure but replace only a modest share of previous earnings. We should phase in a doubling of the Canada/Quebec Pension Plan and immediately increase Old Age Security (OAS) benefits which go to all retirees. An increased OAS would help offset the hit to retirement savings of retirees and those who plan to retire soon and reduce reliance on employer plans and RRSPs.

2. Create a National Pension Insurance Fund

We should create a national pension insurance fund for Defined Benefit plans to ensure workers' pensions aren't collateral damage when employers go under, speculative bubbles burst, or when the finance industry sells defective investment products such as asset backed commercial paper. The U.S. has a national pension guarantee fund covering up to about \$50,000 of pension income, whereas in Canada such a fund exists only in Ontario and covers only \$1,000 per month. A national fund would cover federal jurisdiction pension plans, and provinces would be encouraged to opt in. Such a fund could be financed at no cost to taxpayers through a small tax on all financial transactions.

3. Regulate Financial Markets to Protect Pensions

Pension funds are supposed to provide a secure retirement income. Governments should regulate financial products to make sure that the risks are reasonable and clear to all investors, make sure that rating agencies are truly independent, prosecute in cases of fraud, and regulate pension fund investments in hedge funds, highly leveraged private equity firms, and risky financial derivatives, such as credit default swaps.

4. No Permanent, Across-the-Board Changes to Pension Rules

Pension funds should be regulated for solvency to secure promised pension benefits. The CLC is not opposed to temporary solvency funding relief for employers in serious financial trouble, on a case-by-case basis. Applications for solvency funding relief must be approved by the workplace bargaining agent (the union), or a majority of pension beneficiaries (in a non-union workplace). This proviso was in place for temporary solvency funding rules introduced in 2006 (which ended January 1, 2008).

We do not support permanent, across-the-board relief which will only decrease funding to federal pensions.

The federal government should consider how to encourage the creation of large, multi-employer, defined benefit pension plans which might offer greater stability and security.

4. Labours Plan to Save Good Manufacturing and Forestry Jobs

Even before the recent intensification of the economic crisis, we had lost over 350,000 manufacturing jobs since 2002 because of the high dollar (the result of the resource boom and out of control tar sands development); the large and growing manufacturing trade deficit with Asia; and the long-standing lack of major new investments in Canadian industry.

Now, many companies are seeing the collapse of their export markets in the U.S. and around the world, and many are unable to access credit at a reasonable cost because of the global financial crisis.

The federal government must invest directly to save jobs in hard hit industries such as auto and forest products and to promote transformational changes which create secure and sustainable new jobs. They must also support cultural industries, environmental technology, renewable energy and other promising growth sectors.

The key to our future prosperity is to add more value to our resources before they are exported and, by investing more in innovation and skills, build the knowledge-based and environmentally-sustainable industries of the future here in Canada. This can't happen without a plan, and right now, Canada doesn't have one.

On top of public and environmental infrastructure and procurement programs, we must:

1. Develop and Implement Sector Development Strategies

Forward looking sector development strategies should be developed for industries like forest products, auto, aerospace and cultural industries. Labour, governments and communities must be closely involved in the development of these strategies. Governments should provide support for new investments in plant and equipment, training and other areas proposed by sector councils through new and existing public investment funds and financing vehicles such as the Business Development Bank

Hard hit communities should be assisted to develop new economic strategies to put existing productive capacities and skills to new uses.

2. Rewrite Unbalanced Trade Deals

Instead of one-sided trade deals like the proposed Canada-Korea deal which serve only corporate needs and priorities, we must ensure that trade with China and other Asian countries is more balanced and takes place in a context of respect for fundamental labour rights and decent environmental and other regulatory standards. The opportunity to re-negotiate NAFTA with a new U.S. Administration must be used to develop a new trade model for North America and to scrap the Softwood Lumber Agreement. Managed trade in auto is key to any resolution of the current crisis.

3. Stop the Export of Raw Resources

Strict limits must be placed on the export of raw resources, and more value added to raw materials. For example, we should ban the export of raw logs, and promote production of fine papers and finished building materials; and ban the export of bitumen from the tar sands, and promote upgrading, refining and petro-chemical manufacturing here in Canada.

4. Work to Save Jobs and Prevent Plant Closures

The federal and provincial governments should jointly appoint Job Protection Commissioners to work with employers, unions and communities to find alternatives to bankruptcies and insolvencies, plant closures and mass layoffs.

Companies and sectors facing a temporary crisis should be able to access government guaranteed lines of credit and/or receive injections of government equity in return for job guarantees and a major government say in corporate decisions. Almost \$100 Billion in various lines of credit and loans has been made available to shore up the Canadian financial system, but very little has been made available to finance needed industrial re-structuring involving the development of new products.

When existing jobs cannot be saved, workers and communities must be given the necessary supports to access new jobs.

Across the board corporate tax breaks do not help struggling companies, and there is no guarantee that higher after tax profits will lead to more real investment. Planned corporate tax cuts should be replaced by investment tax credits, fast write-offs for investment in machinery and equipment, and other direct supports for real investment. The Federal Business Development Bank and the Export Development Corporation should be given major injections of additional capital to help them fill the funding gap. Other public investment funds should be set up to support sectoral transformation strategies.

5. Labour's Plan to Protect and Expand Public Services

Public services are an important source of good jobs, stabilize community economies, and provide essential programs like health care and education at no cost. They are needed more than ever in tough economic times.

The federal and provincial governments should launch significant improvements to public services. The federal government must maintain all existing transfers to provinces and cities which help pay for health, post-secondary education, training, infrastructure programs, and through equalization, all public services and social programs. Instead of tax cuts, the government should choose to protect public services and maintain high living standards.

Public services offer a path toward sustainable growth. A program of renewed public investments would support the purchasing power of low and middle income people and be part of a medium-term strategy to stimulate demand and increase productivity growth. It would contribute to a future built on equality and inclusion.

Over the past twenty-five years, Canadians have seen their household incomes stagnate even while economic growth increased. While wealth was transferred to employers through tax cuts and productivity increases, inequality in wealth and income increased. At the same time, the Canadian social safety-net was weakened as successive governments saw fit to reduce deficits, debt and even run large surpluses! Now, faced with the prospect of a severe recession, Canadians should not be left on their own to purchase much needed services in the free-market.

Now is the time to maintain and enhance federal investments in public services. This fiscal year the federal government will transfer \$48 billion in transfers which provinces and territories rely on to maintain health and social services. This works out to \$1,500 per person. There should be no cuts to these transfers. Indeed they should be enhanced.

Public services are labour intensive. One billion dollars invested in public services can generate in the neighbourhood of 20,000 good jobs.

Public services offer a path to early learning and development, as well as gender equity. Public investments in child care and early learning offer a way for parents, and especially women, to participate fully in the economy. Child care is good for children. Child care workers, now some of the most underpaid and under-appreciated workers in the economy, should be paid decent wages. The federal government needs to work with provinces and territories to develop a pan-Canadian public child care program that is high-quality, universal, accessible and respectful of developmental needs of children.

Public services create a healthy society. Canada's public health care system should be strengthened by public investments in new infrastructure. Hospitals need new capital investments for the future but the control of such infrastructure must remain in public hands. Long-term care and home care services are sorely lacking, while workers in these sectors face very poor wages and working conditions. The government must make a new 10-year commitment to public health care which would protect and enhance the public system, strengthen the *Canada Health Act*, deal with wait lists in the public system, advance primary care reform and stop and reverse privatization.

Public health care must be expanded. At the moment, both workers and employers are facing a crisis as the costs of pharmaceuticals keeps rising. Employers would benefit if they did not have to deal with the unknown, unpredictable and uneven costs of their benefit plans across the country. Prescription drug costs have risen on average 11% per year over the past 10 years. Between 70-80% of the expense of group benefit packages goes to pay for pharmaceuticals. Employers want to constrain costs and so are finding ways to reduce coverage for active workers and retirees. Employees with health benefits at work find they have partial coverage and then even it disappears if they are laid off or retire. Many working people have no drug coverage at all. This is both inequitable and costly. A public Pharmacare would reduce costs that everyone pays – families, employers, as well as governments, while making coverage universal.

The public sector provides good jobs for women. It provides services that welcome new Canadians. Now is the time for our public sector to be strengthened and expanded to meet the needs of the whole population.

Now is the time for bold and democratic investments in our future.

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