

# 2015 Alberta Pre-Budget Submission

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## CANADIAN UNION OF PUBLIC EMPLOYEES ALBERTA

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## **Executive Summary**

In this report, CUPE Alberta presents recommendations for the 2015 Alberta Budget that support revenue generation; recommends a strategy for the creation of thousands of jobs through strategic investments in health care, green and other infrastructure, and buy-local government procurement policies; fair taxation; investment in public services; and fixing the democratic deficit. CUPE's recommendations and analysis explains how the projected budget deficit could be dealt with, setting the foundation for economic growth, and still have room for increased investment in quality public services.

## **Canadian Union of Public Employees Alberta**

The Canadian Union of Public Employees (CUPE) Alberta is a union of over 35,000 members province wide working together for better wages and working conditions, strong public services and a prosperous economy that is enjoyed by all Albertans.

CUPE members are proud to provide services in our communities as we work toward a better society, a better standard of living and safe working conditions for all. Through education, communications and action, CUPE Alberta will work to inspire and mobilize our members.

CUPE members provide the services that keep Alberta communities strong, healthy and vibrant. CUPE Alberta supports public sector workers on the job, in the political arena and in the community.

CUPE represents employees in the municipal, school board, health care, post-secondary education and not-for-profit sectors among many others.

Our members do this work every day, and their collective experience equips us to make a positive and informed contribution to the budgeting process of the province.

# Chapter 1

## Introduction

### 1.1 A Historic progressive shift for Alberta

In the short few months that the NDP has formed government in Alberta, it has enacted substantial and progressive legislation.

Bringing some fairness into the highly regressive tax system in Alberta was a welcome first step in addressing the decades of failed Progressive Conservative tax policy. Instituting brackets for increased income taxes on wealthy Albertans, the two per cent increase in the corporate tax rate on large profitable corporations while maintaining the existing tax rates on small businesses will help bring the resources needed to support public services.

Also commendable is the NDP government's move to abandon planned fee increases for access to needed public services that would have further undermined universality, such as cancelling the regressive health care levy. Public services are best funded through progressive income taxes to create sustainable and predictable funding for programs and fairly spread the cost of such programs.

User fees not only undermine universality of access for public services but act as the thin edge of the wedge for those promoting privatization. User fees play into the notion that wealthy Albertans can bypass under funded public services by just paying a similar fee for boutique for-profit services elsewhere.

In the same way that progressive taxation allows for all Albertans to have access to quality universally accessible public services, increasing the minimum wage means all workers can attain a decent standard of living and contribute to the economy. Increasing the minimum wage to \$15 an hour and reducing fees for public services shows that the NDP government understands there should be dignity in work. The government's role is to make sure no Albertans working full time hours is destined to live in poverty through a decent living wage and free at the point-of-access public services. Therefore, CUPE supports the continued increase of minimum wage to \$15 an hour.

The start of a commission investigating the historically low royalties from natural resources is a good start in how Alberta's wealth of natural resources can be put to better use for the people of Alberta. Revenues from natural resources need to be balanced between the immediate needs of the people of the province and setting-up a sustainable future.

Lastly, cancelling the tuition fee increase, and freezing tuition fees for two years, with a subsequent increase in funding to the province's post-secondary institutions shows students they are priority for your government. After decades of post-secondary education costs rising faster than inflation to an average of \$7000 a year and a dismal summer job market, this was a necessary step towards accessible post-secondary education.

### 1.1.1 Platform points worth highlighting

The NDP's platform for the recent election highlighted some major initiatives that CUPE encourages the government to implement.

There is a need for investment in child care for Alberta's families. Studies show that a move to \$25 a day childcare would pay for itself in the medium term. Public investment in child care is the greatest multiplier for jobs of any type of government investment (Figure 1.5).

The social services sector urgently needs an increase to the Family & Community Support Services (FCSS) as these necessary support services have not seen adequate increases from the previous government.

This is also an opportune moment to strike a commission to find a way to phase-out coal-generated electricity while investing in green energy. CUPE recommends that such a commission explicitly include the principle of Just Transition to make sure workers and communities dependent on legacy industries are treated in a fair, just and sustainable manner.

Continuing the progressive reform of corporate taxes and income taxes on high income earners is necessary to make sure that social services are protected against fluctuations in the market price of natural resources and can be expanded to meet the needs of all Albertans. It is likely that a further small, progressive increase in taxes and royalties from oil sands are needed to avoid user fees and sustain quality universal public services.

CUPE also supports proceeding with offering protection to agricultural workers under employment standards, labour relations, occupational health and safety and workers compensation regulations.

## 1.2 Invest in growth and revenue generation

There is growing evidence from around the world – Greece, the UK, and Spain in particular – that shows Austerity-type budgets, such as those proposed by the previous Progressive Conservative government, are disastrous for an economy.

We applaud your decision that a different approach is needed, one that brings a balanced approach to the budget by looking to revenue generation, bringing fairness back into the tax system, and job creation through strategic investments.

## 1.3 Public support revenue generation and oppose cuts

The people of Alberta agree with prioritizing revenue generation, creating jobs, and making the tax system fair. Polling conducted by the previous government show the vast majority of Albertans want public spending on programs to be increased and support progressive tax measures over regressive and flat taxes. (Figure 1.1)

Reduced investment is recognized by the Bank of Canada, the IMF and the OECD to be one of Canada's key economic problems. The case made by the Progressive Conservatives for a much lower corporate income taxes was that higher after tax profits would boost business investment, but that has not happened.

Evidence at the federal level shows corporate income tax rates that have been cut by one third from 22.1 per cent in 2006 to 15 per cent today, producing an annual reduction of \$12 billion in revenues. That translates into a reduction from 17.2 per cent of all government revenue in 2007-08 to just 13.4 per cent today.

In Alberta, corporate taxes have been cut from 15 per cent to ten percent over the previous decade. This has led to deficits which have been paid for through cuts to public services and an increase in public debt, and are particularly opposed in Alberta (Figure 1.2).

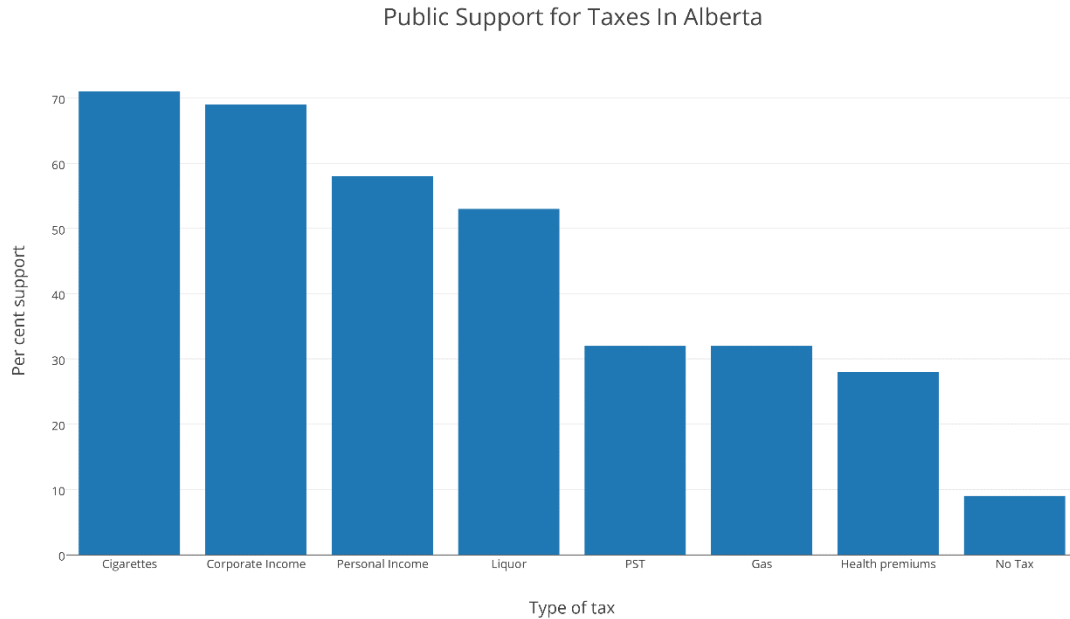


Figure 1.1: The percentage of Albertans that agree with progressive tax increases.

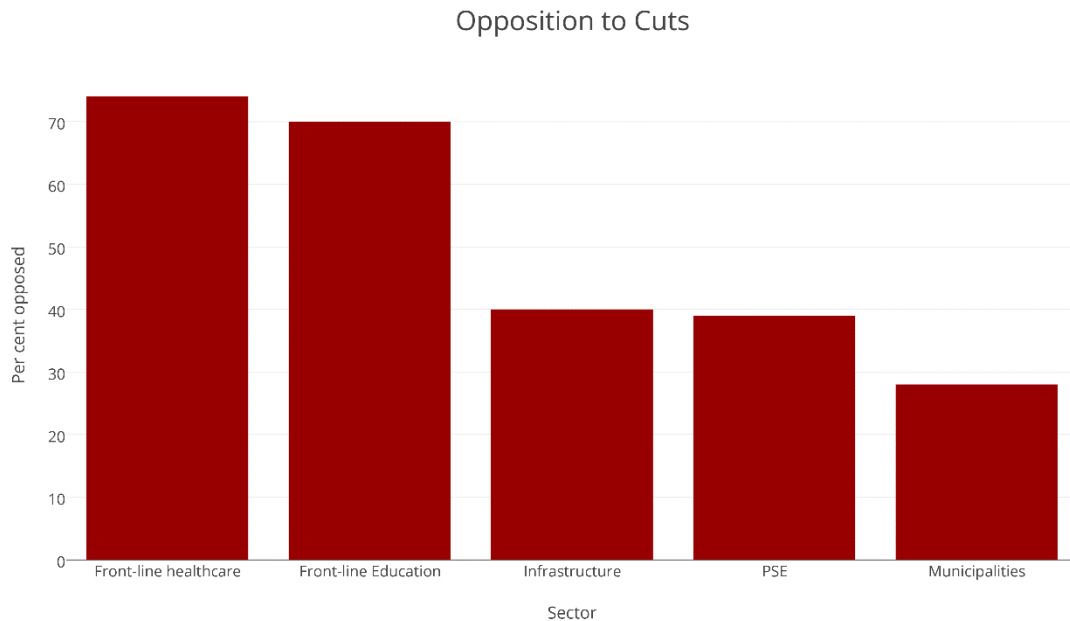


Figure 1.2: The percentage of Albertans opposed to cuts to public services.

Corporate investment today is below 2006 levels in real dollar terms, falling a full one per cent of GDP, from 7.2 per cent to 6.2 per cent. Other provinces demonstrate similar results. For example, corporate investment has tracked the reduction in corporate income taxes in Ontario. (Figure 1.3)

Corporations in Alberta have benefited for years from unreasonably low and regressive tax structures at the expense of Albertans. Unfortunately, these low corporate tax rates have not brought about promised private-sector investment, diversification and sustainable job creation. In addition to reduced investment, budget deficits

## Corporate tax cuts not boosting investment

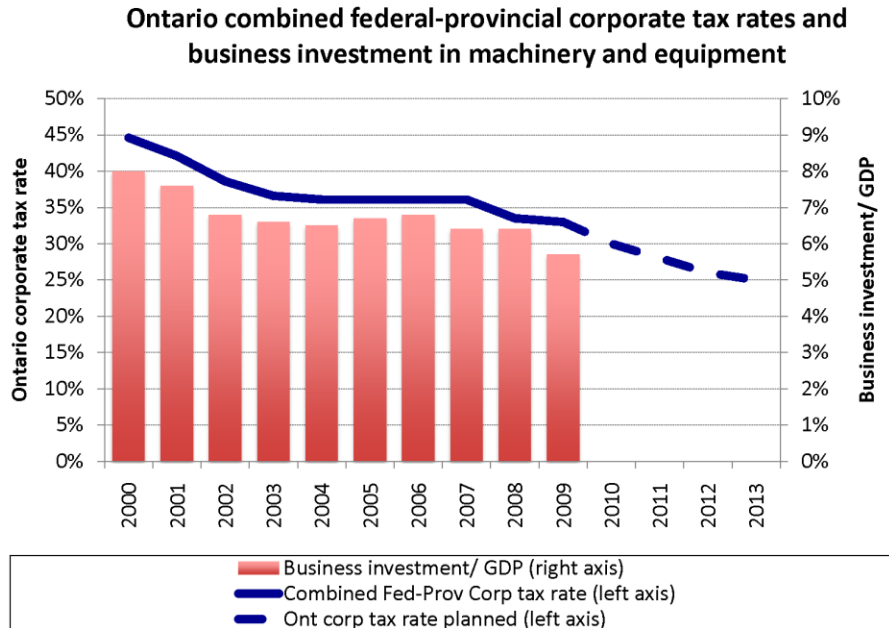


Figure 1.3: Corporate tax cuts not boosting private sector investment (Ontario).

and under funding of public services are also results of lower government revenue.

## 1.4 Personal Debt

Alberta has the highest average household debt in Canada, driven by expectations of rising incomes.<sup>1</sup> However, with Alberta's economic growth plateauing and growth closely linked to oil prices, Albertans in debt are more susceptible than most to these economic fluctuations.

Family debt levels continue to rise faster than personal disposable income (Figure 1.4), indicating that Canadians are falling further into debt. This is happening even as consumers have recently increased their efforts to pay down their debts<sup>2</sup>.

Statistics Canada's most recent figures show household credit market debt to personal disposable income has climbed from 163.3 per cent this year.<sup>3</sup> These debt levels are rising because, for most workers, wage increases are not keeping-up with the costs of essentials, with people at the top of the income scale getting the majority of

<sup>1</sup> Canada's households now owe a record \$1.8-trillion | Globe and Mail <http://www.theglobeandmail.com/globe-investor/personal-finance/household-finances/canadian-households-now-owe-a-record-18-trillion-and-more-debt-statistics/article24322565/>

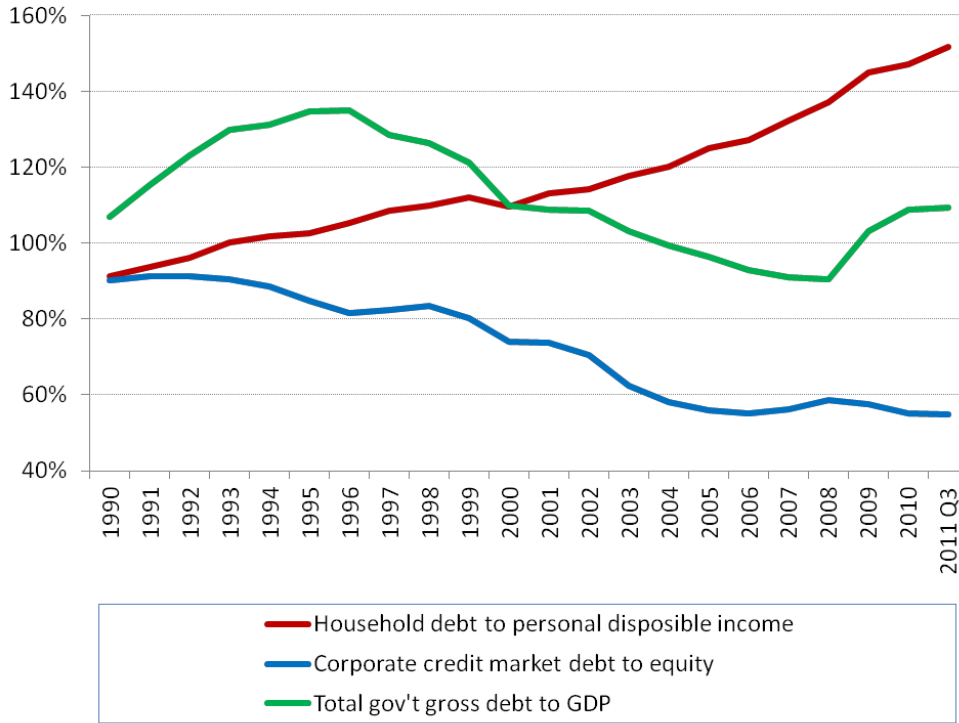
<sup>2</sup> The Current State of Canadian Family Finances, 2010

<sup>3</sup> National balance sheet and financial flow accounts, fourth quarter 2014 <http://www.statcan.gc.ca/daily-quotidien/150312/dq150312a-eng.htm>



Figure 1.4: Debt to income comparison of households, corporations, and government. The graph shows who has benefited the most from government policies around debt. Rising personal debt and falling corporate debt indicates that debt burdens are being downloaded to individuals and families.

Debt Ratios by Sector 1990 to 2011



the increase<sup>4</sup>.

The increased personal debt levels, driven mostly by stagnant wages, increased costs for services, education and day-to-day living—as opposed to luxury purchasing<sup>5</sup> – meaning that families have reduced ability to pay for increases in user-fees or off-set reduced and more-costly privatized public services. It is short-sighted government policy that tries to pay-off its debt – a debt caused by bad policies, not workers – by downloading this debt onto working people. The negative effect is hardest felt by the poor where downloading of social service and education costs put many of these services out-of-reach for those that need them the most.

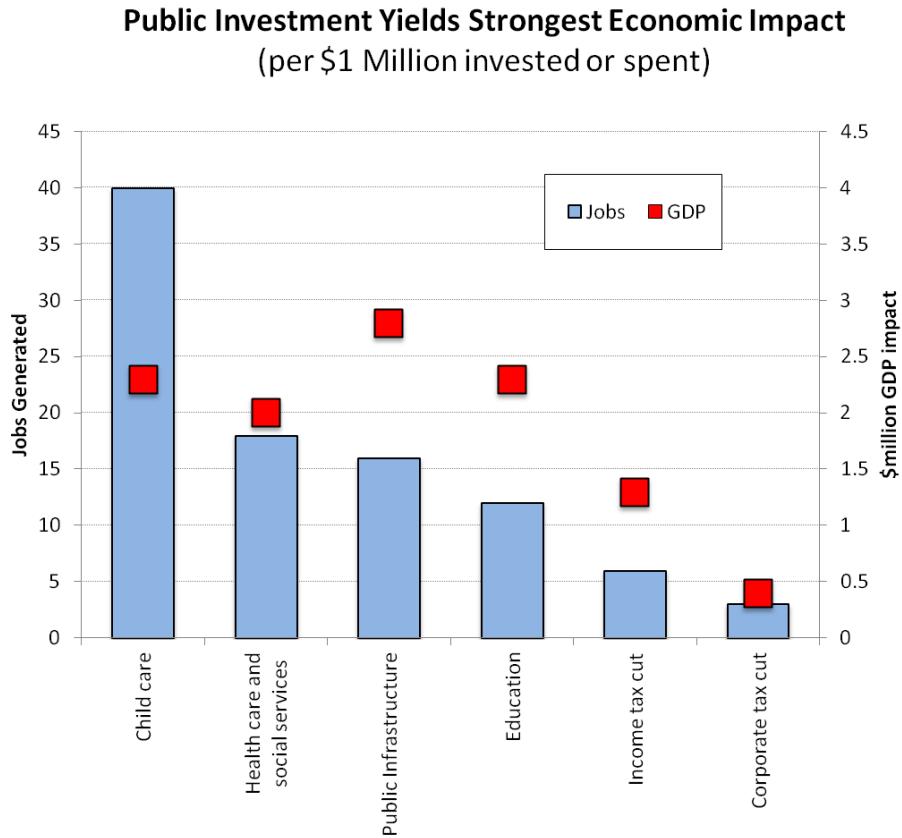
## 1.5 Public Sector Job and Growth Multipliers

The easiest and most immediate way for the government to create jobs is direct investments in government services, infrastructure, child care, and public education. Using the federal government’s economic growth and job creation multipliers – the positive effects of public spending on jobs and growth are clear – for every million dollars spent on these investments the returns are significantly higher than for tax cuts (Figure 1.5). As Alberta

<sup>4</sup>Canadian Income Inequality, Conference Board of Canada, 2012

<sup>5</sup>Canadian Centre for Policy Alternatives, <http://www.policyalternatives.ca/publications/commentary/canadian-households-among-highest-debt-income-ratios-world>

Figure 1.5: A comparison of the multiplier effects of public spending in different sectors of the economy. The figure shows that, for economic growth (measured in Gross Domestic Product (GDP)), investment in infrastructure results in the biggest gains—approximately three times the gain from tax cuts. For job creation, government investment in child care yields the greatest increases with ten times as many jobs created when compared to an equivalent amount in tax cuts.



continues to deal with the effects of the recession, public investment should continue to ensure a strong and full recovery and set a secure foundation for future economic growth.

## Chapter 2

# Policies to Support Development

While the reduction in natural resources revenue has impacted Alberta's economy, there are many areas the government can invest in that help build a more sustainable and prosperous economy. In addition to re-directing funds away from wasteful tax cuts and corporate subsidies, and funding public services through increased tax capacity, the government should recognize there is support for debt-financed investment. A recent government poll showed well over two-thirds (69 per cent) of Albertans disagree with the prevailing conservative ideology that the province should never run a deficit.<sup>1</sup> If invested strategically, debt financed investment programs can help build the future Albertans need.

CUPE Alberta has the following recommendations for areas of investment for Alberta's 2015 budget.

### 2.1 Procurement policies

Decisions made by the provincial governments on whether to purchase goods for public infrastructure projects from inside or outside of Alberta have a direct effect on jobs and the economy in the province that goes far beyond the ticket price.

Therefore, Alberta should adopt buy-local policies for procurement around infrastructure development and maintenance, and adopt an "Alberta First" policy for procurement of government supplies and food. This will ensure that public funds are being used to support the very communities and businesses that are footing the bill for those goods.

In addition, trade agreements that seek to undermine democratic control over procurement and how Albertans choose to fund and manage their public services should be opposed. The current trade negotiations between Canada and the European Union under the Comprehensive Economic and Trade Agreement (CETA) will undermine the ability of Albertans to set stringent environmental regulations for procurement or implement "buy local" policies. Agreements like CETA continue to undermine the ability for Albertans to keep services such as water distribution, wastewater management, transit, and social services publicly owned; bring public-private partnerships back under public administration when they fail; and will undermine the economy over the long-term<sup>2</sup>.

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<sup>1</sup>"In what ways can the government act to increase revenue without jeopardizing Alberta's competitive position? (Source: Alberta Government budget survey" <http://finance.alberta.ca/publications/budget/budget2015/Budget-2015-Consultation-Report.pdf>

<sup>2</sup>CETA Fact Sheets, CUPE, <http://cupe.ca/ceta>

## 2.2 Greening government infrastructure

Like many other provinces, Alberta's public infrastructure is in dire need of upgrading and maintenance. Modernizing public infrastructure, especially investments in greening of government buildings will produce jobs now and cost savings for the province in the future. Apart from being needed to keep public infrastructure functional, investment of this kind is the biggest generator of economic growth of any form of government investment (Figure 1.3).

The Federation of Canadian Municipalities report on green infrastructure shows that investments in green infrastructure have large multipliers for the economy and job creation and cost-savings for governments.<sup>3</sup> When combined with buy local procurement policies, the positive effect on the economy would create jobs here in the province as our businesses already produce green infrastructure products. At a time when the private sector is not investing in job creation and when our public infrastructure is in dire need of repair, it is an obvious policy measure.

## 2.3 Provincial and Municipal infrastructure

The previous government let the province fall behind in almost every area of infrastructure investment. At least since 2007, the Auditor General for Alberta has outlined the growing costs of deferred maintenance of public infrastructure. With this deferred maintenance and new builds needed as the province's population continues to grow fast, massive infrastructure investment is essential.

In towns and cities, according to the Federation of Canadian Municipalities, there are hundreds of millions of dollars of infrastructure that needs upgrading in Alberta.<sup>4</sup> If this deferred maintenance is not addressed, the long-term liability costs will continue to rise. Municipalities need funding to repair buildings and aging infrastructure. The multipliers outlined in Figure 1.5 show that investment in infrastructure will not just save money and make communities safer and better, but will create jobs generating economic growth for the region.

In addition, municipalities need support in areas that allow for their own revenue generation such as investment in public transit, social housing and water services as they expand to meet the growing demands of urban population growth and modern transit needs. The province should continue on-track with the uploading of costs of social services, while maintaining local control in setting priorities for the provision of services.

While the economy is slowing and labour is available, this is a prime time for the province to invest in infrastructure renewal.

## 2.4 Broadband infrastructure

While the previous government had launched successive programs to develop rural access to the internet, there are still many parts of rural Alberta that do not have access to affordable and stable high-speed internet.<sup>5</sup>

Different speeds of Internet access correlate to other factors which drive inequality. As such, any disparity in access to Internet-based services exacerbates issues faced by those already marginalized.

As a way to encourage private companies to invest in the infrastructure that would make this possible, countless incentives and concessions were granted to Internet service providers granting them borderline monopoly status. Despite this, rural areas, low-income neighbourhoods and certain other regions have seen little improvement in

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<sup>3</sup>Building Canada's Green Economy: The Municipal Role, <http://www.sustainableprosperity.ca/dl732>

<sup>4</sup>Danger Ahead, Federation of Canadian Municipalities, [www.fcm.ca](http://www.fcm.ca)

<sup>5</sup>Final Mile Rural Connectivity Initiative <https://www.servicealberta.ca/FMRCl.cfm>

their Internet access, as these private telecommunications companies see little profit in investing in providing high-speed access to these communities.

Innovative work by the Olds Institute for Community and Regional Development in Olds, Alberta shows one example of building access where none has existed. Supporting public community high-speed access is one way the government could help fill this gap in access that appears between rural and urban areas.<sup>6</sup>

In addition, thousands of low-wage families are being marginalized simply because they cannot afford access to the Internet, which is now necessary to take advantage of many public services and job opportunities.

CUPE recommends the government renew their rural broadband strategy that brings the newest technology to rural Alberta with a focus on providing material and regulatory support for publicly owned community broadband initiatives.

## 2.5 Diversifying the economy

With the drop in market prices of natural resources, it is clear that the NDP government should focus on diversifying the economy so it is more resilient to price fluctuations of natural resources. The best way to start this process is to bring together groups that have been excluded (i.e., from non-resource extraction sectors) from discussions about policy. Students, First Nations Communities, workers' organizations, professional organizations, progressive academics and active community leaders should be engaged in an ongoing process.

Diversifying a provincial economy cannot happen over-night, but innovative thinking about use of provincial resources to support the research and investment required to start new directions will be needed. This can best happen through open dialogue with these communities setting-out best sources of funding for innovative projects.

Regional economic development must be driven by those communities that development should happen in. Given the opportunity to establish their own future with reasonable support from the government, the opportunity to engage in short and long-term planning, communities in other jurisdictions have been successful in leading development. One focus must be on the transition to renewable energy generation; using local energy industries and community-owned companies and expertise would be a good place to start growing this sector.

## 2.6 Non-profit sector

CUPE agrees with the analysis in a new Parkland Institute report that states a new approach is possible and needed for social policy in Alberta.<sup>7</sup>

Decades of experimentation by the provincial Progressive Conservatives to offload the provision of social services to for-profit and under-resourced not-for-profit community groups has failed the most vulnerable in Alberta. Instead of continuing this failed program of privatization, marketization and financialization, the NDP should embrace policies focused on social welfare. In addition to funding, the province should set an appropriate relationship with Alberta's vast not-for-profit sector to compliment investment in the invaluable and irreplaceable work of a well-paid, well-trained, reliable and professional public sector.

The NDP should avoid continuing the financialization of the social services delivery with so called Social Enterprise and Social Impact Investing schemes. These privatization programs insert layers of banks and consultants

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<sup>6</sup>Small Alberta town get massive 1000mbps broadband boost <http://www.cbc.ca/news/technology/small-alberta-town-gets-massive-1-000-mbps-broadband-boost-1.1382428>

<sup>7</sup>A new approach is possible and needed for social policy in Alberta <http://citizenspress.org/leftnews/new-approach-is-possible-and-needed-for-social-policy-in-alberta>

between government ministries, service providers, and the public while driving-up costs and undermining public oversight and control.

The goal should be to establish stable and sustainable long-term funding for public social programs instead of relying on debt-financing privatized programs such as Social Impact Bonds.

## 2.7 Supporting the community

A small amount of money could go a long way in dealing with the local democratic deficit in the province by establishing funding for a third-party administered community engagement and research group. We recommend an independent quasi-academic group (such as the Parkland Institute) be asked to help develop community-directed and focused engagement initiatives. The focus of the initiative would be to develop concrete recommendations from communities (both geographical and interest-based) for building structures of public engagement with government.

Some suggested areas of focus for grant and loan programs should include the commissions on progressive regional economic development and precarious work. Issues commissions should be separately established to engage Aboriginal communities, women and students and youth within the context of community support and diversification of the economy.

Ideas for underwriting local economic development and capital projects should be incorporated into any process with clear recommendations for funding and institutions necessary to support ongoing implementation of programs. This should include workable proposals for using public bank funding more effectively, directing small capital grants and re-directing dedicated funding from current resource extraction “innovation” funds towards peer-reviewed graduate student and academic research in local economic development.

Opportunities for cross-pollination of community groups, social justice organizations, students and workers’ organizations will help build a robust and community-driven network to allow regular Albertans access to the political system. Empowering community groups will help set the stage for continued engagement within an evolving policy program for renewal in Alberta.

## 2.8 Additional specific recommendations

### 2.8.1 Long-term Care

Universally accessible public long-term care by professional staff is what the elderly, who have contributed to the growth and prosperity of Alberta, deserve. The government should take care not present a budget as a choice between dignity in old age and short-term surpluses. The government should also reject competitive bidding models in home care as it undermines the profession, reduces quality and continuity of care for patients and access to the service.

The current back-log of long-term care beds is putting a strain on hospitals and emergency rooms, increasing wait times and unnecessarily increasing costs.

The government should continue to invest in public long-term care facilities beyond the 2000 new beds announced in the mini-budget to reach the goal of 20,000 long-term care beds. In addition, improved standards for staff to patient ratio and a minimum number of staff at a certain level of qualification should be set and regulated. The goal should be to provide the quality of care that provides dignity in old age. Funding should be going to public, non-profit care that gets the best value for dollar and puts the patient at the centre of funding decisions, not profit.<sup>8</sup>

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<sup>8</sup>Residential Long-Term Care for Canadian Seniors Nonprofit, For-Profit or Does It Matter? Margaret J. McGregor and Lisa A. Ronald. IRPP. <http://irpp.org/wp-content/uploads/assets/research/faces-of-aging/residential-long-term-care-for-canadas-seniors/IRPP-Study-no1.pdf>

## 2.8.2 School classroom support

CUPE members in the school board system have highlighted that classroom supports are at an all-time low in Alberta.

A new report from Public Interest Alberta, “Alarm Bells Ringing: Voices from Schools”<sup>9</sup> The report highlights issue of growing class size, increasingly diverse and complex classroom composition and a lack of resources to address the varied needs of children in those classes.

The government should work with unions and education advocacy organization on best practices to increase direct support for students with special needs while maintaining classroom diversity.

## 2.8.3 Review of Tax Expenditures and Loopholes

The government should engage in a comprehensive review of tax expenditures and loopholes. While Alberta already produces annual tax expenditure reports, producing a public review of loopholes would allow Albertans to set priorities for their tax expenditures.

## 2.9 Equality

CUPE has conducted rigorous analysis of public and private compensation using the most detailed occupational data available from the census. These results, published in detail in the Battle of the Wages<sup>10</sup> report, found that when similar occupations are compared, overall average pay for public sector workers is very similar to the private sector (higher by just 0.5 per cent). While overall averages are very similar, pay scales are very different with public sector pay much more equitable than the private sector. There’s a smaller pay gap for women and pay is also much more equitable by age, region and occupation.

Pay for women in the public sector is more equitable largely because of pay equity laws that rarely apply in the private sector. If public sector wages and salaries followed private sector standards, the result would not only be a larger pay gap for women, but also greater inequalities across occupational groups, regions and age groups, with lower wages for the lowest paid and significant pay hikes for those at the top.

Public sector wages should reflect broader Canadian values. Wage disparities have grown too large. The International Monetary Fund (IMF), Organization for Economic Cooperation and Development (OECD) and the Conference Board of Canada have recently raised concerns about the negative economic impact of growing wage and income inequality in Canada.

## 2.10 Public-Private Partnerships

An audit should be carried out on current Public-Private Partnership (P3) infrastructure programs. CUPE believes that this ties in with a number of platform commitments in terms of spending and fiscal reviews. Until this comprehensive review is carried out and comprehensive P3 accountability and transparency legislation is adopted, a moratorium on P3s should be put in place.

<sup>9</sup><http://pialberta.org/content/public-interest-alberta-releases-new-report-classroom-conditions-alberta>

<sup>10</sup>Battle of the Wages: Who gets paid more, public or private sector workers? <http://cupe.ca/battle-wages-who-gets-paid-more-public-or-private-sector-workers>

Public-Private Partnerships continue to unnecessarily increase long-term costs for the people of Alberta. According to reports of Alberta's Auditor General, the province has not done enough to validate key cost assumptions for P3 projects and over-reporting of savings.<sup>11</sup>

The promise of private sector efficiency for the delivery of public services has also not been borne-out elsewhere. Recent high-profile failures of these schemes have resulted in cost over-runs, poorly managed facilities, loss of democratic control, and the undermining of wages and benefits of workers which continue to plague this private model of delivery.

Successive Auditor General reports from other provinces have highlighted the following problems with public private partnerships.

In her 2014 Report, Ontario's Auditor General reviewed 74 P3 projects and concluded that they cost the province \$8 billion more than if they had been procured publicly. She also questioned the main justification for using P3s – the assertion that they transferred risk to the private sector. The P3 projects used unrealistically high risk transfer, averaging about 50 per cent of the capital costs.

The Auditor General concluded that “there is no empirical data supporting the key assumptions used by Infrastructure Ontario to assign costs to specific risks.”

In 2014, the Auditor General of British Columbia raised major concerns about the high cost of debt through P3 projects. She examined 16 different P3 projects in the province and reported:

“The interest rates on this \$2.3 billion of P3 debt range considerably, from 4.42 per cent to 14.79 per cent, and have a weighted average interest rate of 7.5 per cent. Over the last two years, government had a weighted average interest rate on its taxpayer-supported debt of about 4.0 per cent . . .”<sup>12</sup>

Alberta has had its own problems with P3s. In September 2012, the Alberta government announced a third round of 12 new P3 schools in eight communities. They are more expensive than publicly-run schools, they do not meet the needs of the community, and they fail to deliver a safe place of learning for all students in Alberta. The schools built using this privatization model continued to make headlines into 2013.<sup>13</sup>

The provincial government should be looking to the public sector for constructive ways of providing public services instead of seeking quick-fixes such as public-private partnerships that more often than not simply cost more for inferior service.



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<sup>11</sup> Alberta 2010 Auditor General Report <http://www.oag.ab.ca/webfiles/reports/OAGApr2010report.pdf>

<sup>12</sup> What provincial auditors have said about P3s, CUPE 2015 <http://cupe.ca/fact-sheet-what-provincial-auditors-have-said-about-p3s>

<sup>13</sup> CUPE case study: Alberta P3 schools <http://cupe.ca/node/33119>





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