

# BUDGET WATCH 2010



[www.psac-afpc.com](http://www.psac-afpc.com)

## WHAT TO LOOK FOR IN THE 2010 FEDERAL BUDGET

### Direct attacks on federal public sector workers

The federal budget will probably talk about both short term measures and long term measures to slay the deficit. Some of those measures could involve direct attacks on federal public sector workers.

The current deficit wasn't caused by public service workers. It was caused by private sector greed. Many of the voices calling for attacks on the public sector now conveniently looked the other way while their colleagues sabotaged the global financial system for personal gain.

The federal government's overall national debt remains historically low at about 33% of GDP. The part of the current deficit which won't evaporate naturally through economic growth, according to the Parliamentary Budget officer is only 1% of GDP, small by comparison to the 7.5% and 4.5% levels of the nineties. Finally, and most importantly, the deficit wasn't caused by spending on much needed public services it was caused by bad tax policies.

*Fast fact:* According to the 2009-2010 Main estimates it costs the government \$33.6 billion to pay and provide benefits for everyone who works for them, including military and RCMP uniformed personnel who probably account for over one-quarter of this amount. It doesn't include the \$8 billion that the government spends on contracts with the private sector to provide professional and special services.

*Fast fact:* In 2010 federal public sector workers will contribute 10.45% on every dollar they make under \$47,200 and 8.4% on every dollar above \$47,200 of their income towards their retirement pension plans which are a combination of CPP and the federal public service superannuation plan.

*Fast fact:* The 10.45% figure is scheduled to rise to 11.35% by 2013 when employee contributions will make up about 40 percent of the total cost of providing pension benefits.

*Fast fact:* Employee pension contributions will have increased by 41 per cent over the period 2005 to 2013.

*Fast fact:* The average annual pension received by retired federal public sector workers in 2008 was \$23,422.

*Fast fact:* The government siphoned off \$30 billion surplus from the federal public sector pension plans into general revenues in 1999

### **In this budget look for:**

- an extension of wage restraints
- the imposition of a wage freeze
- the suspension of collective bargaining for a period of time
- a reduction in pension benefits
- the elimination of early retirement options
- an increase in employee pension contributions to make up 50% of the total cost of providing benefits
- any improvements in public pensions plans (CPP, QPP)

### **Tax freeze or cuts**

The government has vowed not to raise taxes in the upcoming budget. Although there may be differences in opinion about which taxes should be raised even the Council of Chief Executives and Bank CEOs believe that there is a revenue shortfall and that some taxes need to be raised. Only the Harper government can't do the math.

Given a choice, most Canadians wouldn't trade the public services that protect them and support them as individuals or communities to give corporations and super wealthy Canadians more tax breaks in return for the couple of cents they save on a cup of coffee because of a percentage point drop in GST.

*Fast fact:* By 2014 Conservative tax cuts that were first introduced in 2006 will have cost the public \$220 billion or what amounts to \$36 billion a year in lost revenue and therefore lost public services.

*Fast fact:* Scott Clark and Peter DeVries, Finance Department officials who piloted Paul Martin's spending cuts in the 1990s, warn that freezing the corporate income tax rates alone at 18 per cent, rather than keeping on with the planned cuts, would bring in more than \$5.5 billion a year by 2013-14.

*Fast fact:* Independent economist Dale Orr estimates notes that the "savings" from freezing all public service pay would have to be multiplied by 10 to equal this amount of revenue loss.

### **In this budget look for:**

Tax initiatives that remain consistent with economic recovery and could erase the deficit in three years, such as:

- reinstating the Corporate tax rate to 2007 levels,
- reinstating the Corporate tax rate for oil and gas extraction to 2003 levels,
- taxing the 0.8 per cent of Canadians who earn over \$250,000 annually,
- fully taxing capital gains,
- fully taxing executive stock options,
- applying a minimal tax on security transactions,
- capping Tax Free Savings Accounts at a life-time limit,
- reversing the last 1% GST cut.

## Cuts to public services by stealth

Since it was first elected in 2006, the Harper government has pursued an ideology that believes less government is better and little or no government is best of all. It has been conducting an ongoing program of cuts to federal public services by stealth to avoid public, media and opposition party scrutiny.

### In this budget look for:

- More expenditure and program reviews
- More sales of public assets and government infrastructure, including more contracting-out
- Privatizing public responsibilities, including downgrading current regulations and fewer workers to enforce regulations
- More public/private partnerships (P3s)
- More trade agreements that put public services in jeopardy

## Stimulus spending

Stimulus measures must help all Canadians. This is the only way to encourage real economic growth and ensure that Canada emerges as a more prosperous, healthy and equal society.

The most effective stimulus is spending on social infrastructure. Governments need to put money in the hands of people who need it most – the poor, women, disabled people, aboriginal women and men, immigrants, the unemployed – and provide the public services at all levels that support these Canadians.

*Fast fact:* Unemployment is high at about 8.5%.

*Fast fact:* As many as 500,000 Canadians who were on EI will exhaust their benefits before finding a new job.

*Fast fact:* 810,000 more Canadians are expected to be applying for EI because the jobs they once had are disappearing.

*Fast fact:* Consumer debt levels equal 145% of household income, an historic high.

*Fast fact:* Higher debt and high unemployment have pushed more Canadians into bankruptcy, an increase of 43% in just one year.

### In this budget look for:

- Long or short-term hard infrastructure spending (bridges, sewers, roads, community facilities)
- Green infrastructure spending (home retrofits, water treatment facilities, community energy systems)

- Social infrastructure spending (child care, unemployment benefits, public pensions)

## **Ideological cuts masquerading as fiscal restraint**

The Conservative government has used its budgets to pursue its reactionary ideological initiatives. The Public Sector Equitable Compensation Act in the last Conservative government budget effectively denied the right to pay equity for federal public sector workers – a goal of Stephen Harper’s back to his National Citizens Coalition days.

The Conservatives are also not afraid to cut funding or otherwise attack organizations that don’t conform to its narrow view of the world. Examples include funding cuts to KAIROS, an ecumenical partnership working to promote human rights, justice, peace and viable human development, elimination of the Court Challenges Program, and attacks on the International Centre for Human Rights and Democratic Development. The Harper government’s latest attack on human rights here at home involves closing most of the Canadian Human Rights Commission’s regional offices and laying off staff when the Commission already has insufficient resources to handle complaints.

The impact of Conservative ideology on women has been particularly pronounced. In addition to the attack on pay equity, they’ve cut funding to women’s advocacy organizations and cancelled the child care agreements with the provinces. Former ambassador to the UN Stephen Lewis describes Harper’s announcement that he wants to mobilize the G-8 nations to improve the health of women and children in developing countries as nothing more than “a crass piece of political opportunism”.

For example, the elimination of funding will put KAIROS’ plan to set up a legal clinic to protect women’s rights in the Congo and support Congolese women who have been raped in jeopardy. Meanwhile, some Conservative MPs are putting pressure on the the federal Cabinet to end Canada’s 25-year history of funding to the International Planned Parenthood Federation. Days after Harper’s sudden interest in maternal health, he cut 99 percent of funding to the Canadian Federation of Sexual Health. The Federation is Canada’s member of the International Planned Parenting Federation.

### **In this budget look for:**

- Funding cuts to groups and organizations that don’t toe the Conservative line.
- Spending announcements for new organizations that promote the Conservative ideal, such as a new Canadian Centre for Advancing Democracy – a Canadian version of the controversial U.S. National Endowment for Democracy.