

Canada's pandemic wage subsidy: A slush fund for wealthy shareholders and corporate executives

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Several recent news reports have exposed how Canada's ruling elite is using government pandemic support programs ostensibly intended for working people to award themselves lavish bonuses and shareholder payouts. At the centre of the scandal is the Canada Emergency Wage Subsidy (CEWS), which is expected to cost over \$68 billion by the time it winds up in June 2021. Under this program, employers who can show significant revenue losses can obtain a federal government wage subsidy of up to 75 percent of their workers' wages.

Investigations conducted simultaneously by CBC and the *Financial Post* revealed that the CEWS is being used by large companies as little more than a slush fund to boost payouts to shareholders and executive bonuses. The *Post* found that 68 companies received a total of \$1.03 billion in CEWS while paying upwards of \$5 billion in dividends to stockholders. The reports were limited to publicly traded companies using information disclosed as part of routine financial reporting, indicating that the true extent of such blatant theft of public funds is far greater. In the face of inquiries from reporters, Justin Trudeau's Liberal government has steadfastly refused to make public the names of all the corporations who have taken part in the wage subsidy program.

The companies cited in the exposés are not the corner stores, restaurants and other small businesses touted by the government as the beneficiaries of CEWS during its rollout, but large, well-known corporations with enormous revenues. Take Imperial Oil, the 140-year-old petroleum giant with large stakes in the Alberta oil sands and majority-owned by the United States-based Exxon Mobil. It collected \$120 million in wage subsidies, while issuing \$320 million in dividends.

Some companies undertook massive layoffs even while obtaining these handouts from the public treasury. For example, Leon's, a large furniture retail chain, was able to report impressive numbers even while the coronavirus has ravaged the industry at large. It received \$29.8 million in wage subsidies while paying its investors \$9.8 million in dividends. The company also spent \$36.2 million on stock buybacks. Despite being clearly flush with resources, it furloughed 6,000 workers

at the various chains it owns, which include The Brick and Appliance Canada. Of these, 5 percent still haven't been hired back, according to the company.

The trucking company TFI International sent home 1,500 workers when the virus began taking hold in the spring. The \$63 million in subsidies were instead spent on \$45 million in dividends and \$9 million in buybacks that sent the share price rocketing. Its CEO dismissed any thought of not taking the subsidy as akin to thinking one is "more Catholic than the Pope."

Perhaps the most egregious example of profiteering with public funds comes from the for-profit long-term care industry. For years, executives, enabled by the active support of all political parties for the privatization of elder care, siphoned off wealth intended to ensure care and dignity to patients into the pockets of private investors. The result has been devastation once the virus got into long-term care facilities. This has not chastened management into directing resources elsewhere, however. The CBC reported that two large providers, Extendicare and Sienna Senior Living, received a combined \$157 million in wage subsidies while shelling out \$74 million to shareholders this year. In Ontario alone, 480 residents and staff of their facilities have succumbed to COVID-19.

The CEWS program constitutes only a fraction of the millions funnelled into the coffers of the corporate elite by the ruling Liberal government and the Bank of Canada during the pandemic. All told, the policy of market-bailouts, buybacks and tax write-offs will transfer well over \$650 billion to the wealthiest Canadians. The entire process has been enacted with few restrictions or transparency. The Bank of Canada has flatly declared it will not publish the list of companies benefiting from its "quantitative easing" program until many years hence, if ever.

Unlike other countries, the government has not predicated subsidies on recipients refraining from issuing dividends or engaging in share buybacks. Nor have they demanded that profitable companies pay back the money they've received. Responding to criticism last week, Finance Minister Chrystia Freeland said that the money was earmarked for workers and

that “[we] expect companies to comply with that.”

The government’s indifference to corporate profiteering is in marked contrast with its approach to the Canadian Emergency Response Benefit (CERB), which sent \$2000 per month directly to Canadians unable to work due to COVID-19 lockdowns or loss of work. Having ended the program, it has shifted workers to other benefit packages with stricter requirements in order to pressure them to accept low-wage or substandard employment. On top of this, in recent weeks the Canada Revenue Agency has sent letters to more than 400,000 Canadians informing them that they must repay the benefits they received as they have been deemed ineligible for COVID-19 relief.

The optics of the government trying to claw back cash from jobless workers while corporations reap record profits using public funds has troubled even some of the most fervent advocates of the capitalist “free market.” The same media outlets that spent the better part of the spring, summer and fall denouncing the CERB payouts as a “moral hazard” that risked turning “workers into welfare slackers,” which was a key ideological argument in the homicidal back-to-work campaign, are now nervously pointing out that the corporate elite’s brazen self-enrichment through CEWS could trigger a social explosion.

The neoconservative *Financial Post* wrote, “The sight of large, relatively healthy corporations feasting on sustenance meant for weaker employers during a once-in-a-lifetime catastrophe is emblematic of why Canada’s style of capitalism is in trouble.” Revealing the mindset within a besieged ruling class, which sees the threat of social anger erupting on all sides, the *Post* commentator continued, “Change is coming, and I only hope those of us who are fans of (capitalism) get to take part. That’s far from assured.”

The CEWS scandal is not just a devastating exposure of the criminality that pervades the Canadian capitalist class, which has responded just as ruthlessly as its American counterpart to the pandemic. It also thoroughly exposes the role played by the New Democrats and the trade unions, which touted the CEWS, CERB, and other support programs as generous gestures from a “worker friendly” Liberal government.

On April 11, the same day the CEWS was unanimously approved in parliament, including with the votes of the New Democrats, the Canadian Labour Congress issued a statement enthusing over the measure. “Parliamentarians are clearly sensing the need to act decisively to protect jobs and to help keep Canadian households afloat,” asserted CLC President Hassan Yussuff. “This bill ensures that workers will continue to receive wages and also have access to workplace benefits in the short term.”

Behind this rhetorical bluster, Yussuff and his fellow union bureaucrats knew full well what was going on. One month earlier, Yussuff had appealed for a “collaborative front” between unions, employers and the Liberal government. The

unions kept mum about the more than \$650 billion bailout of the financial oligarchy and banks, while using phoney “progressive” rhetoric about the CERB and CEWS to cover up the fact that they were holding consultations with big business on how to reopen the economy as quickly as possible and helping impose sweeping attacks on workers to ensure the “global competitiveness” of Canadian capitalism. A joint statement signed by the CLC, Canadian Chamber of Commerce and Unifor, among others, from this time infamously declared that it was necessary to help businesses “come roaring back” after the crisis.

The implementation of these anti-worker policies over the past eight months has led to a vast accentuation of already deep-rooted social inequality. While the fabulous enrichment of the ultra-wealthy has resulted in Canada’s top 44 billionaires being \$53 billion better off than they were when the pandemic hit in March, millions of working people have seen their incomes slashed. Moreover, the reckless reopening of the economy and schools has exposed workers to the risk of contracting the deadly virus in workplaces where virtually no safety measures have been implemented.

The unions’ complicity in the looting of society’s resources by the super-rich and the risking of workers’ lives on a daily basis underlines the fact that working class opposition to the disastrous handling of the pandemic can only develop independently and in opposition to these pro-capitalist, corporatist organizations. What workers need are their own organizations of struggle, rank-and-file safety committees in every workplace and neighbourhood, to fight for the impounding of the ill-gotten gains of the super-rich. The funds can then be used to pay workers and their families their wages in full during a shutdown of all nonessential production and schools until the pandemic is brought under control, and to provide billions to the health care system to ensure free, high quality care for all.



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