

# Corporate Canada used government's pandemic emergency wage subsidy as slush fund

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Recent weeks have seen further revelations as to how corporate Canada, with the blessing of the federal Liberal government, has used the Canada Emergency Wage Subsidy (CEWS) program to enrich itself to the tune of billions of dollars.

Since last fall, a spate of media reports has detailed how some of Canada's largest companies have used the CEWS to pad their bottom lines, even as they bounce back from any pandemic-related revenue losses and reap sizeable profits.

The CEWS was created in the spring of 2020 as part of the emergency bailout programs that Ottawa put together after working class protests in the auto sector over the lack of protections from COVID-19 forced the ruling elites in Canada and the US to implement temporary lockdown measures. The CEWS allows companies that show a decline in revenue to have the government cover up to 75 percent of their employees' wages. While other pandemic relief programs, including the more than \$650 billion the federal government and Bank of Canada poured into the markets or handed over to the banks and major corporations with no strings attached, openly shoveled public funds into the hands of the rich and super-rich, the wage subsidy was ostensibly designed to keep workers on the job. However, it has proven to be a blank cheque for the corporate elite to boost profits and shareholder payouts while most Canadians have suffered the ravages of the economic downturn. One academic has rightly described the CEWS as a business expense subsidy masquerading as a wage subsidy.

The latest round of exposures of companies profiteering from the CEWS program was kicked off by reports in the *Globe and Mail* in April. The *Globe* noted that the wage subsidy has now swelled into Ottawa's biggest-ever spending program, with costs expected to reach \$110 billion over two years, outstripping the now-defunct Canada Emergency Response Benefit (CERB), which was derided by much of Canada's ruling elite as an "overly-generous" handout to those unable to work due to the pandemic.

In preparing its report, the *Globe* used information on publicly-traded firms and a partial list of companies receiving

government CEWS funds to examine how 389 companies, including some of Canada's biggest, benefited from the program. It found that many companies continued to pay out and even boosted dividends while tapping into the CEWS. Some raised executive compensation, and many laid off workers en masse, as participation in the program did not require any commitment to preserve jobs or impose any limitations on how recipients managed their businesses.

The *Globe* cited the case of TFI International, a Montreal-based transport company. TFI International saw its profits rise as it cut labour costs and moved to acquire other companies, all the while receiving \$75 million in wage subsidies. It subsequently enriched its shareholders by handing out dividends in the last three quarters of 2020 that were greater than in 2019.

The *Globe* observed that even executives have had their salaries partially covered by CEWS. (The average CEO makes in 4 days what the average Canadian does in a year).

While many companies remained profitable throughout the pandemic, and in some cases didn't even experience a drop in revenues, they were nonetheless able to claim CEWS funds through subsidiaries that did suffer temporary losses. Overall, despite the unprecedented drop in GDP in the second quarter of 2020 and mass joblessness, only a small majority of the 389 businesses analyzed by the *Globe* saw their profits suffer *any* decrease from the previous year.

The *Globe* also pointed to the government's brazen lying in response to public criticism over corporate profiteering. This includes Finance Minister Chrystia Freeland's claims that CEWS funds can't be used for purposes other than wages, and that companies that increased their executives' compensation could have the CEWS payments clawed back. In fact, companies were and are free to use the subsidies to pad their bottom lines. As for the claw-back, it was only announced in the April 2021 budget, won't take effect until July, and is not retroactive.

The *Globe* stressed that it could only provide a partial picture of how businesses have exploited the CEWS, since the government has refused to provide a full list of recipients. In

fact, the partial online list the government previously provided has now been taken down.

The *Globe* articles were just the latest in a long list of reports depicting how the government has plied the corporate elite with easy money during the pandemic via the wage subsidy. The CBC highlighted the case of Yellow Pages, which received \$7.3 million from CEWS, while paying out more than \$8.8 million in dividends and spending \$3.3 million on share buybacks. Earlier this year, the *Toronto Star* reported that the country's three largest telecommunications firms, Rogers, Bell, and Telus, received upwards of \$240 million in CEWS money. They managed to do this while paying out a combined \$5.5 billion in dividends last year, with Bell and Telus actually increasing the amount paid out compared to 2019.

In another highly revealing example of the wage subsidy's class purpose, it was revealed that Saskatchewan-based Federated Cooperatives Ltd. received millions in CEWS payments to cover the wages of the scabs it employed while locking out over 700 Regina oil refinery workers so as to impose massive contract concessions.

The media revelations and recriminations over the wage-subsidy program reflect tensions within the ruling class over how best to defend the interests of Canadian capitalism in the midst of the socio-economic and political crisis triggered by its ruinous response to the COVID-19 pandemic. The *Globe* has used the CEWS revelations to attack the Trudeau Liberal government, complaining that the Liberals have thrown the "door to the federal treasury wide open." For its part, the opposition Conservative Party has denounced "reckless" Liberal spending. After it emerged that all three major federal parties had received wage subsidies, the Tories made a show of pledging to pay back what they received. While there are undoubtedly tactical divisions between the Tories and Liberals on how best to safeguard the profits of big business, one of the main concerns motivating Trudeau's critics is that the shameless enrichment of the wealthy—summed up by the fact that Canada's 48 billionaires have gained more than \$78 billion in wealth since the beginning of the pandemic—could become a lightning rod for popular anger.

Other sections of the ruling elite, no doubt motivated by the vast swelling of their stock portfolios during the pandemic, have been equally vociferous in defending the CEWS. The hard-right *Financial Post* published an editorial denouncing the mild criticisms of the *Globe* and the *Star*, writing in defence of the nation's corporate elite that "bus drivers, software engineers, accountants, and shoe salesmen are greedy, too. Also, gardeners, plumbers, librarians, and zookeepers." Citing the needs of business competition, it added, "It makes no sense to say that all these companies should have cut everything else before touching employee compensation. When faced with a choice between paying dividends or keeping all employees on payroll, it may well make sense for many companies to pay the dividend." The *Post*'s own parent company Postmedia has

been a beneficiary of the wage subsidy, receiving tens of millions of dollars in state support.

If such shameless endorsements of capitalist exploitation can be published, it is in no small part because the ruling class knows it has the support of the trade unions and ostensible "left" in diverting working class anger into a blind alley. The New Democrats have made much of their opposition to "abuses" of the CEWS program. However, they have steadfastly kept the minority Liberals in power and supported all the bailout measures, including the hundreds of billions poured into the markets to prop up investor wealth. They have complained instead, to cite the words of the party's finance critic, that companies are "breaking the spirit of why CEWS was put into place." The reality is that the CEWS is being used exactly as its drafters among the political elite and corporate lobbyists intended it to be.

The trade union bureaucracy, with the Canadian Labour Congress in the lead, has supported the ruling elite's unprecedented bailout packages for the super-rich, banks, and big business from the outset. Early on in the pandemic, then-CLC president Hassan Yussuff appealed for a "collaborative front" with the major employers' organizations, and was intimately involved in government consultations to draw up the CERB and CEWS.

Last month, Yussuff defended the CLC's partnership with big business, and specifically the CEWS, as "pro-worker" in a column co-authored with Perrin Beatty, the CEO of the Canadian Chamber of Commerce. Yussuff and Beatty dismissed the reports of many of Canada's biggest companies using the program as a slush fund, with the argument that speedy action to "save" the economy necessitated giving employers free rein until a "recovery" set in—that is, until workers could be forced back on the job amid the pandemic. "While we still haven't recovered the growth lost in the pandemic," wrote Yussuff and Beatty, "the rebound effect after each lockdown was stronger than expected. This is a good thing, fueled in large part by the fact that Canadians could quickly go back to work in a business that had survived. In other words, CEWS did its job."



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